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**Activities of the United Nations Human Settlements Programme,  
including coordination matters**

**Activities of the United Nations Human Settlements Programme**

**Report of the Executive Director**

**Addendum**

**Efficiency and effectiveness of the governance structure of the  
United Nations Human Settlements Programme: Note by the  
Executive Director**

*Summary*

The United Nations Human Settlements Programme (UN-Habitat) and its governance structure have undergone piecemeal changes and reforms since their inception in 1978. The twenty-second session of the Governing Council provides an excellent opportunity to review the current governance structure that has evolved. Such a review should be seen as a contribution to United Nations reform. Such a review should also be undertaken in view of assessing whether current arrangements are adequate when examined against the principles of transparency, accountability, efficiency and effectiveness and whether they enable UN-Habitat to fully implement its medium-term strategic and institutional plan.

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## Introduction

1. In its resolution 21/2 of 20 April 2007 pertaining to the medium-term strategic and institutional plan for 2008–2013, the Governing Council requested the Executive Director, among other things, to consult the Committee of Permanent Representatives on the “need to review the efficiency and effectiveness of the governance structure of UN-Habitat”. In response to the above decision, the secretariat adopted a two-stage approach.
2. The first stage consisted of engaging a consultant with proven expertise and experience in United Nations governance reform to carry out an independent assessment. The consultant’s findings and report were shared with the Committee of Permanent Representatives in the course of formal and informal consultations.
3. The second stage consisted of preparing the present report, a draft of which was also shared and discussed during a meeting of the Committee of Permanent Representatives.
4. The present report has therefore been informed by consultations held both while the consultant was preparing the report and afterwards with a wide number of people and organizations involved with the work and governance structures of UN-Habitat. These include members of the Governing Council and the Committee of Permanent Representatives, the United Nations Secretariat in New York, staff members and Habitat Agenda partners. Meetings were also held with United Nations agencies, funds and programmes that are mandated to carry out both normative and operational activities, including the United Nations Development Programme, the United Nations Children’s Fund, the International Fund for Agricultural Development (IFAD) and the United Nations Population Fund (UNFPA).
5. The main outcome of these consultations can be summarized as follows:
  - (a) There is general agreement between member States and other partners on the timeliness and usefulness of a review of the effectiveness and efficiency of the current governance structure of UN-Habitat in the context of the system-wide United Nations reform effort that is under way;
  - (b) Such a review is also perceived as a logical follow-up to and extension of the adoption and implementation of the UN-Habitat medium-term strategic and institutional plan for 2008–2013;
  - (c) There is also a general agreement between member States that any decision to alter the UN-Habitat governance structure would need to be informed by a more comprehensive analysis than has been carried out to date of the implications of such a change. Any such analysis would need to include an evaluation of various options.
6. In the light of the above, the present report is intended to improve the understanding of the issues that are raised by the prospect of changing the UN-Habitat governance structure. It does so by looking at the following aspects of the UN-Habitat work and governance structure:
  - (a) The original vision that led to the establishment of UN-Habitat in 1976, the main thrust of its work during its first decade and its governance structure;
  - (b) Changes in the mandate and governance structure of UN-Habitat resulting from, among other things, the adoption of the Habitat Agenda and the Millennium Development Goals, the establishment of the United Nations Office at Nairobi and the elevation of the status of UN-Habitat to that of a United Nations programme;
  - (c) Issues of efficiency and effectiveness that have emerged more clearly since the adoption of the UN-Habitat medium-term strategic and institutional plan for 2008–2013 and the early stages of its implementation;
  - (d) Issues arising from a better understanding of the trends in and linkages between urbanization generally, the urbanization of poverty and climate change.

## I. Original vision of UN-Habitat

7. The original vision of UN-Habitat was shaped by two landmarks. The first was the United Nations Conference on the Human Environment, held in Stockholm in 1972. This conference resulted in a recognition of the multiple facets of sustainability and the need to tackle three particular challenges:
  - (a) Protecting and conserving the natural environment, which led to the creation of the United Nations Environment Programme (UNEP);

(b) Reducing the harmful impact of human activity, and of human settlements in particular, on the environment, which led to a call for a global conference on human settlements;

(c) Based on the realization that poverty is a major contributing factor to environmental degradation, instituting more equitable forms of development, particularly through the financing of housing and basic urban infrastructure and services, which led to the creation of the United Nations Habitat and Human Settlements Foundation (UNHHSF), which was initially housed within UNEP.

8. The second landmark was the United Nations Conference on Human Settlements, held in Vancouver, Canada, in 1976. The Conference participants recommended the creation of a United Nations body<sup>1</sup> that would serve as a forum for representatives of national and subnational spheres of government to exchange ideas and solutions on how to meet emerging challenges related to human settlements.

9. The call from the Vancouver conference resulted in the establishment of the United Nations Centre for Human Settlements (UNCHS (Habitat)), by United Nations General Assembly resolution 32/162 (III) of 19 December 1977, the creation of the Commission on Human Settlements as its governing body and the subsequent transfer of UNHHSF from UNEP to UNCHS (Habitat).

10. The Commission on Human Settlements comprised 58 member States serving on a four-year rotational basis. It met for two weeks every year and reported to the General Assembly through the United Nations Economic and Social Council.

11. Delegated authority was vested in the Executive Director of UNCHS (Habitat) for programmatic, operational, financial and administrative functions, subject to compliance with United Nations Secretariat rules, regulations and reporting obligations.

12. The original vision of the Commission on Human Settlements proved to be somewhat premature: its realization as a forum involving all spheres of government was to come much later.

13. For the first decade of its existence, and despite having architecture similar to that of most United Nations programmes and funds,<sup>2</sup> UNCHS (Habitat) would remain a small technical agency serving primarily as an executing arm of the United Nations Development Programme (UNDP).<sup>3</sup> Its normative and advocacy work reflected this technical role and focused for many years on issues of planning, appropriate building and construction technologies and community participation. Although the Centre was already working on urbanization trends and issues, those matters barely registered on the agendas of international forums; the attention of policymakers from developing and donor countries was clearly focused on rural development and poverty as a rural phenomenon.

## **II. Habitat II conference, the Habitat Agenda and Istanbul +5**

14. By the late 1980s it had become apparent to most human settlements professionals and to the staff of UNCHS (Habitat) that many of the assumptions that informed national human settlements policies and practices were debatable at best. These assumptions included the largely held views:

(a) That urbanization could be arrested and eventually reversed by investing in and giving priority to rural development;

(b) That the formal economy would gradually absorb the informal economy, including its physical manifestation in the form of slums;

(c) That the urban poor, by virtue of their proximity to infrastructure and services, were better off than their rural counterparts.

