

THE UN-HABITAT STRATEGIC VISION



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SUMMARY

In 1978, when Habitat was established, urbanization and its impacts were barely on the radar screen of a United Nations that had been created over three decades earlier, when two-thirds of humanity was still rural. From 1978 to 1997, with meagre support and an unfocused mandate, Habitat struggled almost alone among multi-lateral organizations to prevent and ameliorate problems stemming from massive urban growth, especially among cities of the developing world. From 1997 to 2002, by which time half the world had become urban, UN-HABITAT – guided by the *Habitat Agenda* and the *Millennium Declaration* – underwent a comprehensive revitalization, using its experience to identify emerging priorities for sustainable urban development and to make needed course corrections.

Exemplifying the Secretary-General's reform principles, the transformation of UN-HABITAT into a modern, efficient and responsive UN Programme is nearly complete. Areas of duplication, activities of marginal utility and programmes no longer serving their intended purpose have been purged, and the productive elements have been strengthened and re-oriented to respond to the relevant goals of the *Millennium Declaration*. The result now requires a "running-in" period with adequate institutional and financial support from the international community.

Achieving sustainable development and alleviating poverty require the integration of economic, social and political objectives into a coherent overall framework. As the world becomes increasingly urban, it is essential that policy-makers understand the power of the city as an organizing agent for national development. UN-HABITAT's recently integrated programmes are designed to help policy-makers and other stakeholders evaluate urban conditions and trends and to articulate strategies that will strengthen their cities socially and economically. Within a revitalized and reformed United Nations, UN-HABITAT is prepared to play a key role in an international development agenda that pays proper attention to the city, from its interior slums to its rural hinterlands.

This full-spectrum agenda requires a full-spectrum strategy. In the past, the debate has been whether projects or programmes are more effective in development work. Projects are more visible and politically gratifying and, if successful, can provide models for building policy and programmes. Programmes offer more targeting flexibility and coordination potential but lack the political immediacy often demanded by donors. The UN-HABITAT strategic vision offers a third way forward by targeting the means for implementing both programmes and projects in a proper and practical relationship to global priorities. Knowledge management, the linking of normative guidelines to field operations, innovative financing for pro-poor investment and partnerships comprise a powerful array of strategies that can be applied to nearly any element of the UN-HABITAT work programme. From this strategic vision and work programme, a matrix of substantive themes and strategies can now be constructed that will allow donors with particular interests to support either or both, themes and strategies. That support can be given with the assurance that it will be applied within an interlocking framework of complementary support oriented toward key objectives in the fight against urban poverty and for sustainable urbanization.

Historically, urban issues have been marginalized in the development agenda. This fact is mirrored in the shortage of targeted funding, at all levels, for the implementation of the *Habitat Agenda*. Prior to its revitalization, UN-HABITAT was frequently seen as a weak partner, in large part because of its inability to bring

resources to the table – to back up its advocacy and operational advice with investment follow through. To be credible in working for improvements in human settlements, it is necessary to be able to leverage public and private resources. This, in turn, requires long-term partnerships. The UN-HABITAT strategic vision addresses these linkages and much more.

A. THE CHALLENGE

1. THE URBANIZATION OF POVERTY

In 1950, one-third of the world's people lived in cities. Just fifty years later, this proportion has risen to one-half and will continue to grow to two-thirds, or 6 billion people, by 2050. In terms of population densities, spatial distribution, economic activity and social attitude, the world has become urbanized. After a half-century of intense global urban growth, the United Nations and its individual member states now recognize the powerful developmental role that cities play as well as the challenges they face.

In a world of liberalized trade and finance, cities are focal points for investment, communication, commerce, production and consumption. They are magnets for immigrants and for others seeking a better life, as well as the locus of problems that result from these profound economic and demographic trends. The most alarming accompaniment to urbanization in this globalizing world has been the deepening of urban poverty and the growth of slums that now envelop nearly one billion persons worldwide.

The United Nations Millennium Declaration recognizes the dire circumstances of the world's urban poor, articulating Member States' commitment to improve the lives of at least 100 million slum dwellers by the year 2020.¹ As large as 100 million may seem, however, it is only ten percent of the present worldwide slum population, which, left unchecked, will multiply threefold to 3 billion by the year 2050 (see Figure 1).

