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**Medium-term Strategic and Institutional Plan for
UN-Habitat for the period 2008–2013**

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for the period 2008–2013**

Addendum

Medium-term Strategic and Institutional Plan: supplementary report

I. Introduction

A. The challenge

1. 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 six 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.

2. Urbanization is a strong force that generates economic growth, social and political advances, as well as technical and scientific progress. But when poorly managed, it 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.

3. 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

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sectoral policies and the failure of institutions in providing for the basic needs of people. Today, one billion people live in slums and deprived neighbourhoods.

4. The adoption of the Millennium Development Goals and the existing process of United Nations reform have drawn attention to the compelling case for action on urban poverty and the environment.

5. The need for a new paradigm is urgent. Sustainable urbanization aims to achieve liveable, productive and inclusive cities, towns and villages. It embraces relationships between all human settlements and, as a process, it envisages inclusive and ecologically-sound growth that is people-centric and embraces social harmony, economic vitality and environmental sustainability.

6. With every passing month, a new city the size of Hanoi, Madrid or Porto Alegre is formed. The window of opportunity for achieving sustainable urbanization is closing fast. The time for action is now.

B. Mandate of UN-Habitat

7. The main roles and responsibilities of the United Nations Human Settlements Programme (UN-Habitat) derive from the Habitat Agenda, adopted by the United Nations Conference on Human Settlements (Habitat II) in Istanbul, Turkey, in 1996. Thereafter, the United Nations General Assembly mandated UN-Habitat with overall responsibility for the coordinated implementation of the Habitat Agenda.¹ The Habitat Agenda comprises two main goals – adequate shelter for all, and sustainable human settlements development in an urbanizing world. This mandate was reaffirmed in Millennium Development Goal 7 on environmental sustainability. Target 10 of Goal 7 seeks to halve, by 2015, the proportion of people without sustainable access to safe drinking water and sanitation. Target 11, seeks to achieve significant improvement in the lives of at least 100 million slum-dwellers by 2020. The mandate was further endorsed by the Cities without Slums Initiative of UN-Habitat and the World Bank. The Johannesburg Plan of Implementation of the World Summit on Sustainable Development of 2002 further emphasized 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.

1 See General Assembly resolution 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.

II. Strategic approach

Box I

Vision

Sustainable urbanization 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 urbanization, 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, to mobilize networks of Habitat Agenda partners to implement a shared vision of sustainable urbanization;
- 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 Millennium Development Goals;
- To build the 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 the capacity of UN-Habitat to bring together all spheres of government, civil society and the private sector by strengthening partnerships for the promotion of sustainable urban development;
- To become the premier reference institution for global research, monitoring and dissemination of information and best practices on sustainable urbanization;
- To be the first stop for pro-poor urban development policy, ideas and strategies;
- To be recognized as a 'centre of excellence' in building the capacity of governments, local authorities and Habitat Agenda partners through technical cooperation and training and learning;
- To become a catalyst in creating innovative financing mechanisms for affordable housing, basic urban infrastructure and services, to be scaled up by institutions with greater resources at the national and global levels, e.g., international finance institutions.

A. Origins of the Medium-term Strategic and Institutional Plan: the case for change

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

9. Specifically, the evaluation stated:

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

10. The Governing Council of UN-Habitat subsequently endorsed the 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 organizational 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..”.

B. Focus areas

11. To realize its corporate vision and achieve its strategic objectives, UN-Habitat will concentrate on six mutually reinforcing focus areas in which it enjoys a recognized comparative advantage (see table 1). Focus area 1 concerns the global normative and advocacy role of UN-Habitat; areas 2 to 5 reflect the substantive areas of focus of the organization; area 6 concerns its internal management objective for the plan period.

12. 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 of activities is satisfactorily assessed and to ensure clear attribution to the organization's interventions. Immediately following the twenty-first session of the Governing Council, a process will be developed to define specific targets which will be reflected in the biennial strategic framework and programme budget.

Table1: Key focus areas, objectives and indicators of achievement for the plan period

Key focus area	Objective	Indicator of achievement
1. Effective advocacy, monitoring and partnerships	To promote sustainable urbanization through evidence-based research, policy dialogue, strategic partnerships, global campaigns, education, communication and exchange of best practices.	<ul style="list-style-type: none"> (a) An agreed number of countries, municipalities and partnerships engaged in monitoring, reporting and dissemination of key urbanization trends, including urban poverty and slums; (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 urbanization endeavours; (c) An agreed number of countries that include or observe integrated urbanization principles and urban poverty issues in their respective national development plans, poverty reduction strategies and United Nations Development Assistance Frameworks; (d) An agreed number of best practices replicated and scaled up.
2. Promotion of participatory urban planning, management and governance	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"> (a) An agreed number of countries adopting legislation and measures developed to promote fiscal and political decentralization to the relevant levels of government; (b) An agreed number of cities adopting disaster mitigation, environmental planning and management policies and strategies and crime reduction; (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; (d) An agreed number of cities and towns developing integrated city development strategies, including land use.
3. Promote pro-poor land and housing	To assist national governments and Habitat Agenda partners to adopt pro-poor, gender and age-sensitive housing, land management and property administration through enabling policies and improved legal and regulatory frameworks.	<ul style="list-style-type: none"> (a) An agreed number of countries adopting effective gender and age sensitive housing, land and property strategies and associated improved legal and regulatory frameworks; (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; (c) An agreed number of countries developing and implementing sustainable gender-sensitive shelter relief and reconstruction models in