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1 UNCHS (Habitat) was initially formed by merging the Centre for Housing, Building and Planning of the Department of Economic and Social Affairs, an audio-visual library and distribution network established at the 1976 Conference known as "Vision Habitat", the Habitat and Human Settlements Foundation and the human settlements officers from the then Department of Technical Cooperation for Development.

2 UNCHS (Habitat) was established with three substantive divisions devoted to research and development, information and audio-visual dissemination and technical cooperation. A fourth division was dedicated to administration and was responsible for human resources, finance and contracts and procurement.

3 UNDP, at the time, was the principal source of funding for country-level activities for the United Nations system.

15. Faced with growing evidence of slum formation, urban poverty and urban deprivation, the Commission on Human Settlements decided to launch two global campaigns: the International Year for Shelter for the Homeless, in 1987, and the Global Shelter Strategy to the Year 2000, in 1988.

16. While neither campaign resulted in substantial changes to the mandate or the governance structure of UNCHS (Habitat), they paved the way for a concerted urban research and advocacy agenda involving UNCHS (Habitat), UNDP and the World Bank.<sup>4</sup>

17. The outcome of these and other efforts led the Commission on Human Settlements to recommend to the General Assembly in 1991 the convening of the second United Nations Conference on Human Settlements (Habitat II), which was held in Istanbul, Turkey, in 1996.

18. The adoption of the Habitat Agenda at Istanbul paved the way for a series of changes to both the mandate of UNCHS (Habitat) and to its governance structure. The agency was henceforth charged with an explicit normative role and mandate to monitor progress in the implementation of the Habitat Agenda and to play a lead role in system-wide support and coordination.

#### **Habitat II - Changing the rules of global conferences**

An important precedent was established at Habitat II. Inspired by the tripartite membership of the governing body of the International Labour Organization (ILO), the secretariat urged member States to suspend one of the rules governing United Nations summits and conferences by allowing the convening of a third committee devoted to dialogue with local authorities and civil society organizations. This contributed significantly to a sense of ownership of the Habitat Agenda by non-state actors and would eventually contribute to changes in the rules and procedures of the governing body of UNCHS (Habitat).

19. While the Habitat II Conference and its political outcome were undeniable successes, UNCHS (Habitat) was in a state of financial distress. This led to the first attempt at institutional reform, which was completed in 1999.

20. Part of this reform was devoted to strengthening the capacity of UNCHS (Habitat) to fulfil its normative mandate. This was done by creating two divisions, one devoted to global advocacy and the other to regional and country-level technical cooperation. A third entity was to provide the evidence base for normative activities and deal with cross-cutting issues.

21. Another separate element of the reform included the transfer of key administrative functions and staff from UNCHS (Habitat) and UNEP to a new entity known as the United Nations Office at Nairobi.

#### **A case of hidden transaction costs**

The logic for merging the administrative services of UNEP and UNCHS (Habitat), both headquartered in Nairobi, is compelling. Nonetheless, the anticipated gains in efficiency and cost savings for UN-Habitat are yet to be fully realized largely due to rules and procedures within which it must operate but over which neither it nor the United Nations Office at Nairobi has control. For example, shortly after the creation of the United Nations Office at Nairobi, UNCHS (Habitat) was called upon to assist in recovery and reconstruction activities in Iraq. Demand for UNCHS (Habitat) services there expanded rapidly and resulted in a project budget in excess of \$600 million, with annual disbursements reaching up to \$100 million. The range of products and services to be delivered far exceeded the capacity of the newly created United Nations Office at Nairobi. UNCHS (Habitat) was obliged to assign dedicated staff to assist the United Nations Office at Nairobi in responding to the technical demands of reconstruction and the logistical constraints of operating in post-conflict environments. While progress has been made, there remains a fundamental mismatch between the rules, regulations and procedures governing both the United Nations Office at Nairobi and UNCHS (Habitat) and the responsiveness expected of an operational agency. This mismatch adds considerably to transaction costs and adds an additional layer of bureaucracy.

<sup>4</sup> The Urban Management Programme was a joint undertaking by UNCHS (Habitat), UNDP and the World Bank to provide evidence-based arguments for Governments and the international community about the need to respond to the growing challenges of urbanization and urban poverty.

22. At the same time, a series of changes were gradually introduced to the composition, procedures and frequency of meetings of the Commission on Human Settlements. Chief among these changes were:

- (a) Reduction of the duration of meetings from two weeks to eight days in 1989, and subsequently to five days in 2001;
- (b) Adoption by the Governing Council at its twentieth session, in 2005, of rule 64 of the rules of procedure governing meetings of the Governing Council, which recognized the role and contribution of local authorities in the implementation of the Habitat Agenda and enabled the formal participation of local authorities in the deliberations of the Governing Council without the right to vote.

#### **Parallel reforms of other funds and programmes**

23. Alongside these incremental changes to the mandate and the governance structure of UN-Habitat, other far-reaching transformations were occurring within key United Nations programmes and funds. Changes to the governance structures of UNDP, the United Nations Children's Fund (UNICEF) and UNFPA followed in rapid succession, leaving UNEP and later UN-Habitat as the only remaining programmes with governing bodies that were responsible for oversight but obliged to report to New York on administrative and budgetary matters.

24. Another change, one that would profoundly affect UNCHS (Habitat), was the transformation of UNDP from a long-standing partner and source of funding for country-level activities to an advocacy and operational programme in its own right. This change affected the ability of UN-Habitat, as a United Nations entity that did not have a presence on the ground in the countries where it operated, to advocate and support the implementation of the Habitat Agenda at the country level. This eventually led UN-Habitat to negotiate with UNDP for the establishment of Habitat programme managers in selected countries. While the presence of the Habitat programme managers proved to be critical in enabling UN-Habitat to fulfil its mandate to mainstream the Habitat Agenda and to participate in six of the eight "Delivering as one" initiative pilot projects in 2008, the idea met considerable resistance at its inception.

25. Table 1 provides an overview of the governance structure of various United Nations agencies, programmes and funds. Those that have been subjected to recent changes in their respective governance structures, such as UNDP, UNICEF, UNFPA and IFAD, share a common trait, namely, a governing body that has both oversight and decision-making powers and typically meets three times a year.