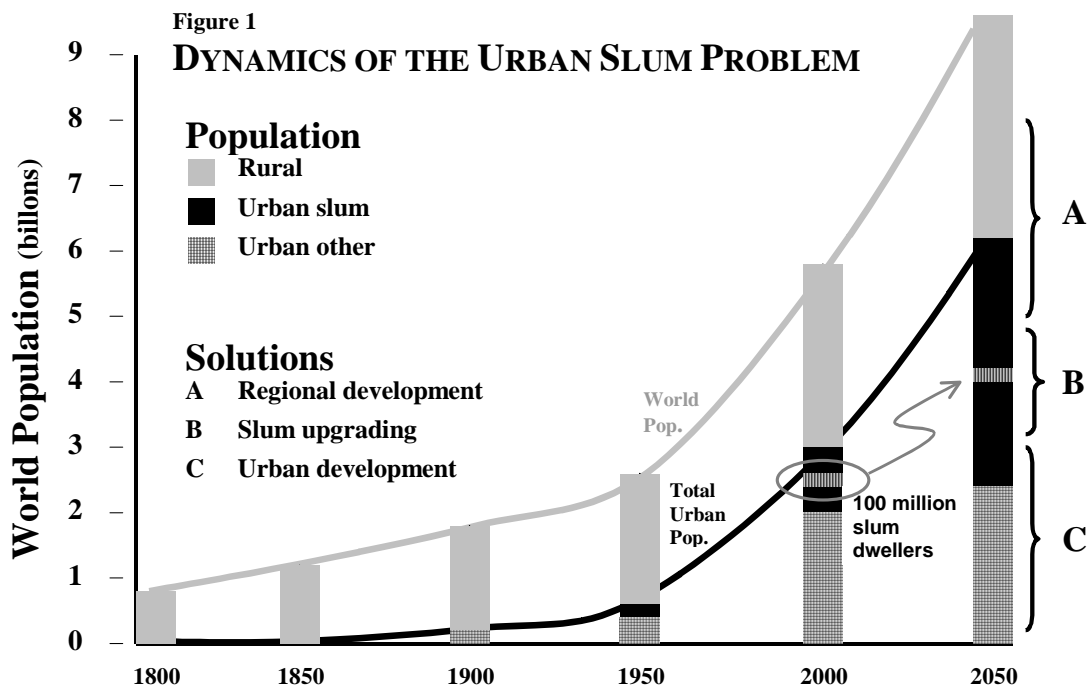
2. A FULL-SPECTRUM AGENDA

The problem of slums is a dynamic one. At any point in time and in any one place it may present itself as a cluster of symptoms that might be dealt with sector-by-sector until the problem begins to dissolve. There are, however, economic, social and political forces behind urban poverty that cause slums to form at a rate that overwhelms every effort to fight them. It is those forces that must be challenged and channelled, not just within the slums but also in the wider urban and regional context. Fundamentally, urban poverty and slums are not just a matter of local improvement but of region-wide and national development policy.

Facing the growing magnitude of the slum problem thus requires a three-part, integrated strategy that is both corrective and pre-emptive:

¹ The *Millennium Declaration* includes a number of elements directly relevant to UN-HABITAT mandate, including those on access to water and sanitation, the promotion of human rights, democracy and good governance and gender equality. Under its section III entitled "Development and poverty eradication," heads of State and Government specifically resolve "to have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers as proposed in the 'Cities without slums' initiative."

- a) **Slum upgrading:** physical upgrading of housing, infrastructure, environment; social upgrading through improved education, health and secure tenure; governance upgrading through participatory processes, community leadership and empowerment;
- b) **Urban development:** stimulation of job creation through citywide advance land use planning, development and management of the revenue base, infrastructure improvement, amenities provision, city management and urban governance practices, community empowerment, vulnerability reduction and better security;
- c) **Regional development:** reduction and diffusion of urbanization impacts through national urban policies and enabling laws that support secondary/tertiary cities, metropolitan governance and the planning/management of integrated urban-rural economic and lifeline systems.



Clearly, improving the lives of slum dwellers requires much more than a reactive slum upgrading strategy, as critical as such a strategy is for those already living in urban poverty. To head off the expected growth of urban poverty and slums, there must also be a pro-active strategy that creates the economic and social conditions for expansion of the urban middle class, the main exit from poverty, and that integrates urban and rural development planning to create a wider range of job opportunities throughout the national economy.

In order to reduce poverty and inequality, policies need to address the main structural defects in both city and countryside, including: urban and rural insecurity of tenure and landlessness; unfair terms of trade between urban and rural areas; and insufficiency of income, resulting in part from lack of diversification of jobs in rural areas.

The quest for sustainable development is a quest to balance rural and urban solutions. In terms of human settlements, the strategy must be one to maximize the comparative advantage

of each location in a hierarchy of places – from cities to towns to villages to hamlets – tied together functionally through investment in national infrastructure systems for efficient production and equitable and sustainable consumption.

3. STRENGTHENING LOCAL AUTHORITIES

The city has a vital role to play in development because it is a concentrated geo-political entity and, therefore, a potentially effective and efficient theatre for management of the local components of national development strategies. Cities and their governance structures provide a solid platform for social and economic development and are a mechanism for sub-national planning and problem solving within a multi-stakeholder, multi-sector environment. Cities are national driving forces. A single city like Sao Paulo or Bangkok can provide 40 percent of a country's GDP with only 12 percent of its population.² Most significantly for international and national policy, there is now evidence that countrywide human development (as measured by the UNDP Human Development Index) is highly correlated with the level of city development (as measured by the UN-HABITAT City Development Index).³ There is obviously a symbiotic relationship between urban and rural development, and both must be joined through instruments of national, regional and local planning.

Sectors within cities are not simply smaller versions of national sectors; they are more closely integrated with each other through local, people-centred politics and results-oriented management. Issues of urban poverty and, particularly, slum upgrading can often be dealt with most effectively through properly prepared local authorities and local organizations of civil society. These are UN-HABITAT's traditional partners with whom it has developed its expertise and comparative advantage in a UN system that has generally been responsive only to the national stratum of governance.

