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**Implementation of the outcomes of the United Nations
Conferences on Human Settlements and on Housing
and Sustainable Urban Development and strengthening
of the United Nations Human Settlements Programme
(UN-Habitat)**

**Report of the High Level Independent Panel to Assess and Enhance
Effectiveness of UN-Habitat**

Note by the Secretary-General

The Secretary-General has the honour to transmit to the General Assembly, pursuant to resolution A/RES/71/256, paras 172-173, the report of the High Level Independent Panel to Assess and Enhance the Effectiveness of UN-Habitat.

A/RES/71/256, paras 172-173, requests the Secretary-General to submit to the General Assembly during its seventy-first session an evidence-based and independent assessment of UN-Habitat with recommendations to enhance its effectiveness, efficiency, accountability in its normative and operational mandates; its governance structure; its partnerships; and its financial capability.

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Summary

This report, in recognition of the 2030 Agenda and the New Urban Agenda (NUA) and the transformative changes they imply for global development, peace and security, focuses on the critical need for action on pressing sustainable urban issues and the assessment of UN-Habitat as a fit for purpose organisation to deliver on these bold objectives.

The Panel that is responsible for this report was mandated by the General Assembly's resolution A/RES/71/256, paras 172-173, to undertake an independent, objective, evidence-based review and assessment of UN-Habitat with recommendations to enhance its effectiveness, efficiency, accountability in its normative and operational mandates; its governance structure; its partnerships; and its financial capability. The Panel was encouraged by the Secretary-General to make bold and ambitious recommendations, considering the challenges and opportunities posed by urbanisation, their impact on global development, peace and security and the importance of leaving no one behind.

The Panel acknowledges here the challenges that both UN-Habitat and the wider UN system face, which have compromised the ability to respond nimbly and effectively to rapid global change. It draws attention in particular to the failure within the UN system to adequately acknowledge the pace, scale and implications of urbanisation, the dependence of the 2030 Agenda on the direction of urban development, or the fundamental role played in urban development by local governments and other local actors.

The Panel agrees that UN-Habitat has limitations in accountability, transparency and efficiency, that its resources have been inadequate, insecure and unpredictable, and that the need to chase funds has caused it to stray from its normative mandate. In the Panel's assessment, the first priority is to save, stabilise and then rapidly strengthen UN-Habitat to equip it for a renewed role based on the 2030 Agenda and the NUA. To support UN-Habitat's efforts, the Panel also recommends the establishment of UN Urban, an independent coordinating mechanism to convene all UN agencies and partners on urban sustainability.

In response to the challenges, the Panel recommends for UN-Habitat a renewed commitment to the normative mission, with an emphasis on the 2030 Agenda--inspired commitment to leaving no one behind, and with innovative approaches to financing the organisation to support its normative role. It stresses the need for a transformed governance structure that includes universal membership, a small, strong Policy Board and the formal involvement of local authorities/subnational governments and other urban stakeholders to provide input and recommendations. It also recommends stronger more inclusive partnerships generally with representative organisations of local governments and excluded urban groups.

I.   Global Context

A. Setting the scene

1.   The development world has been slow to respond to urban concerns and to fully appreciate the deeply interdependent relationship between urban areas and their surrounding territories. Because cities and towns have been the major catalysts of economic growth and development, because services and resources are concentrated there, and because of the long-held perception that rural development would prevent migration to urban areas, attention has been focused on the seriousness of rural deprivation.[i] But with the on-going transition to a primarily urban world, the most pressing development challenges globally are increasingly located and amplified in urban areas.[ii]

2.   The urban transformation is not just a challenge; it is also a once-in-a-lifetime opportunity. The high population density of urban areas can make towns and cities more ecologically sustainable, more socially inclusive and culturally diverse than rural settlements. The proximity of local governments to their populations make urban areas ideal sites of citizen participation and democratic governance, as many local governments and communities around the world are already demonstrating through innovative initiatives that promote the co-creation of cities. There is also an encouraging proliferation of sustainability-oriented 'experiments' in urban settlements and territories across the world.

3.   To realise the potential, however, the challenges cannot be ignored. Urban populations continue to grow in much of the world, poverty and humanitarian crises and conflict are becoming increasingly urban phenomena, and the urban risks from climate change are intensifying. Concerted efforts, global, national and local, in both developed and developing countries, are urgently needed to address current challenges, alleviate increasing inequalities, and anticipate future threats. The 2030 Agenda for Sustainable Development (encompassing the Sustainable Development Goals, the Paris Agreement on Climate Change, the Sendai Framework for Disaster Risk Reduction and the Addis Ababa Conference on Financing for Development) will not be met without serious attention to urban realities. The New Urban Agenda provides a roadmap for this on-going transition, and UN-Habitat, with the entire UN development system, has a potentially critical role in supporting countries to effectively implement this Agenda.

4.   Projections suggest that in thirty years, two thirds of the world's population will live in urban areas. Urban growth rates have started to level out in much of the world, but continue very high in much of Africa and Asia, where 90 percent of the projected increase will occur, and where resources are most constrained and development challenges most intense.[iii] Rural-to-urban migration plays a large role,[iv] much of it to small and medium-sized towns and cities and the expanding peripheries of cities, often with unclear or overlapping administrative jurisdictions.[v] The reality of highly mobile concentrations of people in areas not classically considered urban cannot be overlooked. A hard rural-urban dichotomy, in fact, has diminishing relevance, and territorial approaches do greater justice to the complex continuum of rural to urban, although they also present new challenges to planning and land tenure regimes.

5.   *The urban transition is essential to economic growth. Yet this basic reality is still unrecognised by* many major actors, from national governments to international institutions, resulting in policies that limit migration in an attempt to slow urbanisation and restrict the access of local urban governments to development financing.[vi] Despite the restrictions, urban migration continues, and in the absence of inclusive and supportive policies and investment, this means limited opportunity

for hard pressed new residents, growing backlogs in provision of services, increasing informality and the disappearance for many residents of the vaunted "urban advantage". In many countries, for example, while rural child mortality rates are improving, in urban areas they are stagnating or becoming worse.[vii] Poverty, hunger, disease, vulnerability to disaster, violence, are all becoming increasingly prevalent in many urban areas.[viii] The urban transition will be more or less complete in fifty years.[ix] If it is not steered constructively now, the urban dividend could in many more places become a disaster marked by inequality, exclusion, inadequate basic service provision, humanitarian crises and growing civil strife.

6. Formal figures show the urban share of global poverty rising, while the share and absolute number of those in rural poverty declines.[x] There is no reliable assessment of the numbers in urban poverty, however – those who face serious deprivation tend to remain undercounted. Informal settlements are often excluded from censuses and surveys; poverty lines do not take account of the higher cost of urban living; and assessments of poverty usually rely on averages, which can be deceptive in urban areas where disparities are high and where concentrations of wealth mask the true depth of poverty.[xi]

7. A third of the urban population is estimated to live in slums and informal settlements, often without access to proper housing, infrastructure or services. In Africa, it is closer to 60 or 70 percent. The proportion is declining in some countries, but absolute numbers continue to rise.[xii] Unable to afford the formal land or rental market, many urban residents have no option but to live in these unauthorised settlements, often lacking legal property rights, the benefits of citizenship, access to credit, insurance, the rule of law and even the vote. They may also face the threat of eviction often without warning, recourse or alternatives for relocation. Many more cope with chronic insecurity.[xiii] Informal solutions are basic to the survival of the urban poor. But these solutions, intrinsic to urban development in most of the world, can end up perpetuating and deepening poverty and inequality. Ever growing numbers are locked into these informal solutions, which act as a brake on a sustainable urban future.[xiv]

8. The challenges in poor urban settlements are intensified in many areas by the mounting hazards associated with extreme weather.[xv] Cities, with their concentrations of population and assets, face high levels of risk, especially in coastal or riverside locations. Urban economies of scale and proximity can give cities a strong adaptive capacity, but the benefits seldom extend to all parts of a city. Informal settlements are often in the most hazardous locations – flood plains, hillsides at risk of landslides, sites close to industrial wastes – and unserved by the protective infrastructure that allows people to withstand extreme conditions – roads, drains, early warning systems and emergency services. Residents in poverty also have more limited capacity to prepare for, withstand and recover from a range of weather extremes.[xvi] These same extremes, along with conflict, are pushing more people into towns and cities. By 2016, 80 million people globally were displaced by conflicts and disasters.[xvii] Numbers keep climbing, and more than half end up now in towns and cities, adding to the burdens faced by overtaxed local authorities. Full blown conflict, often over access to land and scarce urban resources, has also become an increasingly common feature of urban areas, contributing to the emergence of the new category of the "fragile city."[xviii]

9. Decentralisation has moved many basic government responsibilities to the local level. Yet these mandated and growing responsibilities are seldom accompanied by the resources that are necessary to meet them.[xix] Even in the absence of resources and of more generally redistributive policies, however, local governments have the most critical role to play in addressing the growing challenges – through, among other things, equitable land management systems, regulations that do not discriminate against the informal solutions of the poor, a commitment to inclusive service

provision, and a willingness to engage with the self-help strategies of organised groups of the urban poor.[xx]

10. Although there is a critical need for national governments and the development assistance world to provide more support to local governments, also crucial is bridging the divide between these local actors and the larger global decision-making structures. The resources for financing development increasingly go beyond multi-lateral and bilateral aid to include domestic resources and international private sector funding outside the UN's influence or purview. [xxi] The UN can play a role, however, in advocating for predictable, adequate, sustainable financing for development and the effective use of resources. Through advocacy and partnerships, the UN also can help mitigate the unintended consequences of major infrastructure projects which can, for instance, include upheaval and impoverishment for many households that can persist through generations, because safeguards were not observed.

