



UNITED
NATIONS

HSP

HSP/GC/23/5/Add.3

UN HABITAT

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

Distr. General
11 February 2011

Original: English

Twenty-third session

Nairobi, 11–15 April 2011

Item 7 of the provisional agenda*

**Work programme of the United Nations Human
Settlements Programme and budget of the United Nations
Habitat and Human Settlements Foundation
for the biennium 2012–2013**

**Proposed work programme and budget for the biennium
2012-2013**

Report of the Executive Director

Addendum

**Midterm review of the implementation of the medium-term strategic
and institutional plan for the period 2008–2013**

Summary

1. The present report is submitted pursuant to paragraph 21 of Governing Council resolution 21/2 of 20 April 2007 and paragraph 8 of resolution 22/7 of 3 April 2009, in which the Governing Council requested the Executive Director, in consultation with the Committee of Permanent Representatives, to conduct a midterm review of the medium-term strategic and institutional plan and to present the results of that review to the Governing Council at its twenty-third session.
2. In addition, by paragraph 18 of resolution 21/2, the Governing Council requested the Executive Director to establish an annual peer review process, in close collaboration with the Habitat Agenda partners, on the implementation of the plan. In 2008, the Committee of Permanent Representatives endorsed the proposal by the secretariat that the peer review should be conducted at the end of 2009 to enable assessment not only of the “quick wins” of the kick-start phase of the plan, but also of the readiness of the United Nations Human Settlements Programme (UN-Habitat) to achieve the plan’s objectives. Consequently, the peer review, which was completed in August 2010, covered the same period as that anticipated for the midterm review.
3. The peer review provided a comprehensive assessment of the progress made in improving UN-Habitat programmes, organizational structure and procedures, as called for in the plan. It was agreed by the Committee and the secretariat that the midterm review should draw from the comprehensive peer review that covered the same period and scope as that anticipated for the midterm review.

* HSP/GC/23/1.

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4. The present report is therefore largely based on the peer review report. The response of the management of UN-Habitat to the peer review was discussed with the Committee and the review's recommendations are being implemented. The report also draws on the six-monthly progress reports on the implementation of the plan of June and December 2010, which were discussed and endorsed by the Committee. It provides significant findings, lessons learned and recommendations.

I. Background

5. UN-Habitat is mandated by the General Assembly to promote sustainable urbanization through socially and environmentally sustainable towns and cities, with the goal of providing adequate shelter for all. Given the programme's broad, challenging and complex mission, two trends are evident in its activities. On the one hand, there is a growing demand for its participation and inputs and, on the other, there is a need to focus on critical, high-impact areas.

6. In 2004, the Office of Internal Oversight Services conducted an in-depth evaluation of UN-Habitat, in which it called for the sharpening of the organization's programmatic focus and the broadening of its funding base. Specifically, the evaluation stated that, "given its very broad mandate and the very limited scale of its available resources, UN-Habitat should identify a few critical areas of its mandate on which to focus in order to have the greatest impact within the constraints imposed by its approved work programme".¹

7. Subsequently, by its resolution 20/19 of 8 April 2005, the Governing Council of UN-Habitat welcomed the recommendations set out in the evaluation report and requested the Executive Director, in consultation with the Committee of Permanent Representatives, to develop a six-year medium-term strategic and institutional plan, including clear implications for the organizational structure, financial and human resources of UN-Habitat, including at the global, regional and country levels, taking into account wider United Nations reform processes.

8. As a result, the medium-term strategic and institutional plan was developed, representing an organizational response to global trends in urbanization and urban poverty and to United Nations system-wide reform. It sets out the core priorities and strategies guiding UN-Habitat work during the period 2008–2013 within the framework of its broader mandate – the Habitat Agenda. The plan includes five substantive focus areas: effective advocacy, monitoring and partnerships; participatory urban planning, management and governance; pro-poor land and housing; environmentally sound basic infrastructure and affordable services; and strengthened human settlements finance systems. A sixth focus area, excellence in management, creates an enabling environment for the effective implementation of the five substantive focus areas.

9. The plan calls for enhanced partnerships with Habitat Agenda partners, improvement of the Programme's normative and operational work and enhanced resource mobilization. It also calls for UN-Habitat to become a results-focused organization for promoting sustainable urbanization and inclusive urban development. The institutional component of the plan aims to fulfil the UN-Habitat contribution to United Nations reform. A key component is excellence in management, focusing on enhanced accountability and transparency and results-based monitoring and reporting.