For a variety of reasons, many of them political, cities in most developing countries have not been given the tools needed to play the strong role that modern economic development theory would assign to them. They are still relatively dependent upon highly centralized political and bureaucratic systems that are too often unresponsive to urban needs. Such cities may not be granted sufficient authority or financial means to deal with acute pains of growth, let alone chronic poverty. Without sufficient resources and proper capabilities, cities will continue to be perceived as a developmental problem not as a solution. Until member states of the United Nations become more confident in their own local authorities, expressing that confidence in a generous and practical articulation of sovereignty that welcomes national subsidiarity in matters local, the national developmental toolkit will remain functionally deficient.

It is important to emphasize that UN Member States' commitment to decentralization in the *Habitat Agenda*⁴ implies a concomitant obligation to adapt the technical cooperation activities of the UN system to the evolving reality of urbanization and urban poverty. While Member States are still the primary constituents for UN developmental activities, a logical and effective response to the need for preparing local authorities and their partners for a growing set of responsibilities would be to design a programme that can work directly with local authorities and local stakeholders, as well as with national governments, to serve as an advocate for both local interests and global norms.

² UNCHS (Habitat), *The State of the World's Cities, 2001*, Nairobi, Kenya. p.8.

³ *Ibid.* pp. 114 – 199.

⁴ *The Habitat Agenda*, paragraph 45.

B. THE UNITED NATIONS RESPONSE

1. A CENTRE FOR HUMAN SETTLEMENTS

Perhaps more than on any other evolving issue, the United Nations system has responded proportionally to the challenge of urbanization at critical points in time. In 1976, after recognizing that the environmental impact of rapid urbanization was an emerging world issue, Member States of the United Nations held a global conference, called *Habitat*, in Vancouver, Canada. Following recommendations from that conference, the United Nations General Assembly in 1978 created the United Nations Centre for Human Settlements (UNCHS), also known as “Habitat,” with mandates to address settlements policies and strategies, city planning, shelter, infrastructure and services, land, public participation, institutions and management.⁵ By means of field operations, research projects and a fund for seed capital and technical assistance, Habitat developed a broad range of competencies to help Member States, local authorities and civil society organizations deal with increasingly unmanageable human settlements conditions.

2. THE HABITAT AGENDA

In 1996, the United Nations held in Istanbul a second conference on cities, *Habitat II*, to assess twenty years of progress since Vancouver and to set new goals for the new millennium. Adopted by 171 countries, the political document that came out of this “City Summit” is known as the *Habitat Agenda* and contains over 100 commitments and 600 recommendations. These are grouped under two main goals: sustainable human settlements development and adequate shelter for all. Habitat, in its role as secretariat to the then-Commission on Human Settlements (under the Economic and Social Council) was assigned, among other things, responsibility for coordinating the implementation of the *Habitat Agenda* and for monitoring progress toward this end.⁶ Inevitably, because cities everywhere are different one from another, such a complex document could not easily be applied as a universal blueprint for sustainable urban development. It is, rather, more of a menu of proposals for identifying and dealing with specific urban problems, *in situ*. Without an agreed prioritisation and integration of recommendations with time bound targets, member states were left with a mission that encompassed all objectives and no objective.

3. REVITALIZATION OF UN-HABITAT

As part of the Secretary General’s 1997 Programme for Reform and in response to calls for its own revitalization,⁷ the United Nations Centre for Human Settlements (Habitat) has, between 1997 and 2002, undergone a comprehensive reform process that began with in-depth reviews by a consortium of four Member States and by the Office of Internal Oversight Services (OIOS) and that continued with the creation of an independent Revitalization Team and the appointment of a new Executive Director who managed the structural reorganization of Habitat, the regularization of all professional staff and the elevation of the Centre to a full Programme status within the UN system.⁸

⁵ UN General Assembly resolution 32/162 (1977).

⁶ *The Habitat Agenda*, paragraphs 222 and 228.

⁷ See, for example, *The Habitat Agenda*, paragraph 224.

⁸ United Nations General Assembly resolution 56/206 (21 December 2001).

UN-HABITAT underwent a guided transformation from a rather unfocused Centre, that for two decades reflected a broad mandate without in-built priorities, to a Programme constructed around a strategic “repackaging” of the *Habitat Agenda*. Key recommendations from that document have been illuminated, through campaigns and global programmes, as strategy clusters for achieving the urban development and shelter goals and targets of the *Millennium Declaration*, the United Nations’ development agenda for the next 15 to 20 years. The revitalization has positioned the Programme squarely in the mainstream of the UN’s development agenda for poverty reduction with a more streamlined and effective structure and staff and more relevant and focused set of programmes and priorities.

C. THE UN-HABITAT STRATEGIC VISION

Urban poverty reduction strategies derive from an understanding of current conditions and trends (e.g., urbanization, globalization, the growth of slums and the gross inequities in urban life) and from the norms and principles that guide the United Nations response to these conditions. These norms and principles include, among others, sustainable urban development, adequate shelter for all, improvement in the lives of slum dwellers, access to safe water and sanitation, social inclusion, environmental protection and the various human rights. With experience and understanding also comes the recognition that urban and shelter finance mechanisms are essential to poverty reduction and, also, that very little may be achieved without collaborative effort as expressed in partnerships.

