Nineteenth session*
Nairobi, 5 - 9 May 2003
Item 4 of the provisional agenda**

Activities of the
United Nations Human Settlements Programme:
progress report

UPDATE ON THE REGIONALIZATION STRATEGY OF THE UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME

Background

1. Pursuant to Commission resolution 16/19 of 7 May 1997 of the Commission on Human Settlements, the secretariat prepared two reports on the regionalization strategy of the United Nations Human Settlements Programme (UN-HABITAT) (dated 7 July 1997 and 9 June 1998). The reports addressed conceptual issues, clarified the mandate of the UN-HABITAT regional offices and outlined the regionalization strategy of UN-HABITAT. The reports emphasized that regional offices are integral parts of UN-HABITAT in terms of mandate and of their relations with UN-HABITAT headquarters.

2. The seventeenth session of the Commission took note with interest of these reports, in the context of initiatives on revitalizing UN-HABITAT and of the efforts of the Secretary-General with the United Nations reform process. In adopting resolution 17/4 on regionalization (14 May 1999), the Commission requested the Executive Director to “elaborate a comprehensive strategy for the representation of the United Nations Centre for Human Settlements (Habitat) in the regions, its decentralization functions and its offices other than in Nairobi, taking into account the responsibilities that UN-HABITAT has been given in the implementation of the Habitat Agenda, the new strategic focus of UN-HABITAT, its revitalized and integrated approach to work and the new organizational structure”.

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* In its resolution 56/206 of 21 December 2001, the General Assembly transformed the Commission on Human Settlements into the Governing Council of the United Nations Human Settlements Programme (UN-HABITAT), a subsidiary organ of the General Assembly. This session has been designated as the nineteenth instead of the first session of the Governing Council to signify the continuity and relationship between the Governing Council and the Commission on Human Settlements.

** HSP/GC/19/1.
3. The requested regionalization strategy was submitted to the Commission at its eighteenth session, under chapter IV (Regionalization of activities: Increasing UN-HABITAT’s reach) of the progress report of the Executive Director (HS/C/18/2). The report presented a summary of key issues regarding the UN-HABITAT regionalization strategy, based on two premises: that a regional presence is necessary to increase the policy and operational capacities of the organization; and that such regional presence should be financially viable.

4. On 16 February 2001 the Commission adopted resolution 18/5 on international cooperation and the review of mechanisms for monitoring the implementation of the Habitat Agenda, in which it did not address the issue of regional offices. However an update on the regionalization strategy was provided to the Committee of Permanent Representatives on 28 September 2001.

5. On 21 December 2001, the General Assembly adopted – on the basis of the Secretary-General's report (Options for reviewing and strengthening the mandate and status of the Commission on Human Settlements and the status, role and function of the United Nations Centre for Human Settlements (Habitat) - A/56/618) - its historical resolution 56/206 in which it transformed UNCHS (Habitat) into UN-HABITAT, a full-fledged United Nations Programme, as well as resolution 56/205 of 21 December 2001 in which it urged the Executive Director to, inter alia, assess the role and funding of regional offices with a view to providing improved technical cooperation services to Governments. In response to the latter resolution, the Secretary-General submitted on 5 August 2002, report A/57/271 on the special session of the General Assembly for an overall review and appraisal of the outcome of the United Nations Conference on Human Settlements (Habitat II) in which he explained (paras 20-24) the role and funding of regional offices. The Secretary-General indicated in particular that “the challenge is to diversify the sources of funding both for the core operating costs of the regional offices and for human settlements activities”. As the General Assembly appeared to be satisfied with this clarification, it did not address the issue of regional offices in its resolution 57/275 of December 2002. In that resolution however, the General Assembly welcomed the increased cooperation between UN-HABITAT and United Nations Development Programme (UNDP) and the envisaged placement of locally recruited UN-HABITAT programme managers in selected UNDP Offices.

6. Bearing in mind these previous reports on regionalization and debates at the level of the General Assembly, the Commission and the Committee of Permanent Representatives, the purpose of the present update is to provide a comprehensive overview of this topic of vital importance to the future ability of UN-HABITAT to carry out its mandate as the United Nations focal point on shelter and urban development.