Key focus area	Objective	Indicator of achievement
4. Environmentally sound basic urban infrastructure and services	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.	<p>post-conflict and post-disaster areas;</p> <p>(d) An agreed number of countries enacting legal reforms to empower women with land and property rights, including through inheritance.</p> <p>(a) An agreed number of countries and cities adopting improved infrastructure governance frameworks ensuring the involvement of local authorities, communities and vulnerable groups;</p> <p>(b) An agreed number of urban centres, including secondary and small towns, adopting environmentally sound and energy-efficient technologies in the construction and provision of services and basic infrastructure;</p> <p>(c) An agreed number of countries demonstrating increased and sustainable access by the urban poor to adequate clean water, improved sanitation and waste management;</p> <p>(d) An agreed number of cities with strategies to minimize and deal with climate change effects.</p>
5. Strengthened human settlements finance systems	To improve access to finance for housing and infrastructure, particularly for the urban poor, through innovative financing mechanisms and improved institutional capacity to leverage the contributions of communities, local authorities, the private sector, government and international financial institutions.	<p>(a) An agreed number of slum-dwellers empowered, through effective organization, to access institutional credit for housing;</p> <p>(b) An agreed increase in measurable Official Development Assistance flows allocated to pro-poor housing and urban development;</p> <p>(c) An agreed number of countries with pro-poor housing programmes, finance institutions and support systems utilizing domestic capital;</p> <p>(d) An agreed number of private sector, regional and international finance institutions and civil society organizations investing in innovative pro-poor housing and infrastructure development in urban areas;</p> <p>(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.</p>

Key focus area	Objective	Indicator of achievement
6. Excellence in management	To improve the implementation of the organization's work through strengthened results-based management and improved communication, skills and facilities for better financial, human resources and knowledge management systems.	<ul style="list-style-type: none"> <li data-bbox="1029 191 1424 323">(a) Effective results-based management by integrating lessons learnt through the monitoring and evaluation process into the programme and project planning process; <li data-bbox="1029 338 1424 411">(b) Improved knowledge management and communication capability as well as internal collaboration; <li data-bbox="1029 426 1424 606">(c) Improved resource mobilization strategy to generate adequate core predictable funding, achieve a balance between earmarked and non-earmarked resources, and secure multi-year framework financing agreements; <li data-bbox="1029 621 1424 674">(d) Positive independent outcomes from biennial staff surveys; <li data-bbox="1029 688 1424 789">(e) Strengthened financial management systems, capacity and procedures, including measures to further enhance transparency and accountability;

III. Implementation of the Plan

A. Enhanced normative and operational framework

13. Given the magnitude of the challenge and the limited resources available, UN-Habitat will develop an enhanced normative and operational framework providing an integrated approach to support governments and their development partners to achieve more sustainable urbanization. Focus areas 1–5 described in table 1, above, will form the basis for the further conceptual development of the enhanced framework.

14. The enhanced normative and operational framework consists of a strengthened partnership and networking strategy and an integrated programme of activities at the global, regional, national and local levels.

1. Partnership and networking

15. 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 urbanization agenda. Accordingly, the partnership and networking approach will be mainstreamed in the enhanced normative and operational framework at the global, regional, national and local levels.

16. In particular, partnerships will be strengthened and expanded with United Nations bodies, International Finance Institutions, and Habitat Agenda partners for the monitoring, reporting and advocacy of urbanization and urban poverty issues, and in developing guidelines and tools for policy development and capacity-building. Common objectives and activities to promote sustainable urbanization will be agreed upon with specific Habitat Agenda partner groups. For example, a new initiative on business partnerships for sustainable urbanization will be launched at the twenty-first session of the Governing Council.

17. In addition, for each substantive focus area, UN-Habitat will strengthen its working relationships with key professional networks. For focus area 2, for example, UN-Habitat will strengthen its ties to associations of urban and regional planners, while for focus area 3, close relations are already being developed with surveyors and land professionals under the auspices of the Global Land Tool Network. Urban legal specialists and parliamentarians represent additional professional groups to be mobilized. A global campaign for sustainable urbanization, discussed below, will provide an important vehicle for mobilizing these networks.

2. Global approach

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

(a) A global campaign for sustainable urbanization 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 enhanced normative and operational framework at the global, regional, country, and local levels;

(b) Engagement with international financial institutions to strengthen their global and country strategies by incorporating the sustainable urbanization agenda;

(c) 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;

(d) The strengthening of relations with civil society and other partners by sharing experiences and best practices at global meetings such as the World Urban Forum.