#### **Istanbul +5, Programme Status, Governing Council and CPR**

26. The special session of the General Assembly in 2001 devoted to the review of progress in the implementation of the Habitat Agenda marked an important turning point for UNCHS (Habitat) and its governance structure. The review re-emphasized the challenges associated with rapid and chaotic urbanisation and the risk these challenges posed to the attainment of the recently adopted Millennium Development Goals. The review also identified UNCHS (Habitat) as the lead agency for ensuring the follow-up to and the monitoring of the Habitat Agenda.<sup>5</sup>

27. The regular session of the General Assembly the same year decided, in resolution 56/206, to elevate the status of UNCHS (Habitat) to a fully-fledged programme (henceforth designated as UN-Habitat). It also decided to convert the Commission on Human Settlements into a Governing Council and to designate the Committee of Permanent Representatives in Nairobi as its intersessional subsidiary body to monitor progress in the implementation of agency's work programme and budget. Lastly, the General Assembly called for, and continues to call for, the strengthening of UN-Habitat to enable it to fulfil its normative and operational mandate.

28. The Governing Council for UN-Habitat subsequently adapted its rules and procedures and, following the example of the Governing Council for UNEP, decided to meet on a biennial basis.

29. These and other changes strengthened the organization and restored its capacity to carry out its advocacy role, while maintaining its technical and operational vocation.

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<sup>5</sup> The Habitat Agenda and subsequent General Assembly resolutions recognised UNCHS (Habitat) as "a", as opposed to "the" lead agency for ensuring and monitoring follow-up to the Habitat Agenda.

### III. Implementation of the medium-term strategic and institutional plan for 2008–2013

30. The period 2001–2004 witnessed rapid growth in the staff, activities and budget of UN-Habitat. The findings of an in-depth programmatic review conducted by the Office of Internal Oversight Services in 2004 led the Governing Council, at its twenty-first session in 2005, to ask UN-Habitat to prepare a comprehensive medium-term strategic and institutional plan for the period 2008–2013. The intent was clearly to bring UN-Habitat into the fold of United Nations system-wide reform.

31. The key objectives of the strategic and institutional plan were:

- (a) To sharpen the focus of the work of UN-Habitat;
- (b) To strengthen programme alignment and coherence, especially between normative and operational activities;
- (c) To apply results-based management to enhance value for money, transparency and accountability;
- (d) To reposition UN-Habitat as a true catalyst, especially with regard to pre-investment capacity-building in support of the implementation of the Habitat Agenda and the attainment of the human-settlements-related Millennium Development Goals at the country level;
- (e) To enable UN-Habitat to participate actively in United Nations reform and in the “Delivering as one” initiative.

32. The strategic and institutional plan was approved by the Governing Council at its twenty-first session, in 2007. In resolution 21/2 the Council requested the secretariat, among other things, to prepare an action plan for the implementation of the strategic and institutional plan and to prepare the present report.

33. In the course of implementation of the plan several issues have come to the fore. These include:

- (a) Conceptual and methodological difficulties in reconciling the medium- to long-term results-based approach of the medium-term strategic and institutional plan with the much shorter-term output-oriented approach required by the Secretariat in New York. This was particularly the case with the preparation of the 2010–2011 work programme. These difficulties are still not completely resolved and constitute a source of frustration for members of the Committee of Permanent Representatives and the secretariat;
- (b) The complex effort required in complying with different reporting mechanisms and accountability frameworks. These include, among others, annual reporting to the Economic and Social Council and the General Assembly focusing on the use of regular budget resources, quarterly reporting to the Committee of Permanent Representatives focusing on non-earmarked extra-budgetary resources, semi-annual reporting to the Office of the Controller on technical cooperation projects and periodic reporting to various ad hoc committees for specialized programmes, projects and trust funds;
- (c) Difficulties in entering into joint venture, cost-sharing and co-financing arrangements with partners, especially those from the private and civil society sectors, owing to legal requirements and contracting procedures emanating from the United Nations Secretariat. These requirements and procedures were not designed or intended for use by agencies that have an operational mandate. This fundamental incompatibility becomes very apparent in one of the key areas and priorities of the work of UN-Habitat – that of leveraging its policy advisory services and capacity-building support with in kind contributions from urban poor communities, investment capital from international, regional and domestic financial institutions and budgetary allocations from national or subnational spheres of government to improve the living conditions of the poor.

34. Another issue which arose relates to the experience of UN-Habitat with the United Nations “Delivering as one” initiative pilot projects. It became rapidly apparent in the course of working with United Nations country teams and the United Nations Development Assistance Framework process that participating in the “one United Nations” framework at the country level required a degree of flexibility in decision-making and resource allocation that is not foreseen in the current set-up for programmes that are part of the Secretariat.

35. Table 1 provides an overview of the governance structures of other United Nations agencies, programmes and funds. What can be observed from this table is that those agencies, programmes and funds that have reformed their governance structures within the past decade share one thing in common,

namely, that the entity charged with oversight is also the entity that is empowered to take decisions on strategic, institutional and budgetary matters.

36. Annex I to the present report gives a brief picture of the UN-Habitat current governance structure. It reflects a degree of ambiguity about the role of UN-Habitat, its mandate and its working relationships with partners and United Nations bodies. This ambiguity stems from the evolution of the mandate of UN-Habitat from that of a primarily technical advice and operational centre at its inception to a programme that sees its comparative advantage in being able to combine its normative and operational expertise into an effective, interlocking urban development framework that has appeal to policy makers and practitioners alike.

37. Annex II to the present report gives an overall view of the funding situation of UN-Habitat. While the overall situation has improved significantly over the past six years, there is a growing imbalance between earmarked and non-earmarked funding. The donor base for non-earmarked contributions is extremely narrow, with over 90 per cent of core voluntary contributions coming from just 10 donors. This situation both reflects and reinforces the ambiguity that underlies the governance of UN-Habitat. While the top 10 donors to UN-Habitat continuously stress the importance of its normative role the bulk of their contributions are earmarked for special programmes or operational activities.

38. As is true for many other United Nations entities, the imbalance between the UN-Habitat earmarked and core funding reduces its ability to act strategically.

#### **IV. Emerging issues**

39. Three issues have emerged in the recent past that are having and will continue to have a profound impact on human development. These are:

- (a) Rapid and chaotic urbanization, including the urbanization of poverty;
- (b) Increasing volatility in the prices of food, energy and water;
- (c) Climate change.

40. While these issues are being tackled by various entities within the United Nations system, they are very closely linked and will become more so over time. Their point of convergence is, without a doubt, the city. The recent food and fuel crisis and extreme weather patterns caused by global warming are rooted in poorly planned and managed urbanization. As cities in developed and developing countries alike continue to expand horizontally, they consume more land, water and energy and generate more waste, including greenhouse gas emissions. At the same time, as the world becomes predominantly urban, the ability of cities to adapt to the effects of climate change will become ever more critical in ensuring human safety and security.

41. Thus in an urban world the distinction between mitigation and adaptation becomes theoretical. In practical terms, both require more rational land use, better infrastructure and services, more resilient construction and responsive governance systems.