II. Purpose and objectives of the review

10. The review is intended to focus on two broad questions: the extent to which UN-Habitat has become a more strategic organization with a sharper focus; and ways in which UN-Habitat has become more efficient and effective in its operations since the medium-term strategic and institutional plan reform process began in 2008.

11. Specific objectives of the review include:

(a) To assess progress made towards implementing the plan, including review of achievements and identification of challenges and areas for improvement;

(b) To assess the institutional and strategic arrangements put in place to enhance the implementation of the plan further;

(c) To assess the efficiency and effectiveness of UN-Habitat planning, programming, budgeting and monitoring processes within the results-based management framework;

1 E/AC.51/2005/3.

- (d) To assess the application of the principles of results-based management to other administrative and substantive areas of UN-Habitat work with a view to attaining the objectives of the plan's six focus areas;
- (e) To identify critical factors either constraining or promoting the achievement of the plan;
- (f) To provide recommendations on steps to facilitate the effective implementation of the plan.

III. Approach and methodology

12. The present report is based on two main sources: the medium-term strategic and institutional plan peer review report (August 2010); and the six-monthly medium-term strategic and institutional plan progress reports of June 2010 and December 2010, as discussed and endorsed by the Committee of Permanent Representatives.
13. The peer review, which was carried out by two consultants on behalf of the review panel, assessed the plan's institutional and programmatic aspects. The consultants adopted a consultative, interactive and transparent approach.
14. A variety of methods were applied during the peer review's data collection phase:
 - (a) Desk review of relevant documents related to the plan, including the medium-term strategic and institutional plan action plan, a refined plan results framework, policy and strategy papers for each plan focus area, plan progress and performance reports, biennial work programme documents, external evaluation reports prepared since 2008 and other relevant documents;
 - (b) Analysis of planning documents, tools and strategies, including annual workplans, monitoring and evaluation frameworks, performance indicators, guidelines and tools;
 - (c) Open-ended and semi-structured interviews with UN-Habitat senior management and staff selected from divisions at headquarters and regional and country offices.
 - (d) Interviews with various external stakeholders including:
 - (i) Members of the Committee of Permanent Representatives;
 - (ii) Representatives of donors;
 - (iii) Representatives of external partners.
 - (e) Validation of data and findings by the secretariat and follow-up interviews;
 - (f) Debriefing sessions with the peer review panel for consultation and discussion of findings.

A. Peer review panel

15. The peer review was conducted by an independent panel of nine members, established by the Committee of Permanent Representatives. The members included two external evaluators, two professional evaluators from a peer organization (the United Nations Environment Programme), a representative of Habitat Agenda partners and four representatives of the Committee. The panel was delegated the authority by the Committee to manage the peer review, to accept the final report, and to provide overall guidance and direction in its elaboration. In particular, the peer review panel:
 - (a) Reviewed and endorsed an inception report to ensure that the scope of work accurately reflected the terms of reference, approved the methods of work as relevant and appropriate, and ensured a realistic timeline;
 - (b) Reviewed the draft reports, ensuring that the conclusions and recommendations were supported by the data and evidence collected and that the presentation was clear, logical and of high quality;
 - (c) Provided a rigorous quality assurance process for preparation of the final report;
 - (d) Reviewed and endorsed the final report prior to its submission to the Committee.

B. Peer review support

16. The secretariat supported the peer review process in various ways, including by drafting the terms of reference, selecting and recruiting consultants, establishing the peer review panel and acting

as liaison and focal point between the panel, the consultants and other partners. It also collated and consolidated comments on and corrections to the draft report for consideration by the panel and consultants; facilitated the work of consultants by making available relevant contacts and information and performed other professional and administrative tasks as required.

IV. Focus of the review

17. The review focused on:

- (a) Strategic and programmatic focus of the medium-term strategic and institutional plan;
- (b) Organizational structure and programme alignment for delivery of the plan's objectives;
- (c) Country programme focus and coordination;
- (d) Programme planning and review processes;
- (e) Results-based management and business processes;
- (f) Resource mobilization.