3. Regional approach

19. The regional approach will consist of normative, advocacy and knowledge management activities. Regional ministerial meetings will promote normative debate on key issues such as decentralization and other specific regional and subregional issues.² UN-Habitat will engage regional development banks and regional economic commissions to raise awareness of the slum challenge and to promote more sustainable urbanization. The regional approach will also emphasize sharing examples of good practice and lessons learned at the regional and subregional levels. Regional “State of the Cities” reports, prepared with partners, could be an important information and advocacy tool to supplement UN-Habitat’s State of the World’s Cities Report.

4. Country-level approach

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

21. In response, the enhanced normative and operational framework will enable countries to analyse their respective urbanization conditions and trends; to assess the adequacy of their policy, legal and institutional frameworks; and to identify priority initiatives to realize more sustainable urbanization. The ultimate objective is to have urban issues reflected in national development strategies, poverty reduction strategies and United Nations Development Assistance Frameworks.

22. The enhanced normative and operational framework will respond to the priorities of countries in different development and urbanization contexts, in countries ranging from those in which the urbanization process has stabilized, to those in which the process is more rapid and chaotic, to countries that have suffered a set-back due to natural disaster or conflict.

23. The enhanced normative and operational framework 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:

(a) 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. In accordance with the United Nations reform process, UN-Habitat will also make available to United Nations country teams and other local partners, awareness-raising and information material on urban challenges. Habitat Agenda partners interested in taking the lead in raising the profile of urban issues will be supported. Where appropriate, national Habitat committees that were originally established for the second United Nations Conference on Human Settlements (Habitat II), held in Istanbul, Turkey, in 1996, will be revived. UN-Habitat will monitor country progress and facilitate the sharing of lessons-learned and good practices;

² These include the African Ministerial Conference on Housing and Urban Development (AMCHUD), the African Ministerial Conference on Decentralization (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).

(b) Where UN-Habitat has established a Habitat Programme Manager, he or she 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 mobilize political will;

(c) In countries in which UN-Habitat has a well-established field presence and where urban issues are well-recognized, the objective will be to mobilize Habitat Agenda partners to develop a comprehensive programme of systemic reforms that will realize positive impacts at scale;

(d) Lastly, in situations in which UN-Habitat is called upon to assist governments to respond to natural disasters or conflicts, the enhanced normative and operational framework will be initiated through the sustainable relief and recovery approach.

5. Local-level approach

24. 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, which is a key partner at the global and regional levels. Where appropriate, UN-Habitat will provide technical advisory and capacity-building support for policy and institutional reform in the key focus areas. Such support 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 urbanization-related goals.

B. Institutional reform

25. Aligning the institution to support the implementation of the Medium-term Strategic and Institutional Plan will be fundamental to the overall success of the Plan. It may also require some changes in existing systems, structures and procedures. The key institutional components of the Plan which were designed to promote management excellence include the following:

1. Integration and harmonization with the broader United Nations reform agenda

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

2. Institutional adjustments

27. Since the start of the process of reform of UN-Habitat in 1998 and its upgrading to a programme by the General Assembly in 2002, the agency has been restructured by the Governing Council into four functional subprogrammes that will address the six focus areas of the Medium-term Strategic and Institutional Plan. Further organizational adjustments might be made to provide greater coherence of effort and alignment of activities that contribute towards the achievement of the six focus areas.

(a) Headquarters

28. The headquarters of UN-Habitat in Nairobi will play a crucial leadership role in driving institutional reform and mainstreaming that reform in operations at the regional and country levels.

29. The organization of branches, sections and units in each of the four divisions of UN-Habitat will also be reviewed and adjusted, where necessary, in order to effectively implement the Medium-term Strategic and Institutional Plan.

(b) Regional level: providing regional and country-level support

30. Regional offices have the primary responsibility for coordinating UN-Habitat support to the country level and for facilitating the implementation of the regional elements of the enhanced normative and operational framework.

31. In addition, UN-Habitat maintains a network of information and liaison offices which will play a crucial information and advocacy role for sustainable urbanization. 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 to the local level. UN-Habitat will further review its regional presence prior to the twenty-second session of the Governing Council in consultation with the Committee of Permanent Representative.

(c) Country level: Habitat Programme Managers

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

(a) Ensure that all Habitat Programme Managers have a sound knowledge of sustainable urbanization issues and the capacity required to support governments and other partners at the local level, and that the financial support necessary to carry out their work will be made available to them;

(b) Integrate Habitat Programme Managers in United Nations country teams to ensure the incorporation of sustainable urbanization issues in the work of the teams. Habitat Programme Managers will act as country-level catalysts for the implementation of the Medium-term Strategic and Institutional Plan, especially in targeted countries.

3. Governance structures

33. The governance structures of UN-Habitat are set out in General Assembly resolution 56/206 of 21 December 2001.

34. In providing policy guidance to UN-Habitat, the Committee of Permanent Representatives will engage in enhanced and continuous dialogue on policy matters and any emerging issues. Regular briefings will be organized by the secretariat, particularly on country-level activities. The secretariat will facilitate regular communication between the Committee and Habitat Agenda partners.

