

**Governing Council  
of the United Nations  
Human Settlements Programme**

**HSP/GC/21/CRP.5**  
19 April 2007

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**Twenty-first session**

Nairobi, 16–20 April 2007

Agenda item 8

**Medium-term strategic and institutional  
plan for UN-Habitat for the period 2008–2013**

**Submission by the President of the Governing Council**

**Draft resolution**

**Strengthening the Habitat and Human Settlements Foundation:  
experimental financial mechanisms for pro-poor housing and  
infrastructure**

*The Governing Council,*

*Recalling* General Assembly resolution 56/206 of 21 December 2001 in which the Assembly, among other things, encouraged the Executive Director of the United Nations Human Settlements Programme to strengthen the United Nations Habitat and Human Settlements Foundation in order to achieve its primary operative objective, as set out in General Assembly resolution 3327(XIX) of 16 December 1974,

*Recalling also* its own resolution 19/11 of 9 May 2003 in which it requested the Executive Director to continue to work with the World Bank Group, regional development banks, other development banks, the private sector and other relevant partners to field-test approaches through pilot projects, as well as its resolution 20/18 of April 2005 in which it called upon the Executive Director to strengthen the Foundation's Slum Upgrading Facility,

*Recalling further* General Assembly resolution 61/206 of 18 December 2006 in which the Assembly noted the Secretary-General's Bulletin containing the Special annex for the United Nations Habitat and Human Settlements Foundation to the United Nations Financial Regulations and Rules<sup>1</sup> and requested the Governing Council to address, in a comprehensive manner, any issues relating to the United Nations Habitat

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1 ST/SGB/2006/8.

and Human Settlements Foundation at its twenty-first session, bearing in mind the need to mobilize resources for the Foundation effectively,

*Taking note* of the Special annex,

*Recognizing* its responsibilities to issue policy directives with a view to ensuring that the resources of the Foundation are utilized with maximum efficiency and effectiveness in pursuance of the Foundation's objectives,

*Conscious* of paragraph 56 (m) of the 2005 World Summit Outcome,<sup>2</sup> which calls upon Member States of the United Nations to achieve significant improvement in the lives of at least 100 million slum-dwellers by 2020, recognizing the urgent need for the provision of increased resources for affordable housing and housing-related infrastructure, prioritizing slum prevention and slum upgrading, and to encourage support for the Foundation and its Slum Upgrading Facility,

*Taking note* of the rule 305.3.5 of the Special annex, entitled Policy, system and Procedures,

*Taking note* of the note by the Executive Director entitled United Nations Habitat and Human Settlements Foundation: policy framework and draft operational procedures and guidelines,<sup>3</sup>

## I

1. *Requests* the Executive Director to continue the work in strengthening the Foundation in order to accelerate the provision of financing for the mobilization of seed capital and domestic and other financial resources for shelter and related infrastructure with due priority to the needs of low-income households;

2. *Requests* the Executive Director to establish a trust fund within the Foundation to support the introduction of experimental reimbursable seeding operations as described in paragraph 7 (d) (iv) of the present resolution, as well as other innovative financial mechanisms, building upon the experiences with instruments and partnership networks such as the Water and Sanitation Trust Fund and the Slum Upgrading Facility, for a five- year experimental period from 2007 to 2011, and further requests the Executive Director to submit for the consideration of the Committee of Permanent Representatives proposed operational procedures for such experimental activities, taking into consideration the relevant elements of the draft Operational Procedures and Guidelines contained in the note by the Executive Director;<sup>4</sup>

3. *Decides* that implementation of the measures recommended in the Executive Director's note<sup>5</sup> shall be subject to thoughtful review and final evaluation by the Governing Council at its twenty-third session in 2011 of the experimental activities conducted in accordance with paragraph 7 (g) of the present resolution and an analysis of required risk assessments, including resource implications of the proposed mechanisms in the Executive Director's note and other activities tested during the experimental period;