42. While the effects of climate change are indiscriminately global, the solutions for mitigation and adaptation will necessarily be local. Each city, indeed each community, will need to come up with original solutions that cater to its particular social, economic and geographic circumstances.

43. This scenario calls for an unprecedented effort in the sharing of knowledge, methods, technologies and lessons learned. It calls for an unprecedented scale and intensity of dialogue between a wide range of actors and stakeholders. It will equally require unprecedented levels of coordination between institutions at the global, regional, national and local levels.

44. A key question is whether the United Nations system is prepared to fulfil its role in supporting these efforts and how different entities within the system, including UN-Habitat, can best be strengthened strategically to contribute to the effort required.

## **V. Overview of advantages and disadvantages of the current governance structure**

45. Despite all the problems and issues described above there are also advantages to the current governance structure. These include the following:

- (a) As part of the Secretariat in New York, UN-Habitat receives a contribution from the United Nations regular budget. While this represents less than 10 per cent of the total budget of UN-Habitat it remains a significant source of funding for core staff;
- (b) UN-Habitat enjoys frequent interaction with member States through meetings between the secretariat and the Committee of Permanent Representatives, especially with regard to the preparation and implementation of the work programme. Typically, more than 70 working group meetings take place in the period between sessions of the Governing Council;
- (c) The quarterly regular sessions of the Committee of Permanent Representatives encourage a disciplined approach on the secretariat when it comes to reporting on matters such as budget and finance;
- (d) Member States have easy access to the Executive Director and to senior management of UN-Habitat;
- (e) Informal meetings, consultations and exchanges between members of the Committee of Permanent Representatives and the staff of UN-Habitat can be readily arranged;
- (f) The Committee of Permanent Representatives, not being a decision-making body, enjoys a considerable degree of freedom to provide advice and to engage in the exchange of ideas on behalf of member States.

46. These advantages, however, must be carefully weighed against the disadvantages listed below, some of which have already been mentioned:

- (a) There is a tendency for members of the Committee of Permanent Representatives to slip from oversight into micromanagement;
- (b) There is a tendency to hold many meetings, which places high demands on secretariat resources;
- (c) UN-Habitat must cope with multiple and complex reporting lines to the Committee of Permanent Representatives, the Governing Council, United Nations Headquarters, the Economic and Social Council and the General Assembly. This situation does not favour accountability and transparency;
- (d) Despite the existence of these multiple reporting lines there is very limited feedback on strategic and substantive issues;
- (e) Issues that involve the United Nations Office at Nairobi, which in some cases affect programme delivery, efficiency and cost-effectiveness, tend to fall between the cracks as the latter is not subject to oversight by the Committee of Permanent Representatives or the Governing Council;
- (f) The UN-Habitat decision-making cycle on issues that have institutional implications is slow and cumbersome. Recommendations emanating from the Committee of Permanent Representatives are made to the Governing Council which in turn makes its own recommendations to the General Assembly for final approval;
- (g) There is a tendency to politicize technical issues;
- (h) UN-Habitat is burdened by inappropriate and outdated rules and regulations that inhibit it from matching the timeliness and delivery of other agencies, programmes and funds at the country level.



## VI. Concluding observations

47. Both UN-Habitat and its governing body have undergone incremental changes aimed at improving efficiency and effectiveness. In terms of efficiency, one proxy indicator is the duration and frequency of the Governing Council meetings, which have been reduced from two weeks every year to five days every two years. This gain in efficiency, however, raises other issues that are considered below. In terms of effectiveness rule 64 giving local authorities a voice in the deliberations of the Governing Council can be viewed as a significant change.

48. What is lacking, however, is a more comprehensive approach. For the secretariat, a key issue lies in the complexity and fragmented nature of the governance mechanism. The Governing Council meets once every two years for one week and governs essentially through resolutions, a decision-making mode more suitable to legislative organs than for a programme that has sizeable operational activities.

49. The UN-Habitat member States are represented primarily by personnel from ministries of housing, while many of the issues that are being discussed fall under the purview of ministries responsible for local government and, increasingly, finance.

50. The decisions of the Governing Council are subject to review by United Nations organs in New York. This makes the Governing Council a subsidiary institution and results in another governance layer. The Governing Council's meetings, occurring once every two years, are not frequent enough to enable it to provide the strategic direction and guidance that UN-Habitat needs if it is to respond effectively to new issues and challenges.

51. The Committee of Permanent Representatives, the intersessional subsidiary organ of the Governing Council, is in essence an open-ended advisory body and lacks the authority to make substantive decisions. Operating as one of several oversight mechanisms, it focuses almost exclusively on the normative aspects of UN-Habitat work and pays little or no attention to operational activities.

52. The secretariat itself, being relatively small with unpredictable funding, spends a disproportionate amount of its staff resources in reporting to these various oversight mechanisms.

53. In summary, UN-Habitat is being governed by a complicated, duplicative and blurred system that is not conducive to enhancing its efficiency or effectiveness. Within the context of the "Delivering as One" initiative it is at a distinct disadvantage as it strives to work with other United Nations Development Group organs such as UNDP.

54. The shortcomings and constraints identified in the present governance structure of UN-Habitat point to some criteria that should be met to improve efficiency and effectiveness. These can be summarized as follows:

- (a) Structure that is easily understandable, with a shorter intersessional interval to enhance hands-on guidance and direction of the UN-Habitat normative and operational mandate;
- (b) Structure that is relevant to the issues and challenges ahead and makes provision for the involvement of a wider range of stakeholders with a direct interest in and commitment to urban issues;
- (c) Decision-making process that relies less on resolutions and more on substantive feedback on the issues at hand;
- (d) Structure that is capable of empowering UN-Habitat to adopt operational and financial rules and procedures that are compatible with those of other funds and agencies that are charged with both normative and operational mandates; i.e., rules and procedures that do not place UN-Habitat at a distinct disadvantage in participating in the United Nations development assistance framework and "Delivering as one" initiative processes;
- (e) Structure that can look at the implications of UN-Habitat acting as a true catalyst in its relationships with partners in Governments both at the national and subnational level, not to mention in civil society and the private sector, and take decisions regarding the governance of these partnerships accordingly.<sup>6</sup> This will increasingly become an issue as partnerships are developed and deepened with regional and domestic financial institutions, the private sector and urban service providers.

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<sup>6</sup> For the moment, all partnership agreements with financial implications are subject to strict guidelines from New York that are not designed for joint ventures, the sharing of risk or the leveraging of resources involving multiple partners and stakeholders.