4. Results-based management

35. The Medium-term Strategic and Institutional Plan will introduce significant improvements in management systems and tools to further enhance results-based management. In line with United Nations system-wide reform and harmonization 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 United Nations organizations.

36. Knowledge management and information gathering and sharing have been identified as key contributing factors to building a learning organization and to strengthening cohesion and effectiveness. To achieve this, various functions must be strengthened and aligned to ensure that lessons from the field, be they those of UN-Habitat or of partners, are more systematically linked in a learning cycle that includes evaluation, reporting on lessons learned, normative debate on 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.

5. Human resources management

37. The sharpened focus and the organizational targets of the Medium-term Strategic and Institutional Plan and the introduction of results-based management will require progressive changes in human resources management in pursuit of management excellence. Substantial efforts will be undertaken in human resources development, including the following specific measures:

(a) An organization-wide job evaluation and human resource needs assessment as a basis for strengthening and developing the skills necessary for the full implementation of the Medium-term Strategic and Institutional Plan; an initial assessment has been carried out and is reflected in the proposed staffing table (see table 3 below);

(b) A review of skills available within UN-Habitat and reallocation of staff, where necessary, in accordance with United Nations system-wide policy on staff mobility;

(c) On-the-job training of both locally and internationally recruited staff to reorient their skills towards the focus and result areas of the Medium-term Strategic and Institutional Plan;

(d) Alignment of recruitment with the focus and result areas of the Medium-term Strategic and Institutional Plan, as well as consideration of possible staff buy-out options as part of this process and in line with the United Nations system-wide policy.

C. Habitat and Human Settlements Foundation: Revolving Fund Account

38. UN-Habitat derives its origins from two main sources. The upgrading of the former United Nations Commission on Human Settlements and its secretariat, the United Nations Centre for Human Settlements, established in 1978; and the United Nations Habitat and Human Settlements Foundation, established as an outcome of the 1972 United Nations Conference on the Human Environment.

39. The existing Foundation consists of two funding windows:

(a) The General Fund (or General Purpose Account) receives non-earmarked voluntary contributions from member States and other donors to fund the core advocacy and policy development activities of UN-Habitat's work programme;

(b) The Special Purpose Fund (or Special Purpose Account) receives earmarked voluntary contributions for specific purposes or projects such as the Slum Upgrading Facility and the Water and Sanitation Trust Fund and other Trust Funds and programmes.

40. 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 funding window of the Foundation – the Loan Account (or Revolving Fund Account) – to finance operations at the local or municipal level (see figure 1 below).³ The rules further require the Governing Council to provide policy guidance to the Executive Director for the establishment of operational procedures and guidelines for the loan account.

41. The operationalization 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 to scale up efforts to improve housing, water and sanitation.

42. 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 Procedures and Guidelines of the United Nations Habitat and Human Settlements Foundation, for its policy guidance;

(b) UN-Habitat, pursuant to decisions taken by the Governing Council, will initiate experimental pilot revolving fund account schemes at country level, employing the Slum 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 the Revolving Fund Account, taking into account risks, benefits and complementarities with other