V. Main findings

A. Overall progress and achievements

18. The introduction of the medium-term strategic and institutional plan has brought with it several positive developments. It has fostered a stronger common vision for the programme, enhanced staff members' enthusiasm and commitment and reduced internal barriers through better collaboration and a greater focus on shared results. The process has also led to strengthened normative and operational linkages at the global, regional and country levels. A number of administrative and institutional reforms have improved organizational efficiency and effectiveness.

19. UN-Habitat has achieved most of the "quick wins" and "must dos" set out in the plan, most of which required the delivery of specific outputs and activities. Little progress has been realized, however, in areas such as the improvement of business processes, resource mobilization and organizational restructuring. These require further attention.

20. The first phase of the plan's implementation, during the biennium 2008–2009, was focused on the institutional aspects of reform. The second phase, during the biennium 2010–2011, is focused on programmatic aspects against a background of continuing institutional reform.

21. The plan has been a necessary and important reform tool for UN-Habitat, but some critical aspects of organizational reform have not been dealt with adequately. The existing organizational structure is not optimal for the effective delivery of the plan's envisaged results and the alignment of the agency's human resources with the plan's focus areas should be completed, among other things.

22. UN-Habitat work programmes have been incrementally drawn from the plan's results framework and the work programme for the forthcoming biennium 2012–2013 has been fully aligned with the plan. There is a need, however, to revisit the indicators of achievement in the results framework.

23. UN-Habitat is faced with a number of constraints over which the programme has no direct control, including the existing governance system, administrative services carried out by the United Nations Office at Nairobi, and mandatory procedures imposed by the Secretariat in New York. These constraints should be tackled to enable improvements in the plan's implementation and improved organizational performance.

B. Strategic programmatic focus and leadership

24. The plan has been helpful in establishing a number of thematic priorities based on the Habitat Agenda. To a large extent, this has led to the identification and reformulation of strategic entry points for the programme. There is no evidence, however, that major activities have been dropped or resources redirected. On the contrary, a number of new priorities have been adopted. The programme's limited resources have not therefore been allocated among fewer strategic priorities, and thus the plan's implementation has not yet led to a sharper, more focused UN-Habitat.

25. Although it is central to the strategic goal driving the plan's five substantive focus areas, the concept of "sustainable urbanization" has not been adequately defined. While the plan presents five

substantive priorities covering important aspects of the UN-Habitat mandate, those responsible for the five corresponding focus areas do not always communicate well with one another. The policy and strategy papers need to be viewed together with Habitat country programme documents. Furthermore, the policy and strategy papers for the focus areas vary in conceptual clarity, overall quality and strength in providing strategic direction.

26. The plan's results framework articulates specific, measurable, achievable, realistic, and time-bound (sometimes referred to by the acronym "SMART") results and performance indicators for all six focus areas. In reporting progress, UN-Habitat has tended to reduce results to numerical indicators, even for roles and activities for which other types of indicators might be more appropriate. Greater familiarity with the various categories of results is required. In addition, there is a need to revise the indicators for more accurate measuring of results.

C. Organizational alignment and staffing

27. During the first phase of the plan's implementation, new mechanisms and structures were introduced. These, however, have proved inadequate, and the current organizational structure must be improved if the plan's objectives are to be achieved efficiently and effectively.

28. A staff performance appraisal system is in place, but clear performance standards, incentives, quality control mechanisms and disincentives for underperformance are lacking. Nevertheless, there are a number of examples of high-quality and high-impact staff performance.

D. Inadequate coordination between global, regional and country levels

29. Coordination between global, regional and country activities is often based on informal mechanisms that lack clearly defined roles and formalized systems. The Regional and Technical Cooperation Division lacks sufficient capacity to achieve effective coordination between the regional and country offices and the other divisions. With an expanding level of activities at the regional and national levels, and an increased emphasis on a combined normative and operational approach, the current situation is unsatisfactory. There is need for more formal structures to link the plan's focus areas to the regional offices and improved mechanisms for coordination.

E. Progress in integrating normative and operational work

30. The distinction between the organization's normative and operational roles has often been unclear. Its operational mandate has largely been implemented through the Regional and Technical Cooperation Division. UN-Habitat country programmes and the Habitat programme managers are seen as the vehicles for achieving better integration of the normative and operational roles. While there is clearly an improved understanding of the need for integration within the programme and there have been a number of positive developments, most resources for country-level activities are mobilized by regional offices for operational activities that often have insufficient normative elements and feedback mechanisms for organizational learning. By increasingly taking on operational projects on a contractual basis, UN-Habitat has become excessively donor-driven. Only limited core resources are available for strengthening regional and country-level normative work.