A. Mandate

7. In the context of the revitalization of UN-HABITAT and its new strategic focus on the reduction of urban poverty, the mandate of the regional offices is defined as follows:

(a) Providing support to the regionalization of the global campaigns and ensuring the incorporation of regional dimensions into the global campaigns;

(b) Providing support to the development of shelter and urban development strategies at the regional, national and local levels;

(c) Assisting in the establishment, promotion and support of regional networks of partners;

(d) Providing support to local authorities in their regional activities;

(e) Providing technical cooperation and advisory services upon requests from Governments;

(f) Providing implementation capacity and advice to other organizations within the United Nations system.

8. After an internal review in 2001, it was deemed necessary to strengthen the mandates of the regional offices in terms of scope of activities, as well as corresponding human resources and financial viability. This
would also meet recommendation of the United Nations Office of Internal Oversight Services to enhance the linkages between normative and operational activities. Ultimately, it was felt that the regional offices should have the following mandate:

(a) Political representation of UN-HABITAT vis-à-vis Governments and regional institutions, particularly those with development responsibilities, as well as vis-à-vis other United Nations regional and country offices;

(b) Initiation and implementation of technical cooperation projects and programmes in the regions in response to requests from Governments and non-state partners, including for the reconstruction of countries emerging from conflict and affected by disasters;

(c) Coordination of UN-HABITAT activities within the respective regions, including those of Nairobi-based global programmes and the global campaigns;

(d) Partnership liaison and development at the political and programme levels, including assistance in assessment and monitoring of the Habitat Agenda through networking arrangements with partner groups of civil society and research organizations;

(e) Awareness-building and information outreach at the national and regional levels in coordination with the Nairobi-based Information Services of UN-HABITAT.

B. Present situation

9. The offices away from Nairobi can be grouped under three categories:

(a) Regional offices: mandate outlined above;

(b) Liaison offices: liaison offices with the United Nations in New York and in Geneva and liaison office with the European Commission in Brussels;

(c) National liaison and information offices: funded entirely by host countries, presently in Moscow (Habitat Executive Bureau), Budapest (Information Office), Beijing (China Information Office), and Chennai (India Information Office).
1. Regional Offices

<table>
<thead>
<tr>
<th>Regional Office for Africa and Arab States (ROAAS)</th>
<th>Regional Office for Asia and Pacific (ROAP)</th>
<th>Regional Office for Latin America and the Caribbean (ROLAC)</th>
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<tbody>
<tr>
<td><strong>Location</strong></td>
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<tr>
<td>Nairobi (Kenya)</td>
<td>Fukuoka (Japan)</td>
<td>Rio de Janeiro (Brazil)</td>
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<tr>
<td><strong>Staffing (2002)</strong></td>
<td></td>
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<tr>
<td>9 Professional posts</td>
<td>6 Professional posts</td>
<td>5 Professional posts</td>
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<tr>
<td><strong>Funding (2002)</strong></td>
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<td></td>
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<tr>
<td>(i) OHU: US$ 1,235,200</td>
<td>(i) OHU: US$ 696,300</td>
<td>(i) OHU: US$ 510,000</td>
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<td>(ii) Regular budget : 1 professional post</td>
<td>(ii) Regular budget: 1 professional post</td>
<td>(ii) Regular budget :1 professional post</td>
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<tr>
<td>(iii) Fukuoka Prefecture + Fukuoka City: US$1.2m</td>
<td>(iii) Fukuoka Prefecture + Fukuoka City: US$1.2m</td>
<td>(iii) Rio Municipality: US$ 300,000</td>
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<td>(iv) Fukuoka Prefecture + Fukuoka City: US$1.2m</td>
<td>(iv) Fukuoka Prefecture + Fukuoka City: US$1.2m</td>
<td>(iv) Foundation: US$ 50,000</td>
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<tr>
<td><strong>Volume of projects (2002)</strong></td>
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<td></td>
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<tr>
<td>59</td>
<td>71</td>
<td>13</td>
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<tr>
<td><strong>Annual project budget (2002)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$ 7.3 million</td>
<td>US$ 19.45 million</td>
<td>US$ 0.78 million</td>
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<td><strong>Sources of project funding</strong></td>
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<td></td>
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<tr>
<td>(i) Trust funds(bilateral/national)</td>
<td>(i) Trust funds(bilateral/national)</td>
<td>(i) Trust funds (bilateral/national)</td>
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<td>(ii) UNDP</td>
<td>(ii) UNDP</td>
<td>(ii) UNDP</td>
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<tr>
<td>(iii) UNCDF</td>
<td>(iii) World Bank</td>
<td>(iii) Cities Alliance</td>
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<tr>
<td>(iv) EU</td>
<td>(iv) EU</td>
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<td>(v) Cities Alliance</td>
<td>(v) Cities Alliance</td>
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<tr>
<td><strong>Host country agreement/MoU</strong></td>
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<td></td>
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<tr>
<td>N/A</td>
<td>(i) Government of Japan</td>
<td>(i) Government of Brazil, Municipality of Rio de Janeiro</td>
</tr>
<tr>
<td></td>
<td>(ii) Fukuoka Prefecture</td>
<td></td>
</tr>
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<td></td>
<td>(iii) Fukuoka City</td>
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</tr>
</tbody>
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10. Since their establishment in 1996 (Rio de Janeiro) 1997 (Fukuoka) and 1998 (Nairobi), the UN-HABITAT regional offices have been funded primarily from extrabudgetary resources generated by operational projects (overhead income – OHU), in combination with financial and in kind support from host cities. More recently, and in recognition of their broadening mandate, funding for the regional offices is also secured (to a limited extent) from the regular budget and through direct support from the Foundation.