B. The call for action: The 2030 agenda and the New Urban Agenda

11. Recognising the critical need for action on pressing urban issues, government representatives at the Habitat III conference in Quito in 2016 adopted the New Urban Agenda (NUA), emphasising the links between urbanisation and development and the crucial need for inclusive and sustainable urban growth. The ambitious 2030 Agenda, adopted a year before the NUA, provides a critical overarching roadmap for this effort. Its 17 Sustainable Development Goals (SDGs), designed for stimulating action in areas critical for humanity and the planet, include Goal 11 – making cities and human settlements inclusive, safe, resilient and sustainable. Without attention to this urban Goal, and to the urban implications of the other 16 Goals, none of the SDGs is likely to succeed. Together the NUA and SDGs point the way for cities to be part of sustainable global development. Equally important in this endeavour are the Paris Climate Change Agreement, the Sendai Framework for Disaster Risk Reduction and the Addis Ababa Action Agenda.

12. To ensure the capacity of the UN system to meet the challenges of the 2030 Agenda, along with the NUA, the UN Secretary General has initiated a system-wide review of the functions and capacities of the United Nations Development System (UNDS), which must of necessity give close attention to the urban implications of the new agendas, and the capacity and commitment of the larger system to address them. UN-Habitat, as one of the important actors in this effort, has a key role in the coming years, but one that needs to be clarified and strengthened.

13. To support the 2030 Agenda, the UN Development System must integrate a transversal urban perspective in all the goals. In addition to advocating for the potential of cities to achieve development ambitions, UN-Habitat needs to contribute to the global normative framework, policies and standards for urban development, guided by intergovernmental processes that bring in key urban stakeholders, including local governments, the private sector and urban poor groups, as well as to support the mainstreaming of urban development and urbanisation throughout all UN system efforts.

14. It will also be essential to address the fact that the current funding for UN-Habitat is inadequate to meet the agency's needs and that the financing of urban development globally needs to be transformed. Most of the current investment into urban areas comes from the private sector and corporate interests. [xxii] The UN Development System has to move beyond a focus on intergovernmental transfers to one that ensures that all international and national investment – public and private – is subject to democratic oversight, protects the commons and respects human rights, and is aligned with the 2030 Agenda for Sustainable Development and the Sustainable Development Goals.

II. The background for this assessment

15. In response to the General Assembly's resolution A/RES/71/256, paras 172-173, the Panel responsible for this report was established to undertake an independent, objective, evidence-based review and assessment of UN-Habitat and to make recommendations to enhance the effectiveness, efficiency, accountability and oversight of the agency in four specific areas of mandate, governance, partnerships and financial capacity. This assessment coincides with the Secretary-General's own system-wide review, and the Panel hopes that this report will complement and feed into this wider review.

16. The Secretary-General, in a meeting with the Panel, encouraged bold and ambitious recommendations, considering the challenges and opportunities posed by urbanisation, their impact on global development, peace and security and the importance of leaving no one behind.

17. During the review period, from April to the end of July 2017, the Panel, as charged, assessed the following:
- The normative and operational mandates of UN-Habitat
- Its governance structure, its capacity for more effective, accountable and transparent decision-making, and potential alternatives
- Its work within the UN System, as well as with national, subnational and local governments and relevant stakeholders, to tap the full potential of its partnerships
- The financial capability and constraints of UN-Habitat

18. The Panel has considered both the evolution of UN-Habitat, and the broader context of the UN System. It has conducted broad consultations with Member States and different actors and stakeholders in order to provide recommendations to enhance the agency's effectiveness, efficiency, accountability and oversight to support achievement of the NUA and Agenda 2030, including the SDGs. This independent assessment report was prepared in accordance with General Assembly Resolution A/RES/71/235 of the 71st session on the Implementation of the Outcomes of the United Nations Conferences on Human Settlements and on Housing and Sustainable Urban Development (Habitat III) and strengthening of the United Nations Human Settlements Programme (UN-Habitat). The report is to be submitted to the General Assembly during its 71st session in September 2017.

19. The report also drew on a literature review, field trips, interviews and Panel discussions and analysis. Consultations and workshops held during the process included representatives of UN-Habitat's Governing Council (GC); Committee of Permanent Representatives (CPR); Executive Director and senior management of UN-Habitat; key partners in multilateral organisations; associations of local authorities and regional governments; urban economists; youth and women's groups; and other relevant stakeholders. The Panel also consulted representatives of multiple UN agencies and specialised bodies such as the World Bank institutions (see Annex II). A questionnaire was also sent out to Member States, urban experts, UN agencies, civil society organisations, academic institutions and other actors/stakeholders. There was little response from UN agencies, but significant participation of Member States, urban experts and civil society groups (see Annex III). Given the short time available for its work, the Panel also relied on evidence from previous evaluations and assessments, (Annex VIII). Discussions reflected in addition the perspectives of the extended networks and associations of Panel members. With close consideration to different opinions and perspectives, the report reflects the consensus views of the Panel.

20. In Section III, this report outlines the Panel's assessment of the current situation of UN-Habitat; in Section IV, the new imperatives introduced by the SDGs and NUA; and finally, in Section V, the implications for UN Habitat, and the Panel's recommendations for the organisation.

III.   Overview on UN-Habitat

A. History and role within the UN system

21. UN-Habitat is a non-resident agency of the United Nations, established in 1978, with headquarters in Nairobi. It has four regional offices (Africa in Nairobi; the Arab States in Cairo; Asia and the Pacific in Fukuoka; Latin America and the Caribbean in Rio de Janeiro), five liaison and information offices (New York, Geneva, Brussels, Madrid, Moscow and Beijing) and 55 country offices. It is present in 63 countries through its Technical Cooperation Programme and UN-Habitat Foundation Special Purpose activities. UN-Habitat plays both a normative and operational role globally. The distinction between these roles will be more fully discussed below.

    The organisation focuses its work on four priority areas:
    - Urban legislation, land and governance
    - Urban planning and design
    - Urban economy and municipal finance
    - Urban basic services

22. It is also active in risk reduction, rehabilitation and resilience building; housing and slum upgrading; and research and capacity development. Cross-cutting issues are also indicated in its plan: gender equality, youth development, climate change, and human rights. UN-Habitat's evolving mandate has emanated from the three Habitat Conferences since 1976:

23. **Habitat I –Vancouver**: In 1976, the magnitude and consequences of rapid urbanisation were recognised in the Vancouver Declaration on Human Settlements, and following recommendations made there, the Commission on Human Settlements and the United Nations Centre for Human Settlements (UNCHS Habitat) were first established, and together became UN-Habitat in 1978. Action plans were recommended in the areas of settlements policies and strategies, settlements planning, shelter, infrastructure and services, land and public participation.

24. **Habitat II – Istanbul**: In 1996, the Istanbul Declaration on Human Settlements and the Habitat Agenda elaborated on conference objectives, defining a mandate for UN-Habitat – adequate shelter for all, sustainable equitable human settlements development, the eradication of poverty, economic and social development, environmental protection, with respect for human rights and fundamental freedoms. UN Habitat's was subsequently strengthened into a programme in 2002 – the UN Human Settlements Programme.

25. **Habitat III – Quito**: In 2016, sustainable urbanisation was placed firmly on the agenda when the NUA was adopted as the outcome document of Habitat III. This has been seen as a historic opportunity to leverage the key role of cities and human settlements as drivers of sustainable development in an increasingly urbanised world. One recommendation was to strengthen the role of UN-Habitat as one of the focal points for the implementation of the NUA.

26. Although UN-Habitat is acknowledged for many competencies, the Panel recognises that there is a concern among Member States and partners that, in its current state and with its existing

capacities, UN-Habitat is unable to respond adequately to the immense challenges presented by the dramatic transformation of human settlements around the world, including rapid urbanisation and increased global interconnectedness. It is vital that both UN-Habitat and the wider UN system are fit for purpose if the far-reaching objectives set by the SDGs and the NUA are to be achieved. This report aims to determine how UN-Habitat can best be supported and revitalised to take on an effective role in contributing to the achievement of these ambitious agendas.

B. UN-Habitat's work and the tensions between its normative vs operational roles

27. UN-Habitat, as noted, plays both a normative and an operational role. While there are areas of overlap, normative work applies to the sphere of norms, policies, standards, and frameworks, while operational work refers to the tangible, technical projects on the ground, undertaken ideally with reference to those normative guidelines. UN-Habitat's strategic priority areas involve of necessity both normative and operational competence, and in order to meet its objectives, it needs to work simultaneously at both policy and technical levels. Its 'three legged' approach involves legal (rules and regulations), economic (financial planning) and urban design aspects. UN-Habitat's Enhanced Normative and Operational Framework[xxiii] focuses on providing a bridge between its normative and operational work, integrating policy and programming, and ensuring that work on the ground feeds into a larger shared vision. In fact, though, the organisation's operational work often has little relevance to its normative mission.