With these imperatives in mind and with a sharper focus on urban poverty and, in particular, slums as the most visible manifestation of urban poverty within the overall urbanization process, the UN-HABITAT strategic vision has been further refined, giving more attention to knowledge management, the financing of housing and human settlements and, particularly, to strategic partnerships. The expanded strategic vision is both forward looking and pragmatic, being consistent with social norms and political principles as well as with UN-HABITAT mandates, capabilities and partners’ objectives. Its main elements are:

1. ***Knowledge management and reporting***, expanding the global understanding of urban development, shelter and poverty, and tracking progress in implementing the *Habitat Agenda*;
2. ***Advocacy of norms*** for sustainable urbanization and urban poverty reduction, carried forward through two global campaigns and a number of global programmes;
3. ***Technical cooperation*** in linking norms and campaign/programme goals to urban poverty reduction activities on the ground;
4. ***Innovative financing*** for urbanization and specific shelter needs of the urban poor; and
5. ***Strategic partnerships*** to leverage resources and coordinate international programme activities that work toward similar ends.

D. PROGRAMMATIC FRAMEWORK

The first four elements of the strategic vision find their programmatic expression in the sub-programmes of the overall UN-HABITAT Work Programme (i.e., Monitoring the Habitat

Agenda, Shelter and sustainable human settlements development, Regional and technical cooperation and Financing human settlements) and in the derivative divisional structure of UN-HABITAT. The fifth element, strategic partnerships, is a *sine qua non* for the successful implementation of all UN-HABITAT objectives.

1. KNOWLEDGE MANAGEMENT AND REPORTING

Urban poverty may not be effectively addressed until both its scope and detail are known and its relational dynamics understood. The *Monitoring and Research Division* (MRD) has been created to gather, organize, analyze and disseminate information on all subjects at all levels that may impinge on urban poverty and slums. The aim is to position UN-HABITAT as an internationally recognized hub for information sharing and knowledge development, tying together a large variety of competent partner institutions through networking arrangements.

In the audience for more and better information on urban poverty are members of the knowledge networks who may be local authorities, researchers, NGOs, policy analysts, international agencies and others. With the reform of UN-HABITAT, there is also a stronger focus on monitoring and research to fill a critical knowledge gap in a wide range of management structures (i.e., UN-HABITAT's; local authorities'; the UN's) and to provide substantive information on urban poverty for informed public participation in local governance and policy development.

The MRD's *Global Urban Observatory* focuses on building local capacity to select, collect, manage, and apply indicators and other information in policy analysis. Timely information is fundamental to tracking progress in implementing the Millennium Development Goals (MDG) and to monitoring urban conditions and trends, especially urban poverty, as input to participatory governance. Current activities support the updating of a city level database on slums, governance and shelter, the development of an integrated network of national and local Urban Observatories, whose functions are information gathering, analysis and reporting, and a network of support institutions.

Reporting activities are divided into two elements: global reporting, and country level reporting. The MRD contributes to global reporting by issuing *The State of the World Cities* report and the *Global Report on Human Settlements*, in alternating years, and by ensuring that relevant themes are elaborated in each edition. Urban poverty is the sub-text of both series.

To ensure that flagship reports and related policy recommendations are founded on a substantive information base, the MRD selects a representative sample of cities to populate its global database. Informational activities include:

- A longitudinal study to monitor the conditions of a sample of slum dwellers in approximately 35 cities;
- Estimates of the "proportion of slum dwellers" in a sample of 350 cities and an estimate of total slum dwellers worldwide;
- An interagency initiative to mainstream the slum component in major research instruments, censuses, demographic and health surveys and multiple indicator and cluster surveys;
- Consultations among partners and the slum dwellers themselves in defining slums and technical consensus building on the measurement of slums.

The MRD's *Best Practices Programme* has a large, up-to-date collection of innovative experiences in urban poverty reduction, environmental management and gender mainstreaming. Criteria for evaluation are stringent, and an outside jury reviews all nominated cases for inclusion in the Best Practices database, which now contains over 1100 best practices. Selected best practices are analyzed for lessons learned, organized as case studies and guides and introduced to other countries, cities or communities through peer learning and city-to-city transfers. The programme is now focusing on good policies related to urban poverty alleviation, shelter and sustainable human settlements development.

With UN-HABITAT's acute focus on urban poverty there is a need to better understand the economics of slums. The MRD implements two programmes that relate directly to this objective: *development and strengthening of housing finance systems and institutions* and *enhancing productivity in the urban informal sector*. Under the first programme, MRD activities include: identification of innovative approaches to housing finance, including public private partnerships, micro-credit systems and local finance mechanisms; and strengthening of housing finance systems through the sharing of experiences among housing and related finance institutions in developing countries.

In addition to the goal of improving conditions for 100 million slum dwellers, the MRD addresses elements of the *Millennium Declaration* Goal 20, which aims "to develop and implement strategies that give (young) people everywhere a real chance to find a decent and productive work." As part of the urban informal sector study, there is also underway a review of city charters, licensing and other regulatory provisions that inhibit or impinge negatively on the functioning and productivity of the informal sector. The MRD is developing a framework for measures to improve the environment for self-employment, including access to credit by small and medium-scale enterprises in developing countries.