F. Complex planning and programming structures

31. The current planning structure is complex, with several levels, and involves a large number of documents. The work programme and budget currently lack details on prioritization and linkages to resource allocation. The cost of maintaining two separate planning and reporting systems, i.e., one for the plan and one for the biennial work programme, has been high. More importantly, however, the existence of the two systems side by side appears to have created confusion in parts of the programme. There is a need therefore to align and establish a unified programming and reporting structure that can better satisfy donor requirements and provide a sound basis for decision-making.

G. Programme review process strengthened

32. New programme review committees in Nairobi and at the regional level are operational. A guide with relevant templates and a designated secretary are in place. The review mechanism is mandatory and encompasses both strategic and technical considerations. The new guidelines are in use and experience with the process is accumulating. The regional offices, however, consider the process for review and approval of emergency projects, which require swift action, to be excessively cumbersome and slow, and the budget amount for projects that those offices may approve without involving the regional programme review committees to be too low.

H. Mixed results in improving business processes

33. UN-Habitat has begun a process of streamlining travel, procurement and recruitment procedures, and of delegating financial authority to division directors. Practices and procedures for requests for and procurement of office products and equipment need to be improved and in some cases put in place where formal procedures do not exist. Some problems attributed to the United Nations Office at Nairobi have not yet been resolved. There is a need to review and update all related service-level agreements between UN-Habitat and the United Nations Office at Nairobi and increase staff awareness of their existence.

I. Resource mobilization

34. There have been several achievements in the area of resource mobilization, including increased awareness among staff of the need for coordinated fund-raising. Efforts to expand multi-year funding agreements have born fruit, with Norway, Spain, Sweden and the United Kingdom of Great Britain and Northern Ireland signing such agreements. The publication of a catalogue of UN-Habitat products and services has assisted the resource mobilization process.

35. The dependence on a small group of major donors is considered the most critical risk for UN-Habitat and, while the gap has narrowed, the imbalance between earmarked and non-earmarked funds remains a challenge that should be faced as a matter of priority. With regard to the mobilization of non-conventional sources of funding, the limited capacity of the Resource Mobilization Unit has been compensated for, to some extent, by the efforts of the divisions and branches in negotiating agreements with the private sector and foundations and obtaining corporate sponsorship.

J. Application of results-based management

36. Using the principles of results-based management, UN-Habitat has developed a chain of results for each focus area of the plan using participatory approaches. The interactive process has enhanced ownership of the plan results framework. The results framework encompasses organizational planning, programming, budgeting, monitoring, evaluation and reporting. The biennial strategic framework and work programme and budget documents are derived from the plan results framework.

37. Since the adoption of the plan, UN-Habitat has made progress in demonstrating transparent decision-making on budgetary matters. Improvements in budgetary processes have been made by aligning the budgets to the plan focus area results. In 2009, a review and resource allocation committee was established to facilitate transparency in resource allocation under the plan. Capacity-building in results-based management is under way and a training strategy to familiarize managers and staff at all levels with results-based management concepts was developed in 2009. At least 180 UN-Habitat staff members have undergone introductory training in results-based management, including Habitat programme managers and regional office staff.

VI. Lessons learned

38. The plan provides a longer planning horizon for biennial strategic frameworks and work programmes. One unintended consequence of this reform is the creation of overlapping systems of data collection and reporting on the implementation of the plan and the work programme. This creates confusion and additional work, some of which is unnecessarily duplicative.

39. The early engagement by the Executive Director on important strategic issues such as setting programmatic priorities, resource allocation and organizational restructuring is commendable. Clarity of purpose of reform, however, is necessary for all staff at all levels. Decisions, with their underlying rationales, should be clearly communicated to all staff through the relevant sections and units.

40. Major reviews at the programme level (such as the plan peer review) are complex and involve multiple stakeholders and varied sources of information; they therefore require considerable time and resources. This can represent substantial additional work for the programme and members of the peer review panel. In future, such reviews should:

- (a) Ensure commitment through the early involvement of key review stakeholders (e.g., members of the Committee of Permanent Representatives, partners, donors and staff members);
- (b) Ensure that sufficient time and resources are allocated to allow comprehensive and in-depth treatment of the issues to be evaluated;
- (c) Have realistic time frames, as it has been proven that it is impossible to conduct annual peer reviews.