28. UN-Habitat's normative activities generally take the form of training programmes, policy guidance, promotion of good urban management governance and the compilation of research and data on global trends in urban and human settlements.[xxiv] In theory, this normative work takes precedence over operational projects. But UN-Habitat's technical cooperation activities are much sought after by donors and governments, and maintaining a complementary balance between these activities and the normative work has been problematic. The Secretary-General's report on UN reform[xxv] refers to this as a system-wide UN challenge, in part due to the funding approaches of member governments and other partners. Several discussions of the issue and its implications for the new development agenda are currently taking place.[xxvi]

29. Broadly, UN-Habitat's normative work is supported by non-earmarked core funding while operational work, typically including field projects, is supported by technical cooperation funds and special purpose funds, by far the greater part of the budget.[xxvii] While both normative and operational outputs are expected, target proportions are not established.[xxviii] Both UN-Habitat staff and other stakeholders, however, indicate that far more operational than normative work is actually taking place, [xxix] a fact supported by the disproportion in budget allocations. Decreasing core funding has left UN-Habitat little choice but to solicit operational work beyond the UN, affecting its capacity to focus on strategic priorities and normative work.[xxx] Many highly valued projects are donor-driven technical cooperation projects that do not promote scalability and therefore also weaken the normative mandates of UN-Habitat. Despite their investment in these projects, many Member States are concerned by the dearth of normative work, and do not like to see the organisation acting like a consulting agency[xxxi], driven by interests that may not be aligned with the strategic guidance of UN-Habitat's Governing Council. Panel members registered a clear sense from stakeholders that UN-Habitat needs to strengthen its normative role and ensure that operational work informs the normative agenda.

30. There is also a concern that results and lessons learnt at the operational level are not feeding as intended into the normative work, and that UN-Habitat has a challenge scaling-up pilot projects into normative outputs.[xxxii] Finally there is the danger that operational work unlinked to normative objectives may undermine normative aims. Large operational development projects, for instance,

may corner funding that might otherwise support more local groups, limiting their input into decisions that affect their lives – thus hampering the normative orientation towards local engagement.

C. Governance structure and management

31. UN-Habitat is governed by three main bodies: a Governing Council (GC) of 58 Member States that decide on overall policy and strategy, the Committee of Permanent Representatives (CPR), composed of 94 Member States accredited to UN-Habitat, and a Secretariat, which deals with day to day management, and includes a team from the Executive Director's Office. The Panel finds this structure will need to be enhanced to ensure proper oversight by Member States, with clear division of responsibilities and accountability, and the capacity for timely and responsive decision-making and action.

32. There are several reasons for its shortcomings. The GC provides overall direction, but it meets only every two years and has limited capacity to respond to concerns as they arise. The CPR meets four times a year and it monitors and reviews GC resolutions, but has no decision making power. Its oversight role was recently strengthened with the formal establishment in 2015 of the Working Group on programme and budget, in accordance with GC resolution 25/7 on UN-Habitat governance reform. This 15 member group provides oversight, reviews budgets, work programme and audits, and reports to both the CPR and the GC. Even with this extended oversight, however, there are concerns that the CPR's lack of authority, and the participation of members not also on the GC, leads to bottlenecks and inefficiency, and that in effect the GC and CPR together offer limited feedback on strategic and substantive issues.

33. The Secretariat, as executive organ of UN-Habitat, translates the GC's decisions into strategies, programmes and initiatives, which it manages and monitors, and provides strategic recommendations. While the General Assembly approves regular budget allocations and the GC approves general purpose budget allocations, special purpose budget and technical cooperation contributions are approved by the Executive Director. This has been problematic given the changing nature of UN-Habitat's funding, with its increasing reliance on technical funds. It means that most of the budget does not come under the oversight of the governing bodies that include Member States, leading to questions about accountability and strained trust between Member States and the Secretariat. This is compounded by the fact that project reporting for operational projects is limited to client countries, so that information submitted to the GC does not include full details on performance.

34. There have been several discussions in recent years on the need for an internal reform of UN-Habitat, but no agreement has been reached among Member States. Taking into account the governance challenges identified during the Governance Review of the CPR and UN-Habitat Secretariat (HSP/GC/22/2/Add.3, HSP/GC/23/INF/7). **The Panel agrees that the current governance model suffers from systemic problems that affect its accountability, transparency, efficiency and effectiveness.**

D. Partnerships

35. UN-Habitat's strategic partnerships include political actors, civil society, professional organisations and the private sector, both as advocates of sustainable urbanisation and as implementers and monitors of national urban policies and programmes (see ANNEX VII for a full list). There are good reviews from many Member States and stakeholders on UN-Habitat's

success in mobilising partners. Reviews are less positive on efforts to incorporate partners' voices into policy design and operational activities.

36. UN-Habitat also has representational presence in several countries, through regional offices, liaison and information offices and country offices. It works with different partners, UN and non-UN, government and non-government. Habitat Agenda Partners (HAP) includes a range of organisations outside central government, and the UN-Habitat has established a number of thematic networks composed of a cross section of these HAPs. Other key collective partners include the Global Urban Observatory, the General Assembly of Partners, the partners that attend the biennial World Urban Forum and the World Urban Campaign.[xxxiii]

37. Several UN agencies work on urban issues and urban development, and each of these has its own established partnerships (Annex VI) that could potentially be directly or indirectly integrated into work on urban issues. Similarly, UN-Habitat works in many areas where other UN agencies, as well as external actors, have specific competences. For example, on public health issues related to urban areas (WHO); urban land and food security related issues that arise with urban expansion (FAO, WB, SDI, CSO); pollution, circular economy and sustainable consumption and production, sustainable built environment, climate adaptation and mitigation, specific projects on coastal cities (UN Environment); children in urban settings (UNICEF); urbanisation of refugee camps, rural to informal migration and temporary to permanent refugee settlements in cities (UNHCR); urban migration (IOM); Safe Cities (UNODC, UNWomen); HIV/AIDS in cities (UNAIDS); decentralisation and local governance and affordable housing policies (UNDP); municipal finance capacity-building and decentralisation of national and international funds to cities (UNCDF), among others. However, there are no current institutional mechanisms to coordinate the work with other agencies to avoid duplication, increase efficiency, or enhance policy integration.

E. Financial capacity

38. As noted in the SG's report on the reform of the development system, core funding allocated to the UN system has "declined over the past ten years and continues to decrease" (para 112), and this is affecting the entire family of UN institutions.[xxxiv] This is most painfully evident in the case of UN-Habitat, and it has implications for the nature of the organisation's work and for its credibility. UN-Habitat has three sources of funding: UN regular budget allocations, UN-Habitat and Human Settlements Foundation contributions, and technical cooperation contributions. Regular budget funding and foundation general purpose funding have been steadily decreasing (about 7 percent of budget in 2016, or 11.5 percent if overhead is included), and UN-Habitat has had to increase its reliance on its technical cooperation portfolio and its foundation special purpose funding, which together amounted to over 88 per cent of overall funding in 2016.[xxxv]

39. This trend towards a reliance on operational funding has, as noted, some major impacts. It affects the capacity of UN-Habitat to focus on strategic priorities and its normative work, and has raised concerns from some Member States, as noted, that UN-Habitat is becoming more like a consulting agency, harming its global and regional role in norms and standards setting and policy development. Fund mobilisation tends to be donor-driven, taking a practical path that does not encourage predictable and sustainable funding, and that leads to programmes that may not be in line with mandates.[xxxvi] The trend also affects accountability. Because the GC and CPR lack control and full oversight over the technical cooperation budget, there is, as noted, a lack of trust and growing tensions around the control and monitoring of UN-Habitat's funding and activities. Cuts in financing have been linked directly to this issue by some donors. It is, as some Panel members have pointed out, a self-perpetuating chicken-and-egg process. As the organisation

strays further from its mandate, it loses the trust of its funding sources. This in turn pushes it to rely more on the very work that discredits it. Donors have signaled that they will link their level of engagement with UN-Habitat with forthcoming governance reforms.

F.   Assessed strengths and weaknesses

40. UN-Habitat has been recognised over the years for its work on local governance, decentralisation, sustainable urbanisation and human settlements through its enhancement of urban-rural linkages, its expertise in urban policies and frameworks, its mobilisation of partners, its work with local governments and local stakeholders, and its pro-poor movement and work with marginalised groups. In its resolutions 69/226 and 70/210, however, the General Assembly has recognised that the responsibilities of UN-Habitat have changed considerably in scope and complexity. The Panel observes that UN-Habitat is having little impact on the UN development system, and is seen by many of the stakeholders interviewed by Panel members as too weak an organisation to fully meet its mandate and act on its potential.

41. The Panel acknowledges the challenges that UN-Habitat and the wider UN system face, and that these challenges have compromised the ability to respond nimbly and effectively to rapid global change. It agrees that UN-Habitat has limitations in accountability, transparency and efficiency, and that its resources have been inadequate, insecure and unpredictable, with implications for the capacity to meet its evolving mandate. Its mix of operational and normative functions, often not linked, is also a challenge, and the need to chase funds has undermined its mandated responsibility to take a normative lead.

42. The present moment, in which the SDGs are being monitored and the Paris Agreement and New Urban Agenda have come into force, creates an unprecedented window of opportunity to integrate an urban perspective across the UN system and to strengthen the leadership and legitimacy of UN-Habitat so it can fulfil its mandate and address the transversal nature of the New Urban Agenda and the far reaching and universal ideals of the SDGs. **Recognising that UN-Habitat has a focal role in addressing sustainable urbanisation, but faces challenges that compromise its capacity to respond effectively, the Panel recommends that the first priority must be to save, stabilise and then rapidly strengthen UN-Habitat to equip it for a renewed role based on the 2030 Agenda and the NUA.**

IV.   New horizons: Implementing the SDGs and the NUA

A. The scope of the commitment

43. The Sustainable Development Goals of Agenda 2030, endorsed by national governments in September 2015 at the United Nations Summit, represent an ambitious, transformative global framework for sustainable development, social, economic and environmental, with a primary commitment to "leaving no-one behind". The Secretary General's recent report stresses the bold, paradigm-shifting nature of this Agenda, and the need for the UN system to ready itself in equally bold ways to support it.