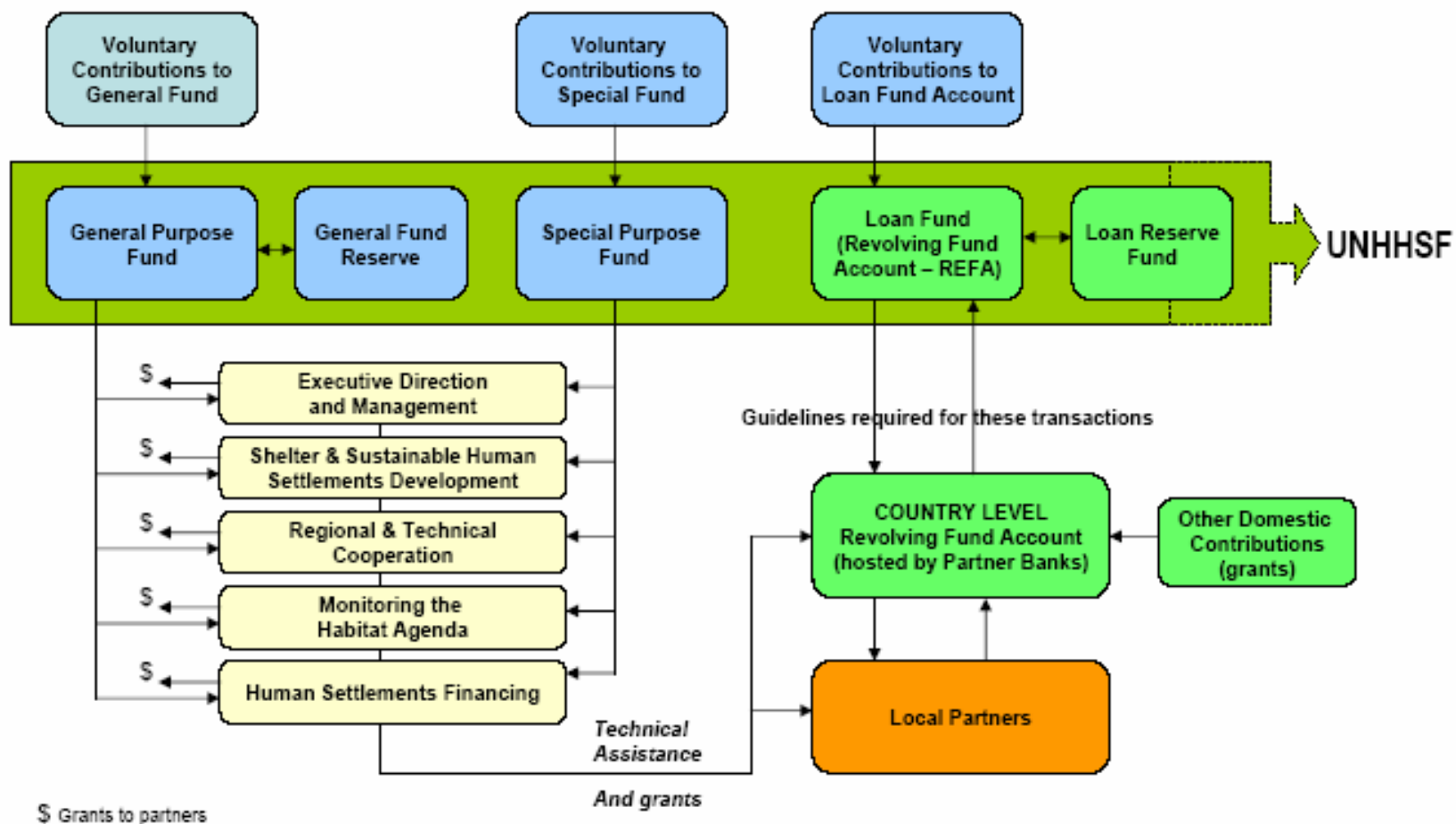
³ See Secretary General's Bulletin, 1 August 2006, Financial Regulations and Rules for the United Nations (Series 100): Special annex for the United Nations Habitat and Human Settlements Foundation (Series 300) to the Financial Regulations and Rules of the United Nations (Series 100), (ST/SGB.2006/8), New York, United Nations.

organizations, particularly the role of and partnerships with international financial institutions;

(e) The findings of the re-assessment and outcomes of the pilot revolving fund account schemes will be presented to the Governing Council at its twenty-second session for its further consideration 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



IV. Resource implications

A. Additional resources

43. The additional financial resources required to initiate the implementation of the Medium-term Strategic and Institutional Plan in the 2008–2009 biennium proposed appropriation amount to US\$ 15 million, as illustrated in table 2 below. Thereafter, a budgetary growth of 15 per cent is envisaged for the 2010–2011 biennium and of 20 per cent for the 2012–2013 biennium. The revised appropriations for the two bienniums amount to US\$ 300,189.4 and US\$ 360,227.3, respectively. Table 3 shows the additional human resources requirement.

Table 2: Estimated resources by subprogramme (in thousands of United States dollars)

Subprogramme	2008–2009 Proposed appropriation (HSP/GC/21/4)	Additional resources for implementation of the MTSIP	2008–2009 revised appropriation (HSP/GC/21/4 Add 2)
		Amount	
Policymaking 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
Total	246,034.3	15,000.0	261,034.3

Table 3: Proposed distribution of posts

	Professional category and above									L-L	Other	Grand total
	USG	ASG	D-2	D-1	P-5	P-4	P-3	P-2/1	Total			
2008-2009 Proposed appropriation (HSP/CGC/21/4)												
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
Total 2004-2005	1	1	4	14	33	36	38	25	152	97	6	255
MTSIP impact (decrease)/increase												
Foundation General Purpose	-	-	-	1	2	12	3	-	18	6	-	24
Foundation Special Purpose	-	-	-	-	-	-	-	-	-	-	-	-
Net changes	-	-	-	1	2	12	3	-	18	6	-	24

2008-2009 Revised appropriation (HSP/GC/21/4 Add2)												
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
Total 2006-2007	1	1	4	15	35	48	41	25	170	103	6	279

44. Column 2 entitled “2008–2009 proposed appropriation” of table 2, above, illustrates the proposed allocation of resources across the core divisions of UN-Habitat for the biennium 2008–2009. Column 3, entitled “Additional resources for implementation of the MTSIP” shows the additional resources required initially to strengthen the substantive divisions to deliver the full range of activities envisaged in the Medium-term Strategic and Institutional Plan. The lion’s share of the additional resources (38 per cent) will go to regional and technical cooperation activities in line with the enhanced normative and operational framework. The strengthening of management and administrative systems, including for improved internal oversight capacity, are next in line with 20 per cent of the US\$ 15 million allocation.

45. In terms of human resources, the additional capacity required to implement the Medium-term Strategic and Institutional Plan in the 2008–2009 biennium is a net of 18 professional staff and six general service staff, as reflected in table 3 above. The funding for these posts would be drawn from the US\$ 15 million additional resources proposed for the 2008–2009 biennium. The approval of these posts falls within the mandate of the Governing Council.