VII. Recommendations

41. The following are recommendations to the secretariat arising from the midterm review of the implementation of the plan:

- (a) Based on the findings of already completed and current reviews, the Executive Director should consider a new organizational structure, with the aim of achieving better alignment with the plan's focus areas: the achievement of results within the plan's priority areas should be the primary motivation for any reorganization;
- (b) The Committee of Permanent Representatives and, in particular, donor countries should review their own demands for reporting by UN-Habitat to reduce costs and duplication and strengthen the coherence and quality of reporting;
- (c) UN-Habitat should seek to establish a unified planning and reporting system for decision-making, resource mobilization and reporting to all donors and avoid expensive overlapping systems;
- (d) UN-Habitat should define clearly and transparently, in the strategic framework and biennial programme budgets, what the programme's policy and programme priorities are for the short term and long term. The criteria and process by which scarce resources will be allocated among competing priorities and within focus areas should be clearly specified. Specific criteria that deal with the allocation of core resources to regions and countries should be developed;
- (e) Strategic planning, performance monitoring and reporting should be coordinated by a central strategic management unit at the highest level of the programme, directed and supported by the Executive Director;
- (f) An independent evaluation function should be established;
- (g) Interdivisional collaboration in the delivery of the UN-Habitat programme of work should be strengthened;
- (h) The programmatic aspects of the plan should be further emphasized to create a clearer and more strategic UN-Habitat while continuing institutional reforms. An overarching paper that links the individual policy/strategy papers and defines key common concepts should be prepared;
- (i) The individual focus area policy/strategy papers should be standardized to achieve greater uniformity, quality and focus on the enhanced normative and operational framework and cross-cutting issues related to gender, young people and the environment. There is also a need to develop and clarify key concepts such as "sustainable urbanization";
- (j) Coordination at the global, regional and country levels should be formalized and strengthened. The role and functions of the Regional and Technical Cooperation Division need to be reviewed and mechanisms for cooperation at all levels improved through a multi-stakeholder process;
- (k) Regional offices should play a more active role in promoting a comprehensive and coherent normative and operational vision shared by divisions, focus areas and country programmes. This may require that more core resources be made available to regional offices;
- (l) Given the strong relationship between the image of UN-Habitat and resource mobilization, the programme should step up efforts to raise its profile and improve its image in the media through existing mechanisms such as the World Urban Campaign, the World Urban Forum, awards programmes and flagship reports and other publications;
- (m) Although there are several examples of significant progress in UN-Habitat country-level work, to date achievements have not been systematically documented. UN-Habitat should undertake a comprehensive independent assessment to document what has been achieved to date and learn lessons from implementation experiences and to identify mechanisms for systematic tracking of UN-Habitat work at the country level;

42. The following are suggestions to the Committee of Permanent Representatives arising from the midterm review of the implementation of the plan:

- (a) The Committee, and in particular the donor community, should review UN-Habitat current planning and reporting systems and requirements, in the light of their own requirements, to reduce costs and duplication and strengthen coherence and quality;
- (b) The Committee should, as a matter of priority, continue to deal with the UN-Habitat governance structures and the relationships between UN-Habitat and the United Nations Secretariat

and the United Nations Office at Nairobi. Optimal organizational efficiency and effectiveness will not be achieved unless systemic constraints inherent in those structures and relationships are eliminated;

(c) Although the Governing Council, in its resolution 21/2 of 20 April 2007, requested UN-Habitat to establish an annual peer-review process, in close collaboration with the Habitat Agenda partners, on the implementation of the plan, major reviews at the organizational level (such as the plan peer review) are complex and involve multiple stakeholders and varied sources of information. They therefore require considerable time and resources. The time frame within which such processes can be completed, and the time needed for higher level results from implementation of the plan to become apparent, suggest that annual peer review is not feasible. It is suggested that the minimum period between reviews should be at least two years;

43. In addition, UN-Habitat appeals to member States and other Habitat Agenda partners for predictable funding, especially non-earmarked contributions, to enable the programme to respond to the priorities set out in the plan more efficiently and effectively.

VIII. Conclusion

44. A management response to the recommendations outlined above was prepared by the secretariat and considered by the Committee of Permanent Representatives. That response is the basis for the implementation of the above recommendations.