44. Yet the Secretary General's report makes virtually no reference to urban areas, and to the very specific work that will be involved on this front. This failure to reference the urban context as a significant aspect of the larger task reflects a more general failure within the UN system and the development assistance enterprise to recognise the extent and the implications of the urban challenge. It is also evident within the text of Agenda 2030, which focuses explicit attention to

urban concerns in only one of its 17 Goals (SDG 11, which calls for making cities and human settlements inclusive, safe, resilient and sustainable).

45. Yet urban areas, with their growing majority of the global population, their concentration of both economic risk and potential, their vulnerability to climate-related disasters, and their relationships with surrounding areas, are not only relevant to realising this Agenda, they are central to its success, and the stage on which the SDGs will or will not be achieved. Most of the Goals necessarily have urban implications, and without significant attention to urban realities in all their manifestations and complexity, the ambitious objectives of the SDGs cannot be realised.

46. Agenda 2030 recognises the extent to which achieving these objectives can be undermined by the hardening of exclusion around the world. The SDGs include many far-reaching political goals and targets regarding inclusion, empowerment, and equality, and they stress the elimination of extreme poverty and hunger, the reduction of all poverty as part of 'leaving no-one behind.' Much of the exclusion in question is closely tied to the global resistance to urbanisation.[xxxvii]

47. The SDGs are clear on what needs to be achieved, but not on how or by whom. Meeting the Agenda 2030 objectives will be to a large extent the aggregation of local achievements, requiring the efforts of effective, accountable, well financed local governments, along with private enterprises, civil society and communities, yet these are generally overlooked. This lack of attention is reflected in the language of the SDGs, which emphasises primarily the tasks of countries rather than municipalities. These global goals and targets need to be translated into frameworks that support local actors, and there is a critical need for better understanding, and support and funding for local action.

48. The many SDGs that can be substantially realised by good local governance and urban policies form the basis for the New Urban Agenda (NUA), adopted as the outcome document of Habitat III a year after Agenda 2030 was adopted. Although it builds on the SDGs, the NUA also reaffirms the General Assembly resolutions dating as far back as 1970 (51/177, 56/206, 67/216, 68/239, 69/226, 31/109). The NUA, in practical terms, aims to operationalise the SDG urban goal and the urban implications of all the SDGs. While the NUA acknowledges the importance of local actors, it is a national government agenda, and national governments need to comply, addressing the implications for local action in order for local actors to be empowered.

49. In short, the transformative and inclusive goals of the SDGs and the NUA are clear. Less evident in both Agendas is the means by which they can be realised, especially in urban areas at the local level. There are some distinct challenges in this regard.

B. The challenges

50. An initial conceptual challenge is the definition of urban, which varies from country to country. **The Panel calls explicitly for a conceptual shift to a more territorial approach, focusing on metropolitan regions, including the cities, towns, peripheral areas and villages that they contain.** Small towns beyond metropolitan regions, where much rapid growth is occurring, must also be included as a critical part of the urban reality, along with rural-urban links, so the broader human settlements focus remains. This more territorial frame avoids the over-simplification of the rural-urban dichotomy and the risk of positioning cities and rural areas in opposition to one another, in competition for scarce development resources. It emphasises links, and acknowledges that the issues affecting local people go way beyond local areas, and solutions require the coordinated attention of different governance levels and multiple actors. [xxxviii]

51. Within the UN system, as noted, there is not a full acknowledgement of the pace, scale and implications of urbanisation, which remains a niche issue in the development discourse. This is true also for many Member States, which still lack national policies that accept the reality and the potential of urbanisation, and development strategies that take into account the complex continuum of urban realities. Many countries have weak, under-financed urban ministries, if they have them at all, and most of their ministers focus still on rural concerns. Attention to rural is justified, but these countries are poorly prepared to cope with current and future challenge of urbanisation. Achieving the objectives of the SDGs and NUA requires that they align their legislative and institutional realities with their commitments.

52. Beyond the need to accept the central importance of urban realities, is the failure to focus on the essential contribution of local and sub-national government in addressing development challenges. This gap between global commitments and local agendas will have to be bridged for successful implementation by all partners. This will require renewed attention to decentralisation and multi-level governance, and in many places the strengthening of institutional capacity, which can be especially weak in under-resourced local governments.

53. Also neglected has been the role of civil society. The language of inclusion in the new agendas is a start. But it is also important to distinguish between participation as a project deliverable, and the genuine partnership that inclusion implies. Many urban poor groups have been effectively working with local government partners to tackle their basic needs for secure housing, adequate provision and decent livelihoods. Their attention to the challenges of informality, and especially the treatment of eviction, are critical, as is their empowerment of women. Many are well represented nationally and even globally by networks and federations that link their organisations within cities and beyond, powerful political voices for their members, facilitating their inclusion and their contribution. To ignore the resourcefulness, expertise and deep experience they can bring to the table is unrealistic, given the scale of the challenge.

54. Considerable resources will be needed, both for building the capacity of institutional actors to manage their responsibilities, but also for meeting the large and growing shortfalls globally with regard to the most basic needs of urban residents. The necessary resources are far greater than can be met by development assistance bilaterally and the UN system, and in addition to a rethinking of the aid architecture, flows of both private and public investment will have to be tapped and coordinated.

55. Another area not adequately reflected in these agendas is the growing manifestation of humanitarian crises and emergency situations in urban areas. These have profound effects for the development agenda, given the destruction of infrastructure that can be involved and the large numbers of refugees and displaced people who are increasingly heading to urban areas, contributing to the growing burden for local governments and to the risk of xenophobic responses from other urban dwellers.[xxxix] As noted in the Secretary-General's report, this calls for a rethinking of the traditional separation of development from humanitarian work.

56. The extensive capacity to support Member States in achieving the SDG goals, and the expertise to tackle the institutional and financial architecture underpinning this support, is spread over multiple UN agencies and organisations. The NUA is a transversal agenda that requires urban attention to be integrated into every UN agency's work, with systems and approaches in place to measure and track progress. The Secretary-General report points out, however, the major risk of inefficient overlaps (para 48). The task of ensuring the mainstreaming of NUA implementation throughout the UN system is a large one, and arguably not one that aligns well with the advocacy and normative work that UN-Habitat needs to undertake.

57. Meanwhile, it is a challenge to focus on specific recommendations for UN-Habitat if the UN system itself is not prepared to address urbanisation as a phenomenon that is going to affect all of its agendas. This is a recipe for the continued marginalisation of the organisation and its mandate. Despite the Secretary General's call for bold recommendations by the Panel, this limitation must be acknowledged. Given that the reform of the larger UN system is still a situation in flux, the Panel acknowledges how critical it is that UN-Habitat have an agile capacity for flexibility and for identifying and seizing opportunities as they arise.

C. UN-Habitat's role: what is clear, what is contested, what needs to be clarified?

58. UN-Habitat is nominally the representative within the UN system for sustainable urbanisation. There are divergent views, however, on the role it should take with regard to the NUA and the urban implications of the SDGs. It is a small body on the margins of the UN system, and its budget and capacity do not come close to meeting the scope of its mandate. Nor, in the minds of most of the stakeholders the Panel spoke with and surveyed, does it have the strength or credibility to take a lead role in this regard.

59. Some Member States do believe that UN-Habitat should have a prominent role and lead the implementation of the NUA. But most of the countries that responded to the Panel's survey are strongly of the opinion that the implementation of the NUA cannot be the mandate of a single organisation, and that it will require effective collaboration between different UN entities and relevant stakeholders, drawing on the expertise of each.

60. The Panel found value in the NUA statement regarding "the importance of UN-Habitat's role within the UN System as *a* focal point on sustainable urbanisation and human settlements, including in the implementation, follow-up and review of the NUA, in collaboration with other UN system entities" (para 171). The NUA urges UN-Habitat to continue developing normative knowledge and providing capacity development and tools to national, subnational, and local governments in designing, planning, and managing sustainable urban development (para 129). Along with other UN programmes and agencies, it is encouraged to generate evidence-based and practical guidance for the implementation of the new agendas (para 128). UN-Habitat is also mandated by the NUA to coordinate the quadrennial report on its implementation, in close collaboration with other relevant entities of the UN system (para 168).

61. The Panel, taking various views and directives into account, recognises that the UN system has yet to define a strategy or mechanism on how different UN entities will address the implementation of the NUA, and the urban implications of the 2030 Agenda, and SDG11 specifically. It also has broader concerns about the more general strategy within the development system for addressing urbanisation. Until a clearer mechanism is defined, **the Panel feels that UN-Habitat is the appropriate UN entity to play an advocacy role around the importance of urban issues and the significance of the local agenda, within and outside the organisation, and to expand and refine its normative work in these regards. In this capacity, it would assist and support Member States, UN agencies and other stakeholders to integrate the NUA and urban aspects of the SDGs into their development operations as appropriate, providing guidance and tools for strengthening urban work at the country level.**

62. In particular, the Panel sees UN-Habitat taking a leadership role in two specific areas. The first involves work on urban planning, legislation, norms and standards, and on national urban policy, including attention to decentralisation, governance and capacity building. The second is the area

of urban equity, addressing vulnerabilities and exclusion, and ensuring that informal settlements and their implications are fully recognised and addressed.

63. These two areas are closely related. Urban equity and the issue of informality have to be dealt with through policies, and appropriate planning and standards. At the same time, policy, planning and standard setting must be informed by prevailing realities, including the extent of informality and exclusion, and the changes that are anticipated in urban areas. Addressing informal settlements, and accepting an expanded definition of urban, both have major implications for planning norms, land tenure regimes and access to basic amenities. Regardless of the commitment to inclusion, people can continue to be left behind by policies and planning that do not work for them.