2. ADVOCACY OF NORMS

In the process of identifying common values that may be held among all nations, a series of global UN conferences was held over the past decade and a half. Collectively, these conferences reached negotiated consensus on a wide range of social, economic, environmental and governance norms to which a plurality of member states have committed themselves, usually in the form of a protocol or an adopted plan or platform for action. The platform that relates most to UN-HABITAT is the *Habitat Agenda*, which articulates the international community's commitment to sustainable human settlements development and adequate shelter for all, designating UN-HABITAT as the focal point for implementation.

The problem, stated above, is that the Habitat Agenda consists of over 100 such commitments and over 600 recommendations. Without prioritisation and focus, this myriad of good intentions becomes an invitation for many member states to bypass key commitments in favour of lesser issues, or to ignore their commitments altogether. The centrepiece of the UN-HABITAT strategic vision is, therefore, to facilitate implementation of the key provisions of the Habitat Agenda through two global campaigns – one for each of the two goals – selected as prominent entry points, reaching deeply into the document to consolidate an array of related commitments, principles and recommendations. Each campaign is being implemented country-by-country within a phased programme of national campaign launches.

Within the *Shelter and Sustainable Human Settlements Development Division (SSHSD)* these campaigns have been put in motion as top and bottom floor entry points to slums and

urban poverty. The global *Campaign on Secure Tenure* spearheads a global shelter strategy that promotes the rights and interests of the poor and that recognizes that the vast majority of their shelter is provided by the urban poor themselves. In particular, the campaign promotes the *rights and the roles of women* as being essential to successful shelter policy. Various documents and policy papers related to housing rights and land tenure have already been prepared.

The global *Campaign on Urban Governance* promotes accountable and transparent urban governance, which responds to and benefits all sectors of society, particularly the urban poor, and which works to eradicate all forms of exclusion. By linking operational and normative activities, the campaign focuses on mechanisms to promote inclusion. By supporting consensus-building governance processes between local governments and civil society, the campaign helps establish priorities for socio-economic development. A toolkit for participatory decision-making has been prepared to promote pro-poor urban governance.

Through the two campaigns, there is renewed emphasis on *building capacity to build capacity* – supporting national and local training and institutional-support organizations – as the way to leverage scarce UN resources in strengthening the ability of local authorities and civil society to perform their roles more effectively. The Training and Capacity Building Branch of the SSHSDD concentrates on improving knowledge, skills and attitudes of local government officials and civil society partners and on strengthening effectiveness, inclusiveness and transparency to implement the Millennium Development Goal for slum dwellers at the local level. Given the scale of the challenge of the Millennium Declaration, special effort is being made to expand the networks of partner capacity-building institutions and to maximize the dissemination and cascading of new methods and tools. This is being done through a cycle of activities including: sub-regional workshops for formulation and review of capacity-building strategies; developing, jointly with partners, generic methods and tools and supporting their adaptation to local contexts, training of trainers and follow-up support to national and local training institutions.

UN-HABITAT is also strengthening its *global programmes*, which have been the laboratory and test bed for innovative and effective slum-upgrading strategies and vehicles for the adaptation and expression of global norms related to urban governance, urban poverty, slums, shelter and basic services at the city level. Their common priority is to address the needs of the urban poor, particularly women and other vulnerable people living in poverty.

- The objectives of the *Water for African Cities Programme* and the *Water for Asian Cities Programme* are to reduce the urban water crisis in cities through efficient and effective water demand management, to build capacity to reduce the environmental impact of urbanization on freshwater resources and to boost awareness and information exchange on water management and conservation.
- The *Localizing Agenda 21 Programme* aims to promote good urban governance by supporting the development and implementation of broad-based environmental action plans that focus on context-specific aspects of municipal planning and management. The programme also enhances the capability of local authorities to integrate these action plans into strategic urban development plans, stimulating inter-sector synergy.
- The *Sustainable Cities Programme* (SCP) is a joint UN-HABITAT/UNEP facility that promotes: sharing environment/development information and expertise; understanding

and accepting environment-development interaction; building environmental planning and management capacities; promoting system wide decision-making; stakeholder-based development priorities; strategic and action planning; managing environmental resources and risks for achieving sustainable development; leveraging resources for lasting change; building inter-agency partnerships facilitating global exchange of experiences and know-how at the local level.

- The ***Urban Management Programme*** is an initiative of UNDP, UN-HABITAT, the World Bank and several bilateral partners designed to develop and apply urban management knowledge in the fields of participatory urban governance, alleviation of urban poverty and urban environmental management, and facilitates the dissemination of this knowledge at the city, country, regional and global levels. The UMP recently committed to help cities combat HIV/AIDS through urban policy and management.
- The ***Risk and Disaster Management Programme*** marshals the resources of UN-HABITAT to provide local government, communities and business organizations with practical strategies for mitigating and recovering from conflicts and natural disasters. These activities inform on-going tool and network development for reduction of vulnerability and repair of the human settlements environment.
- The ***Safer Cities Programme*** supports local authorities in crime prevention. The main objectives of the programme are to build capacities at city level to adequately address urban insecurity and to contribute to the establishment of a culture of prevention.