11. Activities in the Arab States currently fall under the responsibility of the Regional Office for Africa and the Arab States. Informal enquiries have been made by some Arab Governments on organizational modalities and financial conditions to host a possible office for the Arab States, which should operate at minimal cost to UN-HABITAT’s core resources (i.e., Foundation and regular budget).

12. Activities in Central and Eastern Europe and Central Asia are currently managed from Nairobi. The presence of UN-HABITAT in most countries with economies in transition remains insufficient. An offer by the Government of Turkey to host and fully finance an office of UN-HABITAT in Istanbul was noted with appreciation by the Commission on Human Settlements at its seventeenth session in its resolution 17/4 of 14 May 1999. Consultations with the Government of Turkey have been carried out but financial resources have not been secured. The Executive Director has reviewed the position of a number of Governments and of the European Union regarding the mandate of a possible Habitat office in Istanbul. Based on that review, the office would deal with interested countries in Europe and Central Asia. At the same time, this review confirmed the role of the office in Geneva as a liaison office.
2. Liaison offices

(a) UN-HABITAT Liaison Office in New York

13. Established in 1978, this office functions primarily as UN-HABITAT’s liaison office with the United Nations Headquarters and the intergovernmental bodies located in New York. An internal evaluation of the office carried out in 2000 confirmed its status and mandate. Apart from direct liaison, and in recognition of its location, the New York Liaison Office also carries out public information activities in North America and works with Habitat Agenda partners in that region. The office presently has only two professional positions, and is funded primarily through the regular budget. Based on the recommendations of the internal evaluation report, the office needs to be strengthened in light of the increasing demands for liaison and coordination with the inter-agency and intergovernmental coordination bodies.

(b) UN-HABITAT Liaison Office in Geneva

14. Established in 1978 as an information office for Western Europe, this office now functions mainly as a liaison office for contacts with United Nations organizations and agencies located in Geneva and other parts of Europe. It also maintains contacts with Habitat Agenda partners in that region. The office presently has one professional post, and is funded entirely from extrabudgetary resources. In the period following the special session on the overall appraisal of the implementation of the Habitat Agenda, the office has been promoting joint activities with the United Nations agencies in Geneva on selected UN-HABITAT programme priorities such as disaster management and housing rights.

(c) UN-HABITAT Liaison Office in Brussels

15. Due to the increasing significance of development cooperation partners outside the United Nations system, this office was established in early 2001. It mainly functions as UN-HABITAT’s liaison with the European Commission, and is funded fully from extrabudgetary resources. At present the office has two professional posts.

3. National offices

16. National offices have been active in the Russian Federation since 1989, in India since 1991 and in China since 1992, each of them funded by the host country through earmarked contributions to UN-HABITAT. The Moscow office publishes the Russian version of Habitat Debate and the Beijing Office the Chinese version of Habitat Debate.

C. Assessment of performance of regional offices

17. The Regional Offices in Fukuoka (ROAP), Rio de Janeiro (ROLAC) and Nairobi (ROAAS), as well as eventual future regional offices, are integral parts of UN-HABITAT. They contribute country and regional components to the implementation of UN-HABITAT’s work programme, and, coordinated by the Regional and Technical Cooperation Division, are in constant and close contact with headquarters in Nairobi.

18. In the case of ROAP and ROLAC, the Regional Offices operate financially and administratively on the basis of memorandums of understanding spelling out the specific conditions and contributions of the host institutions: the Prefecture and City of Fukuoka in the case of ROAP, and the Municipality of Rio de Janeiro in the case of ROLAC.