B. Funding scenarios

46. Under the envisaged funding scenario of US\$ 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 pilot countries of the “One UN” initiative; and to implement a comprehensive and innovative resource mobilization and communication strategy.

47. While different funding scenarios (zero, US\$ 5 million and US\$ 10 million are discussed in annex I to the present report), US\$ 15 million is assessed as the minimum-level funding scenario contemplated to allow for meaningful delivery of the Medium-term Strategic and Institutional Plan. Resources permitting higher-level performance scenarios could be considered in the course of implementing the Plan. Given the indicative nature of UN-Habitat budgets that are based on forecast income that might or might not materialize, it might be more prudent, however, to focus on the minimum scenario. That funding scenario 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 Medium-term Strategic and Institutional Plan beyond what is already contemplated in the existing work programme and budget.

C. Resource mobilization and communication strategy

48. At its twentieth session, the Governing Council requested UN-Habitat to prepare a comprehensive resource mobilization strategy (see annex II to the present report for a detailed version of the resource mobilization strategy).⁴ The key elements of the strategy aim to maintain and widen the donor base of UN-Habitat, to correct the imbalance between earmarked and non-earmarked contributions, and to explore non-conventional funding sources, including foundations and the private sector.

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

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

50. Key approaches for broadening the donor base include:

(a) Using the enhanced and normative framework in support of national development plans and poverty reduction strategies;

(b) Establishing partnerships with appropriate international financial institutions and regional development banks;

(c) Moving towards a voluntary indicative scale of contributions (see HSP/GC/21/5/Add.2);

(d) Mobilizing non-conventional sources of funding, including mass appeals, working with private sector organizations that are committed to social responsibility and interested in direct investment in pro-poor housing and urban infrastructure.

51. While the last five years have seen a tremendous rise in the visibility of UN-Habitat and its activities in the media, a central feature of the Medium-term Strategic and Institutional Plan is a communication strategy to further improve communication with:

(a) The broader public, both nationally and internationally;

(b) Governments and donors;

(c) Habitat Agenda partners and United Nations organizations;

(d) Internally, within UN-Habitat.

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

V. Implementation and review

A. Next steps

53. Once the Governing Council endorses the Medium-term Strategic and Institutional Plan and approves the Work Programme and Budget for the 2008–2009 biennium, the Strategic Framework document will be revised to incorporate the Medium-term Strategic and Institutional Plan and will be submitted to the Committee on Programme and Coordination for its review and endorsement in New York in June 2007. Thereafter, the Strategic Framework will be submitted to the General Assembly for its consideration and possible approval in September 2007.

B. Priorities

54. 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 for the Governing Council to agree on a process for setting targets linked to the level of resources made available to support the implementation of the Medium-term Strategic and Institutional Plan. It is proposed that this process should include all Habitat Agenda partners and that it should culminate in the launching of a global partnership for sustainable urbanization at the fourth World Urban Forum to be held 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 Medium-term Strategic and Institutional Plan. High priority will be given also to refining the focus areas and indicators in consultation with the Committee of Permanent Representatives and Habitat Agenda partners.