55. In conclusion, the Governing Council may wish to recommend that a comprehensive review of the governance structure of UN-Habitat be undertaken, including:

(a) Objective assessment of the strengths and weaknesses of the current governance structures that affect programme delivery, efficiency and accountability, including those aspects that are common to UN-Habitat and UNEP;

(b) Detailed review of options for improving the efficiency and effectiveness of the governance structures of UN-Habitat, including those that are applied to other funds and programmes.

Table 1  
Governance structure of other United Nations agencies, programmes and funds

<i>Entity</i>	<i>Location/ reports to</i>	<i>Governing body/bodies</i>	<i>Governing body membership</i>	<i>Length of term of members of governing body</i>	<i>Governing body meetings</i>
UNDP	General Assembly & Economic and Social Council	Executive Board	36 member States	3 years (except for members from the Western European and others group of States)	2 regular sessions per year  1 annual session per year
UNICEF	General Assembly & Economic and Social Council	Executive Board	36 member States	3 years	2 regular sessions per year  1 annual session per year
United Nations High Commissioner for Refugees	General Assembly	Executive Committee Standing Committee	76 member States	Indefinite	Annually  Several times per year (between plenary sessions)
Office of High Commissioner for Human Rights and Human Rights Council	Secretariat General Assembly	N/A	N/A 47 member States	3 years (not eligible for re-election after two consecutive terms)	N/A At least 3 times per year
IFAD	Specialized agency within the Economic and Social Council	Governing Council Executive Board	164 member States 18 members + 18 alternate members	Indefinite 3-year term	Annually 3 times per year
WFP	Economic and Social Council and the Council of the Food and Agriculture Organization of the United Nations	Executive Board	36 member States (18 members elected by Economic and Social Council + 18 elected by FAO)	3-year term (eligible for re-election)	3 times per year
ILO	Economic and Social Council	Governing Body	56 titular Members (Governments, employers, workers)  66 deputy members	3 years	2 times per year (full session)  1 time per year (shorter one day session)
WHO	Economic and Social Council	World Health Assembly  Executive Board	193 member States  34 member States	Indefinite  3 years	Annually  2 times per year (full session & shorter session)

## Annex I

### Governance structure of UN-Habitat

#### A. Introduction

1. The purpose of the present annex is to provide a synopsis of the current governance structure of UN-Habitat. It describes the various instances and structures of decision making. It is accompanied by a brief historical overview of highlights in the evolution of the governance structure of UN-Habitat.

#### B. Brief historical overview

1972: The United Nations Conference on the Human Environment, Stockholm, establishes UNEP and the United Nations Habitat and Human Settlements Foundation (UNHHSF).

1976: The first United Nations Conference on Human Settlements takes place in Vancouver, Canada.

1977: The United Nations Centre for Human Settlements (UNCHS (Habitat)) is established by United Nations General Assembly resolution 32/162. The resolution designates the Commission on Human Settlements, a functional commission of the United Nations Economic and Social Council, as the governing body.

1978: The first meeting of the Commission on Human Settlements, comprising 58 member States rotating on a three-year basis and reporting to the General Assembly through the Economic and Social Council, takes place.

1978–1989: The Commission on Human Settlements meets every year for 10 working days to approve the work programme and budget and to decide on the focus of theme papers to be prepared by the secretariat for the following year. The Commission decides in 1989 to meet on a biennial basis to provide more intersessional time for the secretariat to produce substantive outputs. Most meetings are hosted outside Nairobi.

1991–1999: The Commission on Human Settlements gradually reduces the duration of its sessions to five working days. Time for dialogue and debate on human settlements issues is drastically reduced. All meetings are held in Nairobi.

1996: The Habitat II Conference takes place, resulting in a new normative mandate for UNCHS-(Habitat), requiring it to support and monitor the implementation of the Habitat Agenda adopted at the Conference and approved by the United Nations General Assembly.

2001: Istanbul+5, a special session of the General Assembly on implementing the Habitat Agenda, leads to a decision by the Assembly to elevate UNCHS (Habitat) to programme status, transform the Commission on Human Settlements into a Governing Council and to establish the Committee of Permanent Representatives in Nairobi as a formal intersessional body of the Governing Council. Other important decisions in General Assembly resolutions 56/205 and 56/206 include strengthening the normative role of UN-Habitat, designating UN-Habitat as the focal point within the United Nations system for human settlements and establishing the World Urban Forum to foster dialogue and debate on human settlements issues.

2003: New rules of procedure for the Governing Council are adopted; a non-voting seat is allocated to local authorities.

#### C. Decision-making and advisory structures for the biennial work programme and budget

2. For ease of understanding, the decision-making and advisory structures of UN-Habitat are described here in the context of the process for the approval of the biennial work programme and budget – the primary responsibility of the Governing Council of UN-Habitat.

- *Step 1:* Two years before the biennial work programme is presented to the Governing Council for its approval, the secretariat prepares a strategic framework for two years. This strategic framework is discussed with the Committee of Permanent Representatives and is submitted by the secretariat to the intergovernmental Committee for Programme Coordination for its approval.

- *Step 2:* One year before the work programme is presented to the Governing Council for its approval, the secretariat prepares a biennial work programme and budget based on the approved strategic framework. This document is presented to and discussed with the Committee of Permanent Representatives and is submitted approximately five months before the Governing Council to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) through the United Nations Budget Office for its advice and to the United Nations Committee for Programme and Coordination for its review.
- *Step 3:* Based on feedback received from the Advisory Committee on Administrative and Budgetary Questions, the secretariat prepares the work programme and Budget for submission to and approval by the Governing Council. While the budget is comprehensive, the Governing Council has authority over non-earmarked extrabudgetary resources, representing approximately 10 per cent of the total budget.
- *Step 4:* The secretariat submits the approved work programme and budget to the Committee for Programme and Coordination and the Budget Office. Both are incorporated into the work programme and budget for the entire United Nations and submitted to the General Assembly for approval. The Fifth Committee of the General Assembly looks at and approves the regular budget component of the budget, which represents approximately 10 per cent of the total budget of UN-Habitat.
- *Step 5:* The secretariat submits periodic progress reports on the implementation of the work programme and budget to the Committee of Permanent Representatives, which meets four times a year. In addition to these meetings, the Committee of Permanent Representatives holds numerous working group meetings, including on the work programme and budget (which includes the medium-term strategic and institutional plan), experimental reimbursable seeding operations and the World Urban Forum. Other ad hoc working group meetings are convened from time to time.
- *Step 6:* The earmarked extrabudgetary resources, which represent approximately 80 per cent of the total budget, are subject to oversight by the Office of the Controller, the Budget Division of the United Nations and the Board of Auditors. Furthermore, special oversight and management structures have been established for larger multi-donor programmes such as the experimental reimbursable seeding operations facility, the slum upgrading facility and water and sanitation.