4. *Decides* that further extension of the implementation of other aspects of the Special annex shall be subject to consideration by the Governing Council of UN-Habitat at its twenty-third session;

5. *Reiterates* the request by the General Assembly in paragraph 12 of its resolution 61/206 that UN-Habitat intensify coordination in the framework of the United Nations Development Assistance Framework and the common country assessment and that it continue to work with the World Bank, regional development banks, other development banks, regional organizations and other relevant partners to field-test innovative policies, practices and pilot projects in order to mobilize resources to increase the supply of affordable credit for slum upgrading and other pro-poor human settlements development in developing countries and in countries with economies in transition;

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2 General Assembly resolution 60/1 of 16 September 2005.

3 HSP/GC/21/5/Add 3.

4 Ibid.

5 Ibid.

6. *Appeals* to all Governments to contribute to the Foundation to broaden its funding base and to increase substantially its non-earmarked financial resources to enable UN-Habitat to implement its full mandate, including technical assistance to strengthen the Foundation;

## II

7. *Requests* the Executive Director, for the purpose of implementing the trust fund referred to in paragraph 2 of the present resolution, to build on the following:

**(a) Purpose**

(i) Field-testing of experimental reimbursable seeding operations and other innovative operations for financing for the urban poor for housing, infrastructure and upgrading through community groups, including where there is an expectation of repayments mobilizing capital at the local level;

(ii) Strengthening of the capacity of local financial and development actors to carry out such operations and to support the capacity of UN-Habitat to enhance them;

**(b) Arrangements**

(i) Establishment of a trust fund for the financing of the experimental reimbursable seeding operations and other innovative operations within the Foundation specifically for the implementation of the experimental activities;

(ii) Establishment of a steering and monitoring committee of 12–14 persons appointed in consultation with the Committee of Permanent Representatives. Representatives of Governments, international financial institutions, United Nations bodies, the private sector and major non-governmental organizations may be invited to participate;

**(c) Macro level:** work with existing international financial institutions, relevant United Nations bodies, other operators and relevant stakeholders, looking at pre-conditions for financing arrangements;

**(d) Methodology**

(i) Partnership arrangements between national Governments, local authorities, community groups and financial intermediaries with whom there is an agreement for term repayment to the trust fund;

(ii) Experimental activities that are different from the current Slum Upgrading Facility and Water and Sanitation Trust Fund arrangements in that some of the activities of the former will be reimbursable whereas the latter are only given as grants;

(iii) Experimental reimbursable seeding activities that are extended through intermediaries but exclude borrowing, direct lending, guarantees or equity investments;

(iv) A working operations manual that describes the processes for different reimbursable seeding operations and other innovative financing mechanisms in consultation with the Committee of Permanent Representatives and the Steering and Monitoring Committee;

(v) Taking into account a balanced regional approach;

**(e) Analysis:**

(i) Consideration of options and different partnership arrangements, including with Governments, local authorities, international financial institutions, relevant United Nations bodies, the private sector and major non-governmental organizations;

(ii) Consideration of costs of operations, defaults, targeting, debt service, interest rates and currency exchange risk to assure proper risk management and to enhance local markets;

- (f) **Collaboration:** collaboration, complementarity and partnership as key arrangements from the beginning;
  - (g) **Evaluation:** external evaluations of the activities of the sector, including to evaluate progress on the implementation of the experimental reimbursable seeding operations and other innovative mechanisms and to assess alternatives for more effective implementation;
  - (h) **Administration:** separate necessary administrative and financial arrangements that govern the operations of the experimental activities of seed capital operations and other innovative mechanisms as described in the relevant provisions of the Special annex,
  - (i) **Continuity/steps forward: an evaluation to be conducted,** at the end of the experimental activities in 2011, to guide any decision by the Governing Council at its twenty-third session on potential future applications of the experimental methodologies;
8. *Requests* the Executive Director to report to the Governing Council at its twenty-second session on the implementation of the present resolution.