In furtherance of its global advocacy role, UN-HABITAT has just formulated and published a corporate gender policy for ***mainstreaming gender equality*** in all its activities. UN-HABITAT's gender policy has three overall objectives: (a) to promote women's equal rights and women's empowerment internationally within the area of human settlements development; (b) to support governments, NGOs and other partners in capacity building and development in order to mainstream gender equality in human settlements development; and (c) to mainstream a gender perspective throughout all UN-HABITAT activities.

3. TECHNICAL COOPERATION (LINKING NORMS AND OPERATIONS)

Without an ability to systematically test strategies for implementing the *Habitat Agenda* on the ground, a Programme like UN-HABITAT would be unnecessarily limited in carrying out its mission. UN-HABITAT is fortunate in being the only UN programme that is both normative and fully operational, by mandate. In the past, lack of linkage between policy development and project work has contributed to the apparent lack of organizational focus. A large part of the problem can be credited to the fact that the two functions were funded, generally, in two different ways – normative work through the regular budget and fieldwork through extra-budgetary sources. Consequently, there tended to be a divergence between the two, as fund raising imperatives for field operations diluted strategic consistency.

UN-HABITAT has now re-oriented its operational activities to support its normative functions and to help enlarge workable solutions to slum upgrading and sustainable urban development. Significantly, most permanent field staff positions have been regularized and are now more assured of funding support, so that is now less of a barrier to conforming regional work programmes to UN-HABITAT's normative work.

Within the overall priorities and substantive direction of the work programme, the main function of the ***Regional and Technical Cooperation Division*** (RTCD), as the operational arm of the UN-HABITAT, is to put in place and test norms and strategies at the regional, national and local levels. RTCD has a portfolio of over 150 ongoing projects and about 50 pipeline projects in 61 developing and transition countries in addition to substantive advisory services for project formulation and development. RTCD work has been carried out by the regional offices for Africa and the Arab States, for Asia and the Pacific and for Latin America and the Caribbean.

To create a sustained UN-HABITAT presence at the country level, RTCD is now in the process of placing national human settlements experts, Habitat Programme Managers, within UNDP country offices under an agreement with the Administrator of UNDP. This will encourage developing countries to participate more actively in testing human settlements policies and strategies, building capacities and creating conditions to reduce poverty through slum upgrading and the implementation of related *Habitat Agenda* recommendations. The presence of national human settlements experts within UNDP will also encourage the inclusion of human settlements and urban policy components in the national UN Development Assistance Frameworks (UNDAF) and in country Poverty Reduction Strategy Papers (PRSPs).

In adhering in a significant way to its former reactive mode of operations, RTCD is also responsible for UN-HABITAT's post-disaster reconstruction efforts in war-torn and disaster-ravaged countries. Thus, while normative issues are still part of the planning criteria for post disaster recovery, they are not controlling to the extent that pragmatic solutions to urgent needs are unnecessarily delayed.

4. INNOVATIVE FINANCING

A major component of the present strategic vision that had been previously underemphasized by UN-HABITAT is the mobilization of domestic investment resources for the financing of cities and shelter. For the head of household who cannot borrow sufficient funds to provide his or her family with adequate shelter (usually the largest investment a person will make in their lifetime), for the mayor and city manager who cannot predict how much revenue will be forthcoming from the State during a period in which community clinics must be built and staffed, for the local council that controls a budget too small to pay for both waste disposal and teachers' salaries, financing and credit are essential ingredients in any recipe for poverty reduction and sustainable urbanization.

The new sub-programme on financing human settlements responds particularly to General Assembly resolution 56/206, which devotes a full section to that issue and calls upon UN-HABITAT to strengthen the United Nations Habitat and Human Settlements Foundation. The same section calls for the active collaboration of financial organizations and bodies within and outside the United Nations system in the activities of UN-HABITAT with particular regard to the provision of seed capital and the financing of programmes and projects, as well as the development of innovative financing approaches. The sub-programme will focus on the identification and promotion of such approaches in order to support the slum dweller target of the Millennium Development Goals (MDG) and the relevant principles and commitments of the *Habitat Agenda*. Its aim is to build capacity and institutional frameworks for the effective implementation of policies and programmes for sustainable urban development.

As a facilitator and coordinator of activities related to mobilizing investment resources for human settlements financing, the sub-programme will be comprised of a small but effective team of specialists on international and domestic financial institutions and financing models. Their task will be to seek out and develop mechanisms to mobilize domestic savings and capital, in order to improve the availability of affordable housing, decent shelter and infrastructure in developing countries and in countries with economies in transition. They will also serve as a key link between financing institutions and the normative and technical cooperation activities of UN-HABITAT, thus closing the gap that has heretofore limited the effectiveness in delivering the implementation of the Habitat Agenda. This gap, if left unresolved, is bound to constrain the delivery of Target 11 of the Millennium Development Goals, to improve the lives of at least 100 million slum dwellers by the year 2020.

In addition to increasing cooperation with international financial institutions, the main option being considered to strengthen the UNHHSF is a Global Shelter Loan Guarantee Facility (GSLGF). Instead of giving loans, the GSLGF will guarantee to domestic financial institutions, including commercial banks, the repayment of a significant portion of loans in case of default by domestic borrowers in local currency. A guarantee is generally a more flexible instrument than a loan and can better be adapted to varying local and regulatory requirements. Moreover it can serve as a macro-economic policy instrument to increase the supply of local finance for housing thereby lowering interest rates (the cost of capital) to levels commensurate to the long-term nature of housing investments without recourse to direct subsidies. The main bottleneck to increase affordable housing stock in many developing countries is the high interest rates resulting from the perceived high risk in low-income shelter lending. The loan guarantee mechanism will help to address this particular concern and contribute decisively to the development of a sustainable housing finance market. Finally a loan guarantee mechanism has an in-built advantage to enable testing conservative approaches that limit the amount of guarantees to paid capital.