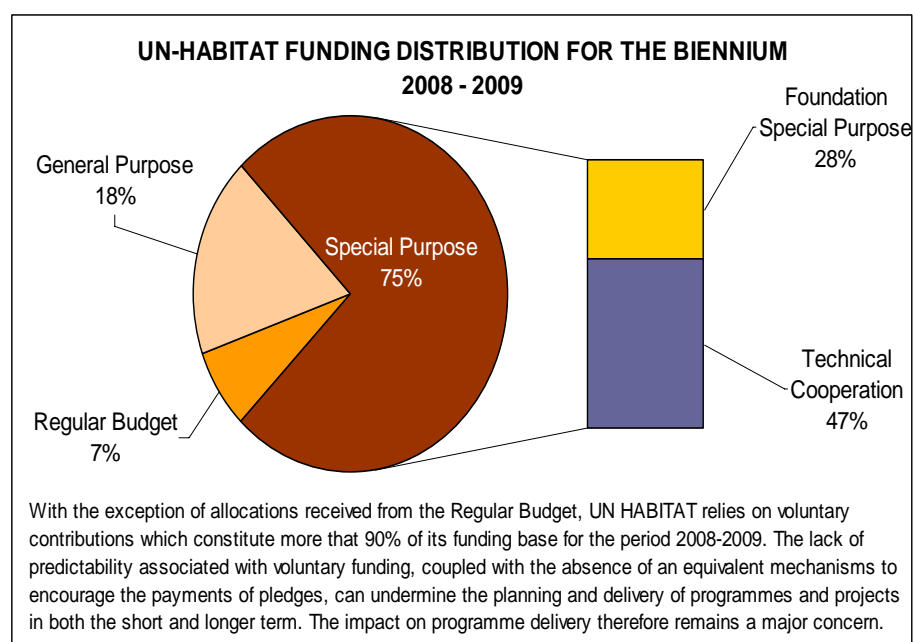
#### **D. Other governance structures and reporting obligations**

3. The Executive Director and the Deputy Executive Director enter into a yearly compact with the Secretary-General.
4. An annual Secretary-General's report on the coordinated implementation of the Habitat Agenda is submitted to the Economic and Social Council, which coordinates follow-up to all the major United Nations conferences and summits.
5. An annual Secretary-General's report on follow-up to the Habitat II conference and the strengthening of UN-Habitat is submitted to the General Assembly in accordance with General Assembly resolutions 56/205 and 56/206, which elevated UN-Habitat to programme status.
6. Regarding auditing, there are typically two routine internal audits per year, periodic external audits that are consolidated into a report to the General Assembly every two years, regular evaluations of the work programme through the United Nations Integrated Monitoring and Documentation Information System and periodic in-depth programmatic evaluations conducted by the United Nations Office of Internal Oversight Services or the Department of Management.

## Annex II

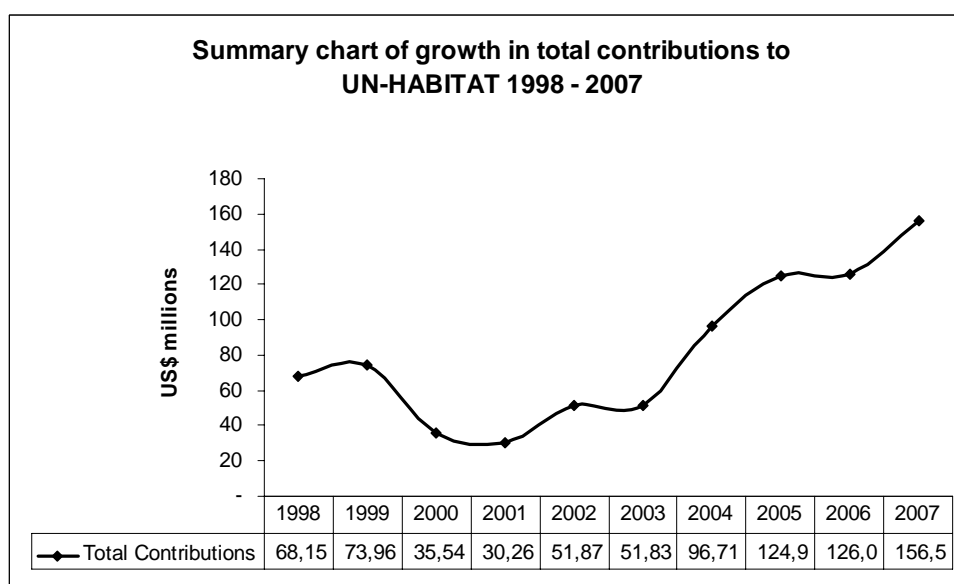
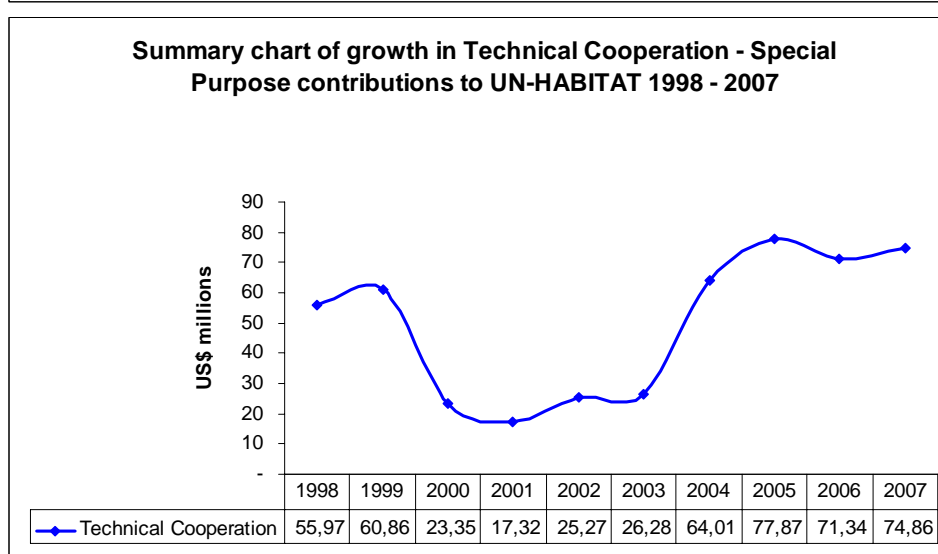
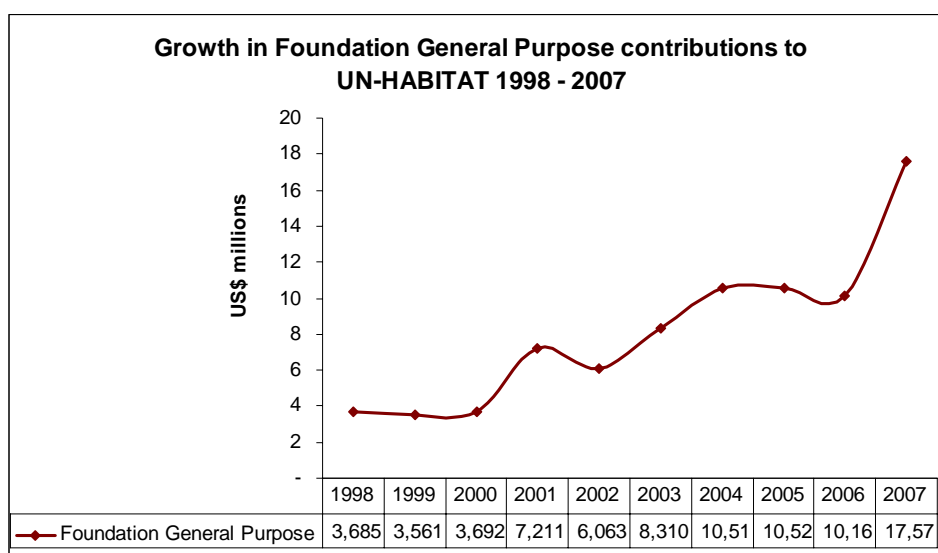
### Governance structure of other United Nations agencies, programmes and funds