C. Review process

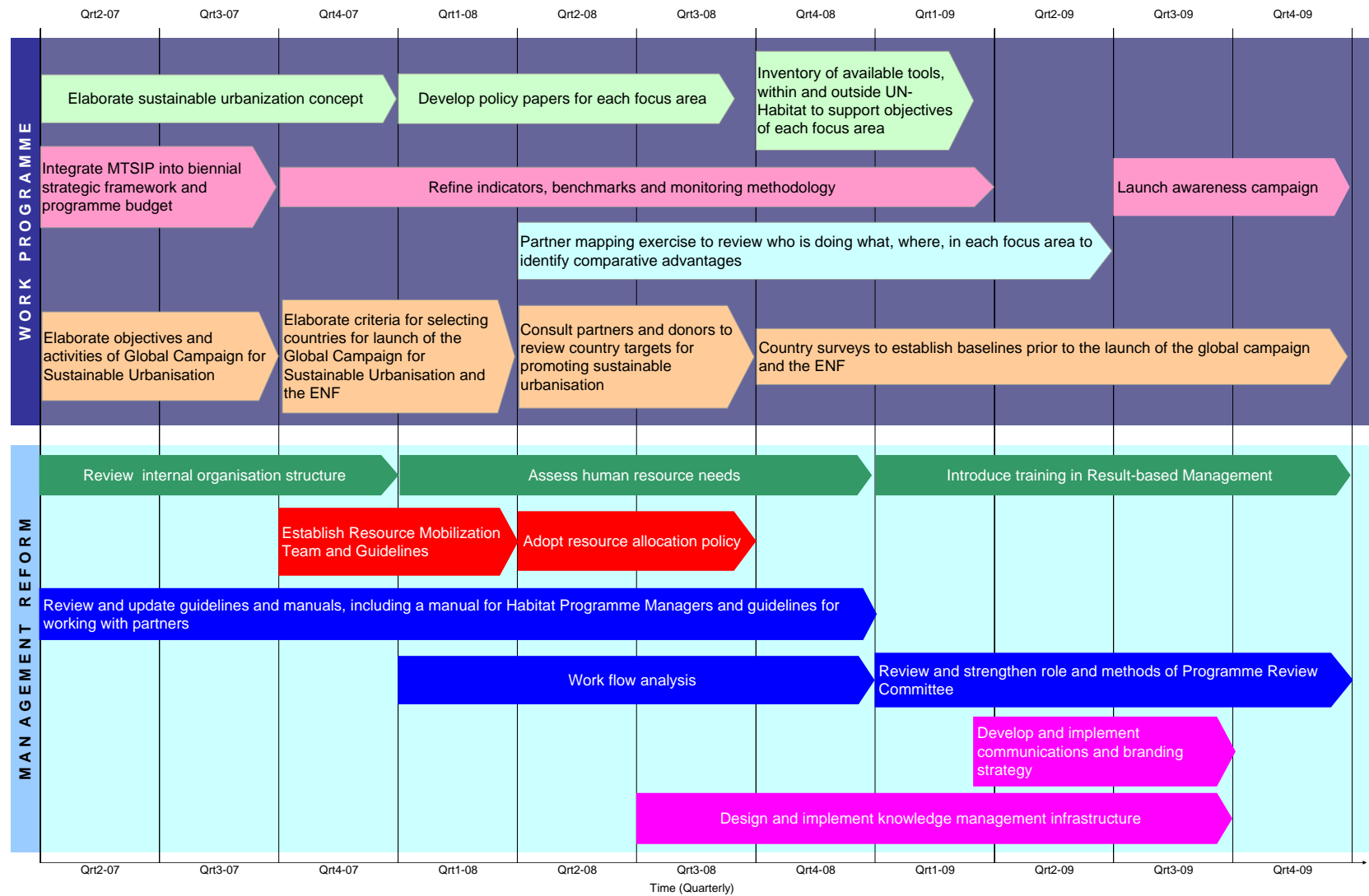
55. A peer review process will be established in close collaboration with the Committee of Permanent Representatives. The peer review process will comprise a cross-section of Habitat Agenda partners, including other United Nations organizations and international and domestic financial institutions.

VI. Conclusion

56. The Medium-term Strategic and Institutional Plan is intended to strengthen the role of UN-Habitat as a dynamic catalyst of sustainable urban development. The sharpened focus of the Plan, its enhanced normative and operational framework for aligning global and country-level activities and operations, and its commitment to partnerships and pre-investment capacity-building, all form the basis for a vision and a commitment to help manage the chaotic aspects of rapid urbanization and deliver cities without slums, as envisioned in the Millennium Declaration.

57. The plan is but a first step towards the overarching goal of sustainable urbanization and a social, economic and environmental contribution to peace, stability and sustainable development. It is an important first step that over one billion of our 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 I

Filling the immediate funding gap for 2008–2009: four scenarios

The present annex should be read in conjunction with the report by the Executive Director on a results-based framework (HSP/GC/21/5).

The funding gap for the 2008-2009 work programme and budget cycle is US\$ 15 million, of which US\$ 5 million is required to kick-start results-based management and management reform, and US\$ 10 million is needed to begin implementation of the enhanced normative and operational framework in the eight pilot countries that have been retained for the first phase of implementation of the United Nations system-wide coherence at country level.

Four scenarios are presented hereafter corresponding to different levels of funding. The four scenarios are:

- (a) A zero-based budget;
- (b) A contribution of US\$ 5 million;
- (c) An increase in overall funding of US\$ 10 million;
- (d) Full funding of US\$ 15 million.

The implications of each of these four scenarios are analysed in terms of organizational 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 Medium-term Strategic and Institutional Plan. The current situation, whereby 80 per cent of the work programme and budget is earmarked and 80 per cent of the non-earmarked resources are devoted to staff salaries, is unlikely to allow for any sustainable changes in programme alignment and cohesion. The zero-based option presents similar restraints as those that confronted the United Nations Centre for Human Settlements (UNCHS-Habitat) in the follow-up to the 1998 revitalization exercise. While changes were made to its organizational 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 to support re-tooling resulted in a 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 mobilization amounting to US \$5 million for the 2008–2009 biennium. In addition to the changes envisaged in scenario A, this scenario includes a partial effort to implement the enhanced normative and operational framework in the eight United Nations pilot countries, the partial implementation of results-based management, of reporting and monitoring and of the resource mobilization strategy. Scenario B provides UN-Habitat with a chance to implement the Medium-term Strategic and Institutional Plan on a pilot basis. It allows for the simultaneous implementation, albeit partial, of the three critical areas of results-based management, resource mobilization and the enhanced normative and operational framework. A major risk inherent to scenario B will be whether changes in working methods, approaches and systems can be sustained and consistent country support can be provided 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 organization 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 Medium-term Strategic and Institutional Plan throughout the organization. The scenario 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 by building the knowledge infrastructure for UN-Habitat to become a learning organization. Benefits arising from this investment include substantial improvements in results, impact and in lowering transaction costs.