64. Given that the Panel seeks a larger role for urban locales in the fulfillment of the SDGs and NUA (as well as other agreements), it recognises the need for support beyond the functions it envisions for UN-Habitat. It urges the formation of a new UN coordinating mechanism to perform the work of coordinating all the partners involved, and encouraging their involvement in the necessary transition to a development focus that recognises the work to be accomplished in urban locations. The establishment of such a mechanism would create the space for UN-Habitat to focus on and refine its normative mission, emphasising the central SDG and NUA mandate to "leave no-one behind". **The Panel proposes that UN Urban be established as a coordinating mechanism similar to UN-Water or UN-Energy, as part of the system-wide UN reform, with a small secretariat based in DESA in New York.**

65. UN Urban, as a committee of agencies for all UN actors, funds and programmes, would ensure that the UN system in its entirety is addressing urban issues and implementing the NUA. It would provide a platform for the UN to operationalise the SDGs within the urban setting, addressing the cross-cutting nature of urban development, and bringing coherence to activities and commitments, with the various entities drawing on their particular strengths and avoiding duplication. UN Urban would enhance the urban operational work of the UN system and, the Panel believes, would in turn enhance UN-Habitat's work. A similar model to UN Urban is that of UN Energy and UN Water, which include all UN agencies with related operational activities as equal members. The Panel appreciates this model also for its inclusion of stakeholders in addition to UN agencies as partners. These stakeholder partners in the case of UN Urban could include representatives of international organisations, professional unions, associations or other civil-society groups that are actively involved in urban development and that have the capacity and willingness to contribute tangibly to the work of UN Urban. UN-Habitat, playing its normative role, and UN Urban would together bring agencies to the table, making it possible for inter-sectoral and transversal conversations to take place. UN Urban, although an entity independent of UN-Habitat, would coordinate with UN-Habitat's governance structure.

V. Updating UN-Habitat's mandate and capabilities to reflect the new agendas

66. Responding to the NUA and the 2030 Agenda means that UN-Habitat must redirect its focus toward one of the most critical global challenges in human history, the transition from a primarily rural to an urban existence for humankind. Because of this stunning shift in mission, UN-Habitat needs to be engaged at the highest, universal levels of the UN. The transition involves all countries, developed and developing, in every region of the world.

67. Urbanisation moreover has the potential, as noted, to address many of the SDG's primary goals. With strong governance, sustainable cities can simultaneously address development, poverty, social isolation, economic opportunity, mobility, services, housing, health, and of course climate change. Urban proximities of scale and economic agglomeration, provide a huge potential for policies and programs that can generate multiple benefits, and that should engage the interest and involvement of the full range of Member States. This involves not only a redefined mandate, but a new governance structure that can support new levels of engagement, and financing strategies that can provide UN-Habitat with the scope to respond to its expanded mandate.

A. Implications for UN-Habitat's mandate

68. It has emerged clearly in the work of the Panel that the current imbalance between normative and operational activities in UN-Habitat's work is not viable, and that normative work should take precedence. All are agreed that operational work can be strategic in terms of realising a normative mission. But much of the operational work currently dominating UN-Habitat's activities is not driven by a larger vision, but by the need to respond to supply-driven opportunities as a source of revenue. It is not just a matter of correcting the ratio of operational and normative work, but of ensuring that the two are linked and that the normative mission drives all activities, regardless of the ratio. The challenge is to guarantee that UN-Habitat is not pushed to take on projects that do not align with its larger mandate. The Panel recommends that all operational work **have a clear linkage to normative priorities and** a tighter connection to the overall strategic policy and governance oversight.

69. Correcting and aligning this balance depends on strong leadership, and on addressing UN-Habitat's critical resource constraints, both discussed below. It also depends on a clarification of the organisation's priorities. **The Panel recommends two priority areas in this regard – attention to equity, vulnerability and exclusion in urban development; and a focus on the urban planning, legislation, norms and standards that will best support equitable development priorities, along with environmental sustainability and economic robustness.**

70. Yet greater clarity is still required on the normative mission. Despite repeated assertions on the primacy of the normative mission, not only in UN-Habitat but throughout much of the UN system, the concept remains elusive and imprecise. To some degree this reflects an inherent ambiguity in the concept of normative which covers both "the right way to do things" and "the right reason for doing them". At its extremes, this normative work might include both training on planning methodologies, but also debates on the values that inform that planning. The Panel has focused primarily on the former, but urges UN-Habitat to keep both understandings in mind in defining and operationalising its normative mission.

71. **The Panel recommends that, with the SDGs and NUA as guiding frameworks, the core of UN-Habitat's normative role be precisely to keep in focus the directive to "leave no one behind", a directive amply supported by the human rights frameworks endorsed by the UN system. It implies advocacy and oversight with Member States to ensure their urban work reflects this guiding imperative, as well as guidance on the best means for achieving this end.**

72. This means, for instance, ensuring that governments and their partners can both acknowledge and understand the negative repercussions of informality, as well as taking the planning and legislative steps necessary to deal with it. The informal solutions of the poor, whether in housing, amenities or livelihoods provide immediate ways to cope with their exclusion, yet also reproduce that exclusion. Designating activities or places as informal provides governments with the power

to displace, harass, criminalise and generally complicate the lives of the poor, when regulatory and planning frameworks could also be used to acknowledge and support informal solutions. There are numerous practical examples. **The Panel recommends that UN-Habitat provide guidance on both the practical approaches to dealing equitably with informality, and the values informing them.**

73. This means tackling formal frameworks so that informality is unnecessary, addressing land tenure laws, land ownership patterns and development planning approaches that force the production of informality. It means monitoring evictions and developing strong legislative solutions to ensure that unavoidable displacement is addressed with sustainable relocation, included in project budgets.

74. Through its government partners, UN-Habitat also needs to mediate conflicts between powerful development interests and powerless informality, and to ensure that marginalised communities and the civil society groups representing them are given due consideration in the development of urban policies and decisions around planning, with a seat at the table where possible. The private sector, whether local or global, should be asked to develop their own responsibility norms in this context.

75. This value-oriented normative work is closely tied to the operational work that UN-Habitat and other partners take on. In many localities, new solutions on the ground are urgently needed to produce normative outcomes that can be adopted and taken to scale by other partners. A database of programmes and projects, analysed with a view to the ways these perspectives can inform one another and contribute to the understanding and implementation of the larger normative mission would contribute to an evolving, iterative understanding. **The Panel recommends clear documentation on the complementarity of normative and operational work, with clarity on the way the normative/operational distinction is being interpreted in every project.**

76. Meeting the objectives of the new agendas requires significant work in many practical areas of urban development (basic service delivery, climate change mitigation and adaptation, emergency response, safe cities to name just some). More energy needs to be directed to encouraging the rest of the UN system to bolster these efforts, with UN-Habitat developing solutions in some case, but always helping to maintain the focus on inclusion as essential to the balanced and sustainable implementation of urban development. The integrative imperative of the SDGs and the NUA implies a shift in the way agencies work, and UN-Habitat has a role in making this happen.

77. Critical here is improved data to support the task. UN-Habitat's mission of addressing inclusion within urban areas points to some very specific gaps. The large proportion of urban dwellers living in informality are frequently undocumented in formal data systems, especially the growing number of refugees coming into urban areas rather than formal emergency camps. Even where data is collected there is the issue of disaggregation. Data are most often presented in terms of rural and urban averages, and this fails to reflect the complexity of the urban landscape and the large disparities within urban areas. The Secretary-General's report stresses disaggregation as key to leaving no one behind, and the need to ramp up the UN system's ability to properly manage data to encourage new insights. Efforts to document the full range of urban realities, whether by strengthening formal systems, or supporting existing informal strategies, such as the rich "enumerations" by urban poor federations, are essential to the task.[xl] National SDG reporting must entail an overlaying of multiple forms of local data, including and beyond citizen-led data in informal settlements, city-government reported standardised data, satellite and big data. **The Panel recommends that UN-Habitat, in its data support role, pay special attention to the gaps in data collection and analysis that obscure the realities of excluded groups.**

B. Governance implications

78. The Panel finds that UN-Habitat's governance and management structure has not met the organisation's need for effective, responsive, timely decision-making, nor has it permitted the level of oversight by Member States that would ensure its reputation for accountability and transparency. These concerns have led to a decline in political commitment by Member States and have contributed to resource constraints in an environment where regular funding has in any case become scarcer and less predictable. A further concern, clarified by the direction of the SDGs and the NUA, is the insulated nature of the current UN-Habitat governance structure, which signally fails to reflect the complexity of the development landscape with its multiple actors.

79. A new governance structure is called for that resolves trust issues and generates a new and broader level of engagement. The Panel suggests some fundamental changes. The first is universal membership of all 193 Member States (rather than the current 58 members in the Governing Council). The second is the addition of a Policy Board, smaller and more focused than the current CPR (which would however remain), which would integrate formal input from stakeholders, local governments, and UN Urban**.**

80. The case for universal membership is very clear in the view of the panel. The far reaching transversal agenda of sustainable urbanisation, understood as the territorial development described above, requires system wide approaches and the development of global positions informed by the experience and realities of all Member States. Those that have gone through the urban transition and those that are experiencing rapid urbanisation can together develop policy that can help promote inclusive and sustainable development, avoiding the rural-urban divide that persists in international discussions. Urbanisation, its social and environmental implications, and the resources it requires are hugely significant although not yet fully understood. This understanding needs to be developed together by all Member States and not just a few. The balance between and within regions is another a key reason for universal membership in UN-Habitat's governance structure. It is to be hoped that universal membership will also enable broader ownership and more open, participatory and transparent proceedings, providing all governments with an equal voice on the decisions needed to support urbanisation and create a more inclusive and sustainable world.