1. UN-Habitat derives the majority of its income from voluntary contributions received from Governments and inter-governmental donors. The organization also receives contributions from other partners such as local authorities, the private sector, multilateral organizations and other United Nations system organizations.
2. The three main sources of funding are:
  - (a) Regular budget allocations which are approved by the General Assembly against the assessed contributions of Member States (core funding);
  - (b) General purpose contributions to the United Nations Habitat and Human Settlements Foundation (Foundation). These are the non-earmarked voluntary contributions from Governments for which the budget allocations are approved by the UN-Habitat Governing Council and are allocated in accordance with agreed priorities (core funding);
  - (c) Special purpose contributions, which are earmarked voluntary contributions from Governments and other donors for the implementation of specific activities (based on agreements with the donors) included in the approved work programme (non-core funding). These contributions fall into two major categories:
    - (i) Contributions towards the Foundation;
    - (ii) Contributions for direct project execution at the country level i.e., technical cooperation contributions.



#### Trend in voluntary contributions

3. Non-earmarked (core) voluntary contributions to the United Nations Habitat and Human Settlements Foundation have over the past ten years grown from an annual average of \$4.5 million to approximately \$17.5 million in 2007. There is also a dramatic increase in technical cooperation programmes from \$26 million in 2003 to approximately \$74 million in 2007. During the same period, earmarked voluntary contributions have grown significantly from an annual average of \$23 million to \$156 million in 2007, reflecting a marked donor preference for this type of funding. Increase in the total voluntary contributions received by UN-Habitat has had a positive impact on the overall programme delivery and has provided a competitive boost to efficiency through increased economies of scale.



4. Although earmarked contributions are a welcome complement to non-earmarked contributions, the continued rising imbalance between the two remains a major challenge. This is primarily because earmarked resources in many instances carry stringent conditions, e.g., specific country implementation in donor-supported regions, implementing partners and amount to be paid

to the partners and funding period, all of which limit UN-Habitat flexibility in making use of the funds.

5. This imbalance in funding has made it more difficult for UN-Habitat to ensure an effective and balanced implementation of the approved work programme, with some activities overfunded and others only partially funded. Further, earmarked funds have not always been aligned with the agreed work programme and priorities set. The effect of this is a distortion of programme priorities.

6. Although the non-earmarked (core) and earmarked contributions contribute to meeting the overall objectives of the programme, the core resources are fundamental to ensuring the fulfilment of the institution's mandate as they provide the basic operating infrastructure of the organization and enable it to implement its core normative activities.

7. It is worth noting that the management of earmarked (non-core) resources requires substantial administrative support, which incurs a cost. United Nations system organizations recognize that there is some level of subsidization of these support costs, whether implicit or explicit, by regular/core resources. This in some instances may lead to diversion of resources from programmes, projects or activities mandated by the legislative organs to others with a narrower bilateral focus (i.e., earmarked activities).

8. Despite the increase in the UN-Habitat total financial resources it continues to experience a budgetary shortfall (core funding) between its conservative biennial budgets approved by the Governing Council and the actual funds received. This shortfall has presented various challenges to the organization, which have led to a fragmented approach in the implementation of the approved work programme, and has hindered the organization in its efforts to address established priorities fully.

#### **Recent trends in the contributions received by UN-Habitat from the top 10 donors**

9. The donor base for voluntary contributions remains narrow: approximately 60 per cent of total contributions and over 90 per cent of non-earmarked (core) voluntary contributions come from the top 10 donors.

10. This has made the organization vulnerable, especially with regard to the non-earmarked (core) funding, and may have an adverse impact on programme delivery in the event that a major donor sharply reduces its funding or withdraws it altogether.

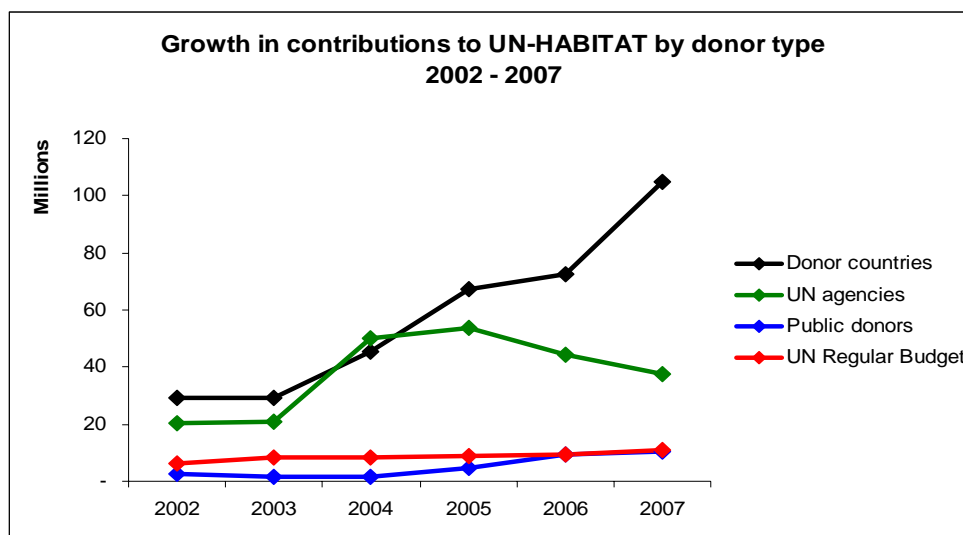
#### **Status of the global trust funds and facilities**

11. UN-Habitat recently embarked on an aggressive fund raising campaign to capitalize the Water and Sanitation Trust Fund, the Special Human Settlements Programme for the Palestinian People and the Slum Upgrading Facility. These funds have been supported by several donor countries as a sign of their commitment to the Millennium Declaration Goals on improving access to drinking water and sanitation and improving the lives of slum-dwellers.