Scenario D – full funding of 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 Medium-term Strategic and Institutional Plan in its totality. Scenario D corresponds, in management practice, to the “big bang” approach involving an in-depth transformation of an organization in terms of its tools, working methods, information-communication technology, human resources, brand recognition and appeal.

Two major differences between this scenario and the previous ones include:

(a) It would allow for the full implementation of the Medium-term Strategic and Institutional Plan, including a comprehensive and highly innovative resource mobilization, communication, branding and mass appeal strategy that would provide UN-Habitat with an alternative source of revenue. Besides helping to overcome the challenge of donor-dependency, this strategy would bring about a profound culture change in terms of client orientation, accountability and transparency;

(b) It would place UN-Habitat at the forefront of the United Nations system-wide reform and would provide a model for other United Nations agencies, programmes and funds to replicate.

For these reasons, scenario D is considered to be the minimum funding scenario to seriously kick-start the implementation of the Medium-term Strategic and Institutional Plan. Table 1, below, describes the levels of accomplishment that would be expected with each level of funding.

Table 1: Summary of scenarios and potential achievement

	Scenario D (US\$ 15 m)	Scenario C (US\$ 10 m)	Scenario B (US\$ 5 m)	Scenario A (Zero)
Programme alignment focus & result areas of MTSIP				
Global campaign	✓✓✓	✓✓	✓✓	✓
Sustainable urbanization policy	✓✓✓	✓✓	✓✓	✓
HPM capacity	✓✓✓	✓✓	✓	✓
Regional office capacity	✓✓✓	✓✓	✓	✓
Flagship reports aligned	✓✓✓	✓✓	✓✓	✓
Country strategies	✓✓✓	✓✓	✓	✓
Partners' policy & strategy	✓✓✓	✓✓✓	✓✓	✓✓✓
Partners' networks	✓✓✓	✓	✓	✓
Knowledge management system	✓	✓	✓	✓
Policy and strategy	✓✓✓	✓✓✓	✓✓	✓
Results-based reporting tools	✓✓✓	✓✓	✓	✓
ICT infrastructure	✓✓✓	✓	✓	✓
Results-based monitoring and reporting	✓	✓	✓	✓
Focus & result areas	✓✓✓	✓✓	✓	✓
Project evaluations	✓✓✓	✓✓	✓	✓
Targeted research	✓✓✓	✓	✓	✓
Consolidated reporting	✓✓✓	✓✓	✓	✓
National state of the city	✓✓✓	✓	✓	✓
Lessons learned & best practices	✓✓✓	✓✓	✓	✓
Enhanced normative and operational framework (countries)	✓	✓	✓	✓
Focus area policy documents	✓✓✓	✓	✓	✓
Regional strategies	✓✓✓	✓✓	✓	✓
Country assessment tools	✓✓✓	✓✓	✓	✓
National urban forums	✓✓✓	✓	✓	✓
UN Pilot countries/pre-investment	10/8	8/6	6/4	4/2

Resource mobilization and communications strategy	✓	✓	✓	✓
RM Policy	✓✓✓	✓✓✓	✓✓	✓
RM Team	✓✓✓	✓✓✓	✓✓✓	✓
Donors' database	✓✓✓	✓✓	✓	✓
Consolidating donor base	✓✓✓	✓	✓	✓
Expanding donor base	✓✓✓	✓✓	✓	✓
Non-conventional funding	✓✓✓	✓	✓	✓✓
Packaging donor proposals	✓✓✓	✓✓	✓	✓
Branding and communications	✓✓✓	✓✓	✓	✓
Organizational culture	✓✓✓	✓	✓	✓
Human Resources Management	✓	✓	✓	✓
Alignment of JD's with MTSIP	✓✓✓	✓✓	✓	✓
Performance appraisal system	✓✓✓	✓	✓	✓
Induction training	✓✓✓	✓✓	✓	✓
Priority staff recruitment	✓✓✓	✓✓	✓	✓
RBM & leadership training	✓✓✓	✓✓	✓	✓
Staff buy-outs	✓✓✓	✓✓	✓	✓
Administrative efficiency and transaction costs	✓	✓	✓	✓
Workflow analysis	✓✓✓	✓✓	✓	
Delegation of authority	✓✓✓	✓✓	✓	✓
UNON arrangements	✓✓✓	✓✓	✓	✓
Operational/procedural guidelines	✓✓✓	✓✓	✓	✓
Peer review mechanism for monitoring MTSIP	✓✓✓	✓✓	✓	✓

Annex II

Resource mobilization strategy

The present annex should be read in conjunction with chapter VI of the report by the Executive Director on a results-based framework (HSP/GC/21/5).

1. The objective of the UN-Habitat 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 the twenty-first session of the Governing Council. This has the 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 the 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.** 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 the HIV/AIDS and nutrition issues. The success factors for tapping non-conventional sources of funding 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.

** 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.