81. The case for the inclusion of a broader range of non-UN members is equally strong. Mayors, civil society representatives, private-sector actors and many other local stakeholders are primary agents in implementing urban development, and will be essential to realising the transformative objectives of the new Agendas. Many of these local actors now attend UN-Habitat events, and were key players in the construction of the NUA, but there is no formal mechanism in the organisation's governance structure or its accountability framework for the involvement of these partners. Acknowledging and institutionalising their valuable contributions through a formal role would address the mandate for inclusion directly within the governance of the organisation, demonstrating the depth of its commitment.

82. In arriving at its recommendation, the Panel gave serious consideration to a variety of possible governance models. The Panel's optimal solution would have included, in addition to universal membership, a formal mechanism for the full participation of local government and representatives of other urban stakeholders as members of a tripartite governance body. There is a precedent for such a structure in ILO's tripartite governance structure, which includes a governing body with membership of 50 per cent Member States and 25 per cent each of

representatives of employers and workers. We take note, however, of present legal limitations to a similar tripartite structure for UN-Habitat. Understanding that at present there is no chance to pursue this optimal solution, a fact the Panel regrets, we present instead a variation on that model that we are advised is legally possible. **The Panel recommends a new governance structure that includes, in addition to universal membership, committees of local authorities and subnational governments and of urban stakeholders, with the capacity to evaluate and review resolutions, and to offer their coordinated guidance to the Policy Board.**

83. To accommodate this requirement, the Panel recommends the following hybrid governance structure (Figure 1) for UN-Habitat, which mirrors the structure of UN Environment with its universal membership, but also provides a formal mechanism for a Committee of Local Governments and a Committee of Stakeholders.

Figure 1. Proposed structure for UN-Habitat governance
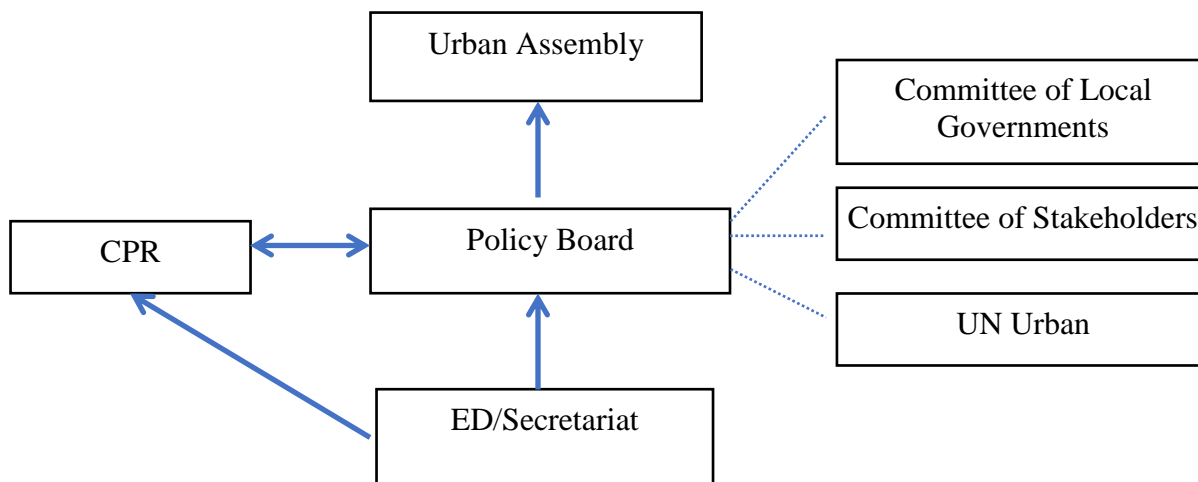
84. This new governance structure would be governed by the Urban Assembly, the ultimate decision-making body which provides overall strategic framework and direction for UN-Habitat's work. It differs from the current Governing Council primarily in its universal membership, the case for which has been outlined. The Urban Assembly would meet every two years, alternating years with the World Urban Forum (WUF) so that WUF outcomes can be integrated into the UN-Habitat strategic plan. Its meeting could also be coordinated with the UN Environment Assembly, allowing a one day joint meeting to discuss shared agenda issues and potential joint work programmes. To further enhance and promote the urban agenda, it could consider meetings that rotate between Nairobi and New York during the General Assembly meetings to take advantage of the potential of overlapping sessions. **The Panel recommends that UN-Habitat arrange its schedule and the location of its meetings to maximise the potential for overlap with both the UN Environment Assembly and the General Assembly.**

85. The Assembly would approve work programme and budgets, define normative and operational expectations; nominate the Policy Board; approve resolutions and recommendations by the Policy Board, with inputs from the Committee(s) of Local Governments and Stakeholders and the CPR. It would also set the vision for fulfilling SDGs and other commitments in the context of the urban and habitat agendas, and champion the role and contribution of transformative urbanisation, sharing and exchanging strategies and solutions.

86. The Urban Assembly would be assisted by the proposed **Policy Board,** consisting of 20 members, four from each of the regions, selected by the Urban Assembly for three year terms, and meeting bi-annually. The Policy Board represents the major change to the governance structure, an innovative addition that provides oversight on projects, policy and strategic advice to the Urban Assembly, but also ensures that its direction is informed by local government and stakeholders as well as by Member States. The Policy Board is, in effect, the cross roads where all input is integrated. Its tasks are listed in Table 1, along with those of the CPR. Among other things, the Policy Board would be critical to the effort to achieve greater transparency for the organisation. Projects, whether normative or operational, would come before the Board for review on a twice-a-year cycle, with information maintained in an accessible database available to all to see, and any concerns could be taken up with the Board. This could resolve many of the trust issues.

87. **The Committee of Local Governments** would include ten local/subnational government representatives**, two each from each region; the Committee of Stakeholders** would include ten civil society representatives, five urban experts and five private sector representatives, also evenly spread over the five regions. Members of both committees would be nominated by their representative bodies, and elected by the Assembly for two year non-renewable terms. All partners would be eligible to submit applications.

88. These committees would deliberate on the issues coming before the Policy Board and have formal input into all Policy Board decisions, with seats at the table and an ongoing feedback mechanism, ensuring that the Policy Board was well informed on a range of perspectives. Before discussions with the Policy Board, the two committees would meet together to coordinate their deliberations. This would be a ground-breaking partnership, enabling local authorities and subnational governments along with urban stakeholders to provide input and strategic guidance on central governance issues.

89. In addition to the input of the Committees, the Policy Board would be informed by **UNUrban** which, as a coordinating mechanism on urban, is crucial to UN-Habitat's strategic direction. Its input on the urban work of UN agencies and Bretton Woods institutions and the lessons learned would supplement the perspectives of the local government and stakeholder group in informing Policy Board deliberations. The most practical way of ensuring the regular input of both these important bodies must be discussed.

90. Recognising the importance of Member States**, the Committee of Permanent Representatives (CPR)** would retain its open membership and much of its current function, continuing to meet four times a year, and function as an oversight mechanism, in a complementary and supportive relationship with the Policy Board. It works directly with the Secretariat and Executive Director, with the aim of developing and bringing ideas, issues and information to the PB.

Table 1: Policy Board and CPR responsibilities

Policy Board	CPR
Primary management and coordination role	Provides input to PB on budget, operations, and projects
Leads development of and updates the strategic plan	Provides input for the strategic plan
Reviews progress and products of major UN-Habitat initiatives	Reviews specific activities, reports to the PB

Prepares resolutions for the Assembly	Helps develop resolutions
Review and approves annual budget and projections prepared by ED	Reviews annual budget and projections with ED
Oversees fundraising activities	Supports fundraising strategies
Prepares reports for the Assembly	Reviews overview report for Assembly every two years
Interacts with CPR, Assembly, Secretariat, committees	Interacts only with PB and ED/Secretariat

91. The Executive Director would report to the Policy Board on work programmes and budgets, including technical cooperation and earmarked projects. A well-defined set of criteria, including the potential for scalability, should provide the basis for the approval of technical cooperation and earmarked projects, which should always support the normative mandate. The roles and functions of the Secretariat are to remain the same. The Panel recognises the multiple reporting lines associated with the Executive Director's responsibilities, including to ECOSOC, the Secretary-General's office and the Fifth Committee on budget. Reporting to the Policy Board, however, represents the internal relationship of the Secretariat to the organisation's governance structure.

92. This revamped and transformed governance structure is intended to be effective, inclusive, transparent and accountable, to address the transversal nature of the urban agenda, increase engagement with UN operational entities to more effectively mainstream urban issues in the UN operational work, and allow for the participation of local government authorities and urban stakeholders. Every attempt would be made to ensure that their involvement is substantive and meaningful, despite the fact that under the UN charter, they cannot be voting members.

93. The location of these governance bodies is also critical. The Panel agrees that in order to strengthen its governance and management, UN-Habitat needs to capitalise on the comparative advantages of its headquarters in Nairobi, which places the organisation in one of the fastest urbanising regions and makes its location extremely relevant to its work.