12. Although of significant importance, global trust funds should not be viewed as an alternative or substitute for the core or non-earmarked resources. They should instead be seen complementary funds.

13. UN-Habitat has continued to receive a significant level of contributions from other United Nations agencies, which underscores its comparative advantage in the area of human settlements. This is in line with United Nations reforms that call on the United Nations system to work more coherently and effectively at the global level in the areas of development, humanitarian assistance and environment. Further, UN-Habitat has continued actively to engage and develop partnerships with various private and public stakeholders.





**Non-Earmarked (Core) Contributions****Top Ten Donors of UN-HABITAT 2002-2007** (as at 31 December 2007)

2002 US\$ 12,305,165		2003 US\$ 16,680,387		2004 US\$ 18,707,470		2005 US\$ 19,271,420		2006 US\$ 19,562,367		2007 US\$ 28,794,174	
Country	%	Country	%	Country	%	Country	%	Country	%	Country	%
1 UN Regular Budget	51	1 UN Regular Budget	50	1 UN Regular Budget	44	1 UN Regular Budget	45	1 UN Regular Budget	48	1 UN Regular Budget	39
2 United Kingdom	12	2 United Kingdom	9	2 Norway	13	2 Norway	11	2 Sweden	12	2 Norway	15
3 Norway	9	3 Norway	8	3 United Kingdom	10	3 United Kingdom	10	3 Norway	12	3 Sweden	11
4 Sweden	5	4 Netherlands	8	4 Netherlands	8	4 Sweden	9	4 United Kingdom	10	4 Italy	9
5 USA	4	5 Sweden	5	5 Sweden	7	5 Netherlands	7	5 Netherlands	7	5 Spain	7
6 Italy	4	6 USA	4	6 Italy	4	6 Germany	3	6 Finland	3	6 United Kingdom	7
7 Netherlands	4	7 Italy	3	7 USA	4	7 Italy	3	7 Germany	2	7 Netherlands	6
8 Finland	3	8 Finland	2	8 Finland	3	8 Finland	3	8 Japan	1	8 Finland	2
9 Japan	2	9 Japan	1	9 Germany	2	9 USA	3	9 USA	1	9 France	1
10 France	1	10 Germany	1	10 Japan	1	10 Japan	1	10 France	1	10 USA	1
Others	4	Others	5	Others	4	Others	4	Others	3	Others	2

**Earmarked Contributions**

2002 US\$ 45,816,551		2003 US\$ 43,526,450		2004 US\$ 86,216,084		2005 US\$ 115,384,719		2006 US\$ 115,914,269		2007 US\$ 135,683,596	
Country	%	Country	%	Country	%	Country	%	Country	%	Country	%
1 European Union	15	1 Netherlands	15	1 Japan	11	1 Italy	16	1 Sweden	11	1 Spain	12
2 Netherlands	11	2 Japan	8	2 Netherlands	8	2 Netherlands	11	2 Netherlands	10	2 Sweden	10
3 Japan	6	3 Canada	5	3 European Union	5	3 Norway	6	3 Canada	9	3 Norway	10
4 Sweden	5	4 Norway	5	4 Canada	3	4 Japan	5	4 European Union	8	4 Netherlands	8
5 Belgium	4	5 Sweden	3	5 Sweden	3	5 European Union	3	5 Norway	7	5 Canada	7
6 United Kingdom	2	6 Italy	2	6 Norway	2	6 Sweden	3	6 Afghanistan	2	6 European Union	3
7 Switzerland	2	7 European Union	2	7 Belgium	2	7 United Kingdom	1	7 United Kingdom	2	7 Italy	3
8 Germany	1	8 Germany	1	8 USA	1	8 Libyan Arab Jamahiriya	1	8 Italy	1	8 Libyan Arab Jamahiriya	2
9 Italy	1	9 USA	1	9 United Kingdom	1	9 Belgium	1	9 Switzerland	1	9 Egypt	2
10 Afghanistan	1	10 Afghanistan	1	10 Italy	1	10 Germany	1	10 Libyan Arab Jamahiriya	1	10 Afghanistan	2
Others	52	Others	56	Others	63	Others	53	Others	50	Others	41

**Total Contributions**

2002 US\$ 58,121,716		2003 US\$ 60,206,837		2004 US\$ 104,923,554		2005 US\$ 134,656,139		2006 US\$ 135,476,636		2007 US\$ 164,477,770	
Country	%	Country	%	Country	%	Country	%	Country	%	Country	%
1 European Union	12	1 UN Regular Budget	14	1 Japan	9	1 Italy	14	1 Sweden	12	1 Spain	11
2 UN Regular Budget	11	2 Netherlands	14	2 UN Regular Budget	8	2 Netherlands	10	2 Netherlands	10	2 Norway	10
3 Netherlands	9	3 Japan	6	3 Netherlands	8	3 Norway	7	3 Canada	8	3 Sweden	10
4 Japan	5	4 Norway	5	4 Sweden	4	4 UN Regular Budget	7	4 Norway	8	4 Netherlands	8
5 Sweden	5	5 Sweden	4	5 Norway	4	5 Japan	4	5 European Union	7	5 Regular Budget	7
6 United Kingdom	4	6 Canada	4	6 European Union	4	6 Sweden	3	6 UN Regular Budget	7	6 Canada	5
7 Belgium	3	7 United Kingdom	3	7 Canada	3	7 European Union	3	7 United Kingdom	3	7 Italy	4
8 Norway	2	8 Italy	3	8 United Kingdom	3	8 United Kingdom	3	8 Afghanistan	2	8 United Kingdom	2
9 Italy	2	9 USA	2	9 USA	2	9 Germany	1	9 Italy	1	9 European Union	2
10 Switzerland	1	10 European Community	1	10 Italy	2	10 Libyan Arab Jamahiriya	1	10 Switzerland	1	10 Libyan Arab Jamahiriya	2
Others	45	Others	44	Others	55	Others	48	Others	40	Others	39