5. STRATEGIC PARTNERSHIPS

During and since the revitalization effort, UN-HABITAT has entered into several types of strategic partnership, each of which will help support a number of programmatic themes aimed at ameliorating urban poverty and slums. In the logic of UN-HABITAT's expanded strategic vision, as in human society in general, partnerships are the indispensable condition for programmatic success. Proof of a strategic vision lies in its effectiveness on the ground. These alliances in support of the work programme are therefore a strong indicator that the UN-HABITAT strategic vision is going to be effective in tackling urban poverty.

a) The Cities Alliance

The Cities Alliance was created as a global alliance of cities and their development partners committed to improve the living conditions of the urban poor through action in two key areas:

- *City development strategies* (CDS) which link the process by which local stakeholders define their vision for their city, analyse its economic prospects and establish clear priorities for actions and investments, and

- ***Citywide and nation-wide slum upgrading*** to improve the living conditions of at least 100 million slum dwellers by 2020 in accordance with the Cities Without Slums action plan.

The Cities Alliance was launched in 1999 with initial support from the World Bank and UN-HABITAT, the political heads of the four leading global associations of local authorities and 10 governments—Canada, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden, the UK and the US. The Asian Development Bank joined the Cities Alliance in March 2002. UN-HABITAT is active in the Cities Alliance at both the policy level, as a member of the Consultative Group, and in the field where its regional offices are instrumental. The Executive Director of UN-HABITAT is co-chair of the Cities Alliance, along with the World Bank.

UN-HABITAT, as a founding member of the Cities Alliance, has influenced the work of the Cities Alliance on preparation of CDS guidelines and strategies. UN-HABITAT was involved in preparing the initial action plan for CDS and has prepared guidelines for undertaking the CDS exercise. The CDS is seen by UN-HABITAT as an Urban Poverty Reduction Strategy Paper (UPRSP) that needs to be integrated within the overall framework of national PRSP efforts. A slum upgrading strategy has to be developed within the overall framework of a pro-poor CDS. As a result of UN-HABITAT's efforts, the Cities Alliance has now defined a CDS as "an action-plan for equitable growth in cities, developed and sustained through participation, to improve the quality of life for all citizens."

The participatory approach to city consultation for preparation of a CDS is also now recognized. The CDS guidelines state that, "the goals of a City Development Strategy include a collective city vision and action plan aimed at improving urban governance and management, increasing investment to expand employment and services, and systematic and sustained reductions in urban poverty. The Slum Upgrading and City Development Strategy are seen as complementary activities in concert with the UN-HABITAT campaigns on secure tenure and good governance. The follow-up activities to these campaign launches have been supported by Cities Alliance to prepare participatory pro-poor strategies. Through the Urban Management Programme (UMP), seven CDS exercises have been completed and a synthesis and lessons study has been prepared. Beside the UMP related CDS activities, UN-HABITAT has been involved in a number of Slum Upgrading and City Development Strategy activities for the Cities Alliance.

b) United Nations Development Programme

In 2002, UN-HABITAT signed a memorandum of understanding with the ***United Nations Development Programme*** (UNDP) to place national Habitat Programme Managers in selected countries where there are, or may be, UN-HABITAT activities at national and local levels. The increased presence at country level will enhance UN-HABITAT's influence in the policy process at country level, particularly ensuring incorporation of shelter and urban issues in the UNDAFs and PRSPs and for monitoring implementation of UN-HABITAT programmes and projects. The clear advantage to the UN system of having a UN-HABITAT country presence is in its focus on issues of urbanization, shelter and local governance, which are largely overlooked by UN organizations, including UNDP. This gap is usually reflected in the absence of a national urban policy or an urban component in internationally assisted country development strategies. With UN-HABITAT in-country presence, facilitated by

UNDP, urban poverty reduction will receive greater consideration both in the planning and in the allocation of resources.

c) Regional Development Banks: AsDB and IDB

In pursuit of new partnerships and as an innovative resource mobilization strategy, UN-HABITAT has signed a memorandum of understanding (MoU) with the Asian Development Bank to secure support for water and sanitation in Asian cities. The Water for Asian Cities Programme envisages a pipeline of US \$10 million in grants from ADB and UN-HABITAT for the first two phases, and US \$500 million in ADB loans for water and sanitation projects in cities across Asia over the next five years. Additional funding for Water for Asian Cities has also been made available to UN-HABITAT by The Netherlands.