94. The linkages and relationship with the Secretariat in New York where some budgeting decisions are made and UN headquarters are located should also be strengthened for improved governance and management. **For better coordination, and stronger, closer relationships to UN entities in New York, the Panel recommends a stronger staff presence in New York, especially of senior level staff.**

95. The Panel believes UN-Habitat should also review the location of its regional offices and consider moving them to cities where Regional Economic Commissions reside**.** The Secretary-General's reform report elevates these Commissions to think tanks at the regional level to provide "world class analysis and knowledge on region-wide priorities, innovation, financing for development and transboundary issues". Relocating and aligning UN-Habitat regional offices would ensure that UN-Habitat has access to enhanced research and analysis of regional issues to support their normative and operational work; and in turn build solid evidence from its own urban normative work. This would mean moving from Rio de Janeiro to Santiago (Latin America and the Caribbean); from Fukuoka to Bangkok (Asia and the Pacific); from Cairo to Beirut (Arab States) and from Nairobi to Addis Ababa (Africa).

96. New York is not the only place that requires a stronger staff presence. **Building on existing capacity within UN-Habitat, other agencies and the best available talent worldwide, the Panel recommends that UN-Habitat be more generally re-staffed in Nairobi, New York and**

regional offices, with gender-parity to meet its mission and mandate to support Member States, sub-national governments and UN Country teams.

C. Partnerships implications

97. The success of UN-Habitat's role depends on acknowledging governments at different levels, but also the many non-state actors critical to urban development, including civil society and the private sector. This acknowledgement is expressed in practical terms through its partnerships. Assessment of UN-Habitat's partnerships points to the organisation's success in mobilising partners, but raises questions about the quality of the involvement that ensues and at the programmatic activities that emanate from the partnerships. Also to be considered is an emphasis on the partners that can best strengthen the SDG and NUA focus on inclusion.

98. The inclusivity at the heart of UN-Habitat's reframed mission has significant implications for its partnerships. Partnerships predicated on a mission of genuine inclusion, not just the delivery of participation as a project deliverable, imply a seat at the table for stakeholders who might not historically have occupied that position. This new framing of partnership is reflected in the Panel's recommended governance structure, which, for the first time, offers local and sub-national governments and other stakeholders a more prominent role, moving from mere engagement to active collaboration. A critical element will be the means by which these representatives are selected, which should ideally be based on the self-organisationof their representative bodies.

99. The Secretary-General's report emphasises that the UN development system will need to respond to national demands for "inclusive alliances and participatory processes that take account of the needs of the most vulnerable and excluded" (para 43). Within UN Habitat's governance system as well as its more general approach to partnership, this implies a need to give priority to partners that share this commitment to the vulnerable and excluded, and that have experience and proven successes to bring to the table.

100. As the levels of government most engaged with addressing exclusion on the ground, local and regional governments must be high on the list of UN-Habitat's partnerships. Currently UN-Habitat engages sub-national governments primarily through Member States in the General Assembly. The Panel sees the need for more direct relationships to facilitate the shift to the local agenda that has to be intrinsic to the NUA. This is accomplished in part by the Committees of Local Governments and Stakeholders, but a wider set of relationships may also be useful through, for instance, organisations representing local governments or excluded urban groups. **The Panel recommends exploring relationships with representative organisations of local government and of civil society, as well as strengthening partnerships with UN country teams and Regional Economic Commissions.**

101. UN-Habitat's engagement with the private sector is an important aspect of its normative work. Because the private sector plays such a large role in urban development, often with far-reaching negative consequences especially excluded groups, **the Panel recommends that UN-Habitat explore ways to encourage private sector actors to look at the unintended negative impacts of their investments and to find ways to mitigate them.**

102. As well as developing its own partnerships, UN-Habitat has a role in encouraging, facilitating, and strengthening other important partnerships, such as those between national and sub-national levels of government, and especially local governments, which despite the rhetoric on decentralisation, still largely lack the independence and the financial resources to adequately

assume the full range of their responsibilities. The all-important relationship between local governments and civil society, and especially with organisations representing excluded groups, is also critical. This relationship is central to tackling urban exclusion and informality. Even for progressive local governments, committed to civil society participation, there are important differences between putting participatory mechanisms into place for local residents, and building relationships with existing organisations of excluded groups, including women and the urban poor. Many of these organisations have long standing relationships with local residents, a good understanding of the realities on the ground, and a track record for co-production with local governments in addressing many of the material and political deficits of excluded urban citizens.[xli]

103. Beyond the partnerships that directly address exclusion, there are the partnerships that can help underwrite and support this work. The financial strengthening that is essential for UN-Habitat, as for the rest of the UN development system, calls for partnerships that make it possible to tap new sources of funding, as more fully explored in the next section.

104. Also essential here is UN-Habitat's engagement in the work of UNUrban with its role in convening and coordinating the entities within the UN system and beyond to tackle the important work of inclusive and sustainable urbanisation.

105. The World Urban Forum (WUF) is a useful platform for convening partners and facilitating partnership, and the Panel recommends that it become a permanent event, so that it would not require approval and fundraising every two years. **The Panel recommends institutionalising the World Urban Forum to help maintain the NUA firmly on the global agenda. Furthermore, it proposes that outcomes from WUF be integrated in the strategic plan and work programme and budget of UN-Habitat. This should be done through a report on outcomes to the Policy Board for integration into resolutions for the Urban Assembly.**

D. Finance implications

106. The unpredictable and insufficient funds available for UN-Habitat's core functions, along with its governance problems, have underpinned its other weaknesses. More secure funding for the organisation is urgently needed not only to strengthen its performance more generally, but also to allow it to carry out its role effectively with regard to the NUA and to support countries in their efforts to deliver its agenda. It is essential that both regular Member State contributions be increased to support this urban work, but also that innovative new modalities be explored.

107. The most immediate concern is the additional funding required to support UN-Habitat's redefined focus on normative work. This means first an increase in the committed non-earmarked funds from Member States. While their assessed contributions to the regular budget are based on an agreed formula, there is scope for Member States to make additional voluntary contributions to non-earmarked Foundation funds. This in turn means stimulating their enthusiasm for UN-Habitat's mission and renewing their confidence in the organisation and the way money is managed and spent. Concerns around transparency are largely addressed in the governance section, and there is the hope that the revamped structure will encourage an increase in core funding. It is also hoped that the universal membership will result in a more general commitment to urban work, which will be reflected in more expansive support. Annual budgets and mission-related outcomes, aligned with UNDS priorities, tracked annually, and independently reviewed every four years should assist in matching stable financing arrangements with the expenditure framework and medium-term plan will help secure funding for UN-Habitat with the right accountability mechanisms in place. **To activate this support, t**he Panel proposes an urgent**

call for Member States to support UN-Habitat with multi-year committed funds. In addition, the Panel recommends that UN-Habitat develop a 4-5 year medium-term perspective plan and expenditure framework.

108. The Panel has noted some concern on the part of Member States about the proportion of their voluntary contribution that goes to normative work as opposed to staffing and other administrative costs, since this distinction is not easily extracted from available budget categories. To add to other measures to enhance transparency, **the Panel also recommends that UN-Habitat specify the percentage of core funds spent on staffing and other administrative costs, and that a cap be put on this amount.**

109. Another way to strengthen support to normative work is to increase the share of resources that can be spent on normative activities. In keeping with the drive for transparency, it can be made clear to donors and governments seeking technical cooperation and special purpose projects that UN-Habitat does not take on projects without this normative component, and that all projects have to meet certain criteria with regard, for instance, to their contribution to knowledge, innovation, scalability, and more generally to sustainability and inclusion. **The Panel recommends that a proportion of all earmarked technical cooperation funding be dedicated to this linkage to the normative mission, and strongly proposes a limit to the earmarked funding from Member States that goes to operational work.**

110. The Panel feels a further solution might be converting UN-Habitat's regular budget allocation into a grant, giving the organisation more managerial flexibility and responsiveness, while allowing it to remain part of the UN-Secretariat. The grant modality currently allows UN Women and UNHCR to apply the same financial rules and regulations as other Funds and Programmes that are not funded by the UN Secretariat. While it would not change planning and reporting requirements, the grant modality could improve UN-Habitat's efficiency and capacity to use resources flexibly.[xlii] **The Panel recommends that UN-Habitat explore the advantages of the grant modality.**

111. Beyond the stimulation and effective use of existing resources, the Panel is clear that new innovative sources of financing need to be explored, not only for the activities of the organisation, but for the more general mission of promoting sustainable and inclusive urbanisation. A recurring theme in Panel consultations has been the view that the UN more generally should go beyond traditional and diminishing funding and convene different stakeholders to tap other resources-public and private - including global funds and specialised banks' funds. **The Panel recommends that UN-Habitat develop a strategy for cooperation with multilateral banks, financial institutions, and private sources of finance in order to increase the available resources for inclusive and sustainable urbanisation.**

112. Another potential source of new funding is the local actors that are heavily involved and committed to the urban agenda. The inclusion of local and subnational government authorities and other stakeholders in the work of UN-Habitat through the Committee of Local Governments and Committee of Stakeholders is not only a chance to draw on their expertise, but more generally to represent and encourage their involvement as partners and as contributors to the larger enterprise. **The Panel recommends that UN-Habitat explore the funding and fund-raising potential inherent in these local relationships.**

113. A useful focal point for new sources of funding could be the kind of multi-stakeholder platform that would be represented by a dedicated fund. This Fund would be similar to UN Women's Fund for Gender Equality, a multi-donor initiative dedicated to programmes that increase women's

economic opportunities and/or political participation at local and national levels. This would provide a multi-stakeholder platform for UN Urban to mobilise partnerships and increase funding to support relevant urban work, with a percentage allocated to UN-Habitat's normative and policy integration work. This financial platform could facilitate new equitable and inclusive urban governance strategies, with UN-Habitat assisting and supporting nation states to explore these possibilities. This potentially catalytic global fund could help mobilise partners and attract new donors to fund globally relevant projects. Examples of new partners and donors include the private sector (e.g. companies and infrastructure banks) and philanthropic organisations. The UN system already provides tax deductible benefits which should further compel philanthropic organisations to support this Fund. The Panel agrees that the expansion of modalities of funding needs to be based on total transparency and disclosure of accounts to both Member States and to donors, to ensure credibility and to attract future donors. **The Panel proposes a dedicated Global Trust Fund to secure a platform for alternative funding for sustainable urbanisation efforts.**

VI.   Conclusions

114. The Panel, convened to assess the performance of UN-Habitat and its potential for responding to the new aspirations and commitments assumed by Member States under the 2030 Agenda for Sustainable Development and the NUA. The Panel reached consensus in many areas and agreed that while UN-Habitat faces significant constraints and has critical weaknesses, its role is more important now than ever.

115. Urban challenges are substantial and growing, along with urban populations, and sustainable development globally will be increasingly tied to what happens in urban areas. Given the need to reconcile this inevitable reality with the generally scant attention to urban concerns within the 2030 Agenda and the larger vision of the UN system, an urban champion is vitally necessary. The work of this champion cannot substitute for the concerted efforts of the entire UN system and its Member States, with their multiple layers of government, but it can help to steer and inform these efforts, ensuring that the urban focus remains steady, that it is grounded in the SDG imperative to "leave to one behind" and that it fully acknowledges and supports the local actors who are on the front lines in realising the objectives.

116. This role for UN-Habitat has been further refined by the Panel through the identification of two closely linked priorities: to address exclusion in urban areas and especially the constraints imposed by informality; and to support and provide guidance on responsive national urban policies and on urban planning and legislation. "Urban" is clearly defined here as encompassing the full range of urban realities, including the entirety of metropolitan regions, expanding urban peripheries, rapidly growing small towns and the important links between human settlements at every scale.

117. For UN-Habitat to play this role, its systemic limitations must be addressed – its problematic governance structure with its lack of Member State oversight, its growing financial constraints, and its portfolio of resource-driven activities that have increasingly allowed it to stray from its normative mission. Clear steps have been recommended for addressing these very interwoven concerns – universal membership in its governance structure, with strong representation also from local actors; a renewed commitment to a work programme defined by its normative mission, and specifically by the priority given to inclusion; and the creative exploration of new funding modalities to accompany its efforts to secure more predictable, substantial contributions from Member States and other sources.

118. The Panel recognises, in addition to this role, the need for considerable coordination in the effort to encourage Member States and other partners and facilitate their efficient cooperation. It has also proposed the establishment of UN Urban as a coordinating mechanism that can supplement and facilitate the more normative role of UN-Habitat.

119. This Panel was urged to make bold recommendations for enhancing the effectiveness, efficiency, accountability and oversight of UN-Habitat, ensuring that it could be fit for the purpose of addressing the requirements of sustainable inclusive urban development. Being fit for this purpose implies transparency, responsiveness to a rapidly changing global and urban landscape, the flexibility to seize opportunities as they arise and to take action in the face of evolving challenges and the capacity to be inclusive in its own governance as well as promoting inclusion as a more general value. The Panel would like to register its concern about the potential for bold recommendations in the context of legal and administrative constraints that represent de facto curbs. Its most pressing recommendation is for the larger UN reform process to consider how it can remove the institutional road blocks that inhibit innovative solutions, in order more effectively to realise its far reaching and transformative objectives for the world.

VII. Recommendations

The Panel's charge:
1) The Panel responsible for this report was established to undertake an independent, objective, evidence-based review and assessment of UN-Habitat and to make recommendations to enhance the effectiveness, efficiency, accountability and oversight of the agency in four specific areas: its normative and operational mandates; goverance structure; partnerships; and finacial capacity *(15, 17)*

UN-Habitat's role:
2) Recognising that UN-Habitat has a focal role in addressing sustainable urbanisation, but faces challenges that compromise its capacity to respond effectively, the Panel recommends that the first priority be to save, stabilise and then rapidly strengthen UN-Habitat to equip it for a renewed role based on the 2030 Agenda and the NUA *(42)*
3) It sees UN-Habitat as the appropriate UN entity to play an advocacy role around the importance of urban issues and the significance of the local agenda, within and outside the organisation, and to expand and refine its normative work in these regards. In this capacity, it would assist and support Member States, UN agencies and other stakeholders to integrate the NUA and urban aspects of the SDGs into their development operations as appropriate, providing guidance and tools for strengthening urban work at the country level*(61)*
4) To complement UN-Habitat's role, the Panel proposes that UN Urban be established as a coordinating mechanism similar to UN-Water or UN-Energy, as part of the system-wide UN reform, with a small secretariat based in DESA in New York *(64).*

UN-Habitat's mandate:
5) The Panel recommends that, with the SDGs and NUA as guiding frameworks, the core of UN-Habitat's normative role be to keep in focus the directive to "leave no one behind", a directive amply supported by the human rights frameworks endorsed by the UN system. This implies advocacy and oversight with Member States to ensure their urban work reflects this guiding imperative, as well as guidance on the best means for achieving this end *(71).*
6) It recommends further that all operational work have a clear linkage to normative priorities and a tighter connection to the overall strategic policy and governance oversight *(68).*

7) The Panel recommends two priority areas in this regard – attention to equity, vulnerability and exclusion in urban development; and a focus on the urban planning, legislation, norms and standards that will best support equitable development priorities, along with environmental sustainability and economic robustness *(69)*.

8) In particular it is recommended that UN-Habitat provide guidance on informality as a driving force shaping exclusion. This entails both the practical approaches to dealing equitably with informality, and the values informing them *(72)*

9) Clear documentation on projects is recommended, demonstrating the complementarity of normative and operational work and the way the normative/operational distinction is being interpreted in every project *(75)*

10) In defining urban, the Panel calls for a conceptual shift to a more territorial approach, focusing on metropolitan regions, including the cities, towns, peripheral areas and villages that they contain, and avoiding the oversimplification of the rural-urban dichotomy *(50)*

11) The Panel recommends that UN-Habitat, in its data support role, pay special attention to the gaps in data collection and analysis that obscure the realities of excluded groups *(77)*

Governance:

12) The Panel agrees that the current governance model suffers from systemic problems that affect its accountability, transparency, efficiency and effectiveness and it recommends some fundamental changes, focused on the need for involvement by all Member States and by a capacity to reflect the the complexity of the urban development landscape with its multiple actors *(34, 79)*.

13) It recommends a new governance structure that includes universal membership of all 193 Member States in an overarching Urban Assembly, and the addition of a small, focused Policy Board to provide policy and strategic advice as well as oversight on projects. The Policy Board would integrate input from the CPR, the Secretariat and the Executive Director, but also from a committee of local authorities and subnational governments and a committee of urban stakeholders, both having the capacity to evaluate and review resolutions and to offer coordinated guidance to the Policy Board. UN Urban would also advise this Policy Board *(82)*.

14) The Panel recommends that the Urban Assembly arrange its schedule and the location of its meetings to maximise the potential for overlap with both the UN Environment Assembly and the General Assembly *(84)*.

15) UN-Habitat should also have a stronger staff presence in New York, especially of senior level staff for better coordination, and closer relationships to UN entities in New York *(94)*.

16) UN-Habitat should be more generally re-staffed in Nairobi, New York and regional offices, with gender-parity to meet its mission and mandate to support Member States, sub-national governments and UN Country teams *(96)*.

Partnerships:

17) With a view to active, effective, inclusive partnerships that can contribute to realising the mandate of inclusiveness, the Panel recommends that UN-Habitat explore and strengthen relationships with representative organisations of local government and civil society, as well as strengthening partnerships with UN country teams and Regional Economic Commissions (*100*).

18) It urges also that UN-Habitat explore ways to encourage private sector actors to look at the unintended negative impacts of their investments and to find ways to mitigate them (*101*).

19) Finally, it recommends institutionalising the World Urban Forum to help maintain the NUA firmly on the global agenda; and it proposes that WUF outcomes be integrated in the strategic plan and work programme and budget of UN-Habitat. This should be done through a report on outcomes to the Policy Board for integration into resolutions for the Urban Assembly (*105*).

Financial capacity:

20) The Panel recommends an urgent call for Member States to support UN-Habitat with multi-year committed funds. In addition, it recommends that UN-Habitat develop a 4-5 year medium-term perspective plan and expenditure framework *(107)*.

21) To encourage voluntary contributions from Member States, the Panel recommends that UN-Habitat specify the percentage of core funds spent on staffing and other administrative costs, and that a cap be put on this amount (*108)*

22) To strengthen the priority given to normative work, the Panel recommends that a proportion of all earmarked technical cooperation funding be dedicated to the linkage to the normative mission, and strongly proposes a limit to the earmarked funding from Member States that goes to operational work *(109)*.

23) The Panel recommends that UN-Habitat explore the advantages of the grant modality, giving the organisation more managerial flexibility and responsiveness, while allowing it to remain part of the UN-Secretariat (*110)*

24) In order to explore new and innovative sources of funding, and to increase the available resources for inclusive and sustainable urbanisation, the Panel recommends that UN-Habitat develop a strategy for cooperation with multilateral banks, financial institutions, and private sources of finance. The funding and fund-raising potential inherent in local urban relationships could also be explored (*111, 112)*.

25) Finally, the Panel recommends the creation of a dedicated Global Trust Fund as a platform to secure alternative funding for sustainable urbanisation efforts (*113)*.

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exchanging views and experiences on urban challenges. The World Urban Campaign (WUC) is an advocacy and partnership platform to raise awareness about positive urban change to achieve green, productive, safe, healthy, inclusive, and well planned cities. Its goal is to place the Urban Agenda at the highest level in development policies.
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