The programme is divided into three phases. The first phase will create an enabling environment and build the necessary capacity for: (i) mobilization of political will and advocacy to promote policy, regulatory and tariff reforms and prepare the ground for investments; (ii) implementation of pilot demonstration projects; (iii) strengthening regional, country and city-level governance and capacities for integrating water and sanitation development and management; (iv) promoting water quality, sanitation and hygiene education; (v) benchmarking of utility performance and monitoring progress towards achievement of the Millennium Development Goals in the water and sanitation sector. Project preparation and mobilization of financial resources are the second and third phases of this agreement. The second phase involves identifying and developing investment projects, which must not only meet the needs and aspirations of the consumers but also be technically, economically, and financially viable. The third will see to allocating the financial resources, the provision of loans to participating countries, physical implementation of projects, and continuation of policy reforms, capacity building, and institutional strengthening.

UN-HABITAT has also signed a memorandum of understanding with the Inter-American Development Bank to promote cooperation in support of joint projects and programmes in housing and urban development including technical cooperation activities in Latin America and the Caribbean, with a focus on pro-poor approaches to improving the living conditions in human settlements that insure inclusion and sustainability. Activities under the MoU will include the exchange of information and consultation in identifying additional areas in which effective and practical cooperation

d) The Private Sector: ESRI

Public-private partnerships must always be entered into with caution because of the opposing value systems driving each side. The main danger is in transferring public resources and/or authority to private hands, thus diminishing the commons, and in awarding the private sector partner an undue competitive advantage. In principle, this risk may be obviated through strict contractual arrangements and application of public sector regulatory principles. The public side of partnership should not be directly driven by profit – either for the organizations or individuals involved. The private sector partner, while driven by the profit motive, may invest resources in a public-private partnership because of the good will it generates or because it enhances product awareness among potential customers (both of which may translate later into profits). Sometimes, if a company is closely controlled, pure philanthropy may be the motivational force.

In the case of UN-HABITAT's recent MoU with the Environment Sciences Research Institute (ESRI), the leading developer of geographic information system (GIS) software, all three factors are in play. The President and owner of ESRI, Mr. Jack Dangermond, and Mrs. Tibajuka, Executive Director of UN-HABITAT, have stated their belief that GIS technology can make a positive contribution in improving the general quality of life of the many impoverished people in the world. Mr. Dangermond has agreed to provide GIS technology and training for up to 1,000 cities in the least developed countries so they can participate in the collection of urban indicator information and improve city management (see D.1, above). These indicators are the foundation for the Global Urban Observatory. The data will be analyzed in support of the slum dweller goal of the Millennium Declaration. The grants, individually administered through the GUO, consist of a package of GIS software, technical support and upgrades, and training. They are valued at approximately \$15,000 each, making the entire program worth about \$15 million dollars. Approximately half of ESRI's profits are dedicated to public service projects like the GUO Grant Programme and much of the remainder goes into new product development and product upgrades. ESRI has provided previous *pro bono* support to UN-HABITAT in Kosovo and in the training of trainers for indicators collection.

e) Multi-year Funding by Donors: The Partnership Programme

The revitalized UN-HABITAT has also seen a number of donors conclude multi-year core funding arrangements that lend predictability to their support. Potentially the most innovative, comprehensive and far-reaching such arrangement is the Partnership Programme, pioneered with the Government of the Netherlands, which should bring an important thematic and strategic dimension to the long-standing partnership with donors. By promoting the concept of soft earmarking (i.e., of a funding relationship based on major themes, strategies and outputs rather than on projects and programmes, *per se*), the funding provided under the Partnership Programme supports a multi-theme framework for the implementation of the strategic vision of UN-HABITAT and for the strengthening of UN-HABITAT capacity to deliver its biennial work-programme. The expectation is that other donors will follow the example of The Netherlands and "buy into" the thematic elements of the Partnership Programme. Germany has already done so, recently funding work on the empowerment of women urban entrepreneurs.

This approach brings with it a number of advantages. For governments, the Partnership Programme provides a key mechanism for aligning funding practice with their external support policies, for facilitating flexibility within UN-HABITAT and for ensuring greater use of multilateral cooperation channels where they have proven to be effective in delivering on internationally agreed goals. The following principles guide the Partnership Programme:

- Focus on sustainable urbanization and the reduction of urban poverty, with emphasis on the Global Campaigns on Urban Governance and Secure Tenure as entry points for all activities;
- Visible contribution to the achievement of Millennium Development Targets 10 (water and sanitation) and 11 (slum upgrading) and 20 (Youth Employment)
- Partnerships with local authorities, NGO's and the private sector in the implementation of the Programme;
- Mainstreaming of gender and environmental dimensions in all areas of cooperation, with particular consideration to the specific needs and contributions of women;

- Strengthening the learning functions under each theme by devoting 5 to 10% of allocated budgets to information activities and to monitoring and evaluation;
- Cross-fertilization between normative and operational activities through translation of normative messages and guidelines into field projects and mainstreaming of lessons learnt within operational activities into normative products at global and regional levels;
- Flexibility in the allocation of resources and inputs and emphasis on impact and outputs;
- Consistency with the priorities of the biennial work-programme of UN-HABITAT, as adopted by its Governing Council;
- Medium-term convergence between existing programmes already supported by donors and the Partnership Programme;
- Complementarity with projects supported through country-specific co-financing.

The multi-donor and multi-year commitments approach, as modelled in the Partnership Programme, promises more stable and predictable funding for priority areas, whereby the Partnership Trust Fund will have a buffer function with regard to the asynchronous timing of financial contributions and to shifts in development aid priorities due to donor country politics.