19. In the first half of 2001, host Governments and host institutions reviewed the performance of the Regional Offices in Fukuoka and in Rio de Janeiro. Based on their positive assessment, the host Governments and host institutions decided to continue with a second cooperation phase. A new memorandum of understanding was concluded with the Mayor of Rio de Janeiro in June 2001, on the occasion of the special session of the General Assembly for the overall review and appraisal of the implementation of the Habitat Agenda. A new memorandum of understanding with the Governor of the
Fukuoka Prefecture and the Mayor of Fukuoka was signed at the beginning of 2002. Under this renewed agreement, the host institutions in Fukuoka agree to provide office space, office equipment and general service staff, and contribute to the operation and maintenance of the Office, the higher cost of living allowance for international staff posted in Japan (as compared to Nairobi), as well as to project development. Similarly, the Municipality of Rio de Janeiro makes provisions for office space, office equipment and general service staff costs, and contributes to the operation and maintenance costs. In both cases, UN-HABITAT covers the international staff costs through management fees which are generated by the UN-HABITAT technical cooperation projects (OHU).

20. All regional offices are performing well and have established themselves as UN-HABITAT’s main operational arm in their respective parts of the globe. With an original emphasis on carrying out technical cooperation activities, the regional offices increasingly perform core functions in connection with UN-HABITAT’s normative activities. Particularly, they are now responsible for coordinating the two global campaigns in the countries of their regions. The broadening functions include representing UN-HABITAT at regional conferences and other meetings, as well as public information.

21. Financial viability has become a critical issue and needs to be constantly assessed in light of increasing roles of regional offices outside of technical cooperation, and the changing conditions for funding technical cooperation activities. These conditions are seriously impacting on the present and future ability of the regional offices to generate adequate funding from carrying out technical cooperation projects. This is largely the result of UNDP dramatically changing roles from a major funding source of operational development activities of the United Nations system to an upstream policy advisory organization. The rapid decline of UNDP-administered development funds has already seriously affected the Latin America and Caribbean Region. This overall decline in development funds is coupled with a UNDP shift away from agency execution of technical cooperation projects to government execution and, as a more recently emerging trend, direct execution by UNDP.

22. The consequence of these trends is becoming also noticeable for the operation of ROAAS and ROAP, leading to severe competition among the United Nations technical cooperation programmes. As a result, UN-HABITAT regional offices are increasingly cooperating with development partners outside the United Nations system, mainly the European Commission and bilateral aid agencies, as well as working with direct government funding. The overall lower level of development funds from the United Nations system has particularly affected the financial viability of the Regional Office in Rio de Janeiro. The seriously reduced level of overhead income from operational activities in that region is no longer sufficient to cover the costs of international staff in that office.

23. The three Regional Offices have become the operational arms of UN-HABITAT for providing the regional and country elements to the global campaigns on secure tenure and on urban governance. They are mainly responsible for follow-up activities to the launching events of the campaigns at country levels, in terms of support to partner institutions and managing regional networks to ensure the momentum of the campaigns. Also, the regional offices are the main units of UN-HABITAT in setting up and backstopping projects initiated under the Cities Alliance and in supporting the implementation of the slum upgrading commitment of the Millennium Declaration.

24. In the case of the Regional Office in Fukuoka, considerable efforts have been made in public relations with public institutions, the private sector and the general public. In April 2001, the Japan Habitat Association was launched; this is a voluntary organization which has as its main objectives to: educate the general public of Japan on the Habitat Agenda and UN-HABITAT work in the countries of Asia and mobilize voluntary financial contributions from the private sector in Japan to support the work of UN-HABITAT in the region. Under the new memorandum of understanding between the Municipality of Rio de Janeiro and UN-HABITAT, the Regional Office for Latin America and the Caribbean is embarking on similar public information activities.
D. Strategy for the future

25. Since their establishment, the UN-HABITAT regional offices have clearly demonstrated their capacity and competence to carry out their mandates in their respective regions. The main concern is to ensure their financial viability in light of the expanding scope of activities which is no longer prioritised by technical cooperation activities. The challenge is to diversify UN-HABITAT’s funding support to the regional offices, so as to reflect the main thrust of the revitalization strategy, i.e., to combine normative with operational activities. At the same time, UN-HABITAT needs to respond adequately to emerging requests for expanding the number of regional (or subregional) offices, away from Nairobi, without over-stretching its limited human and financial resource base.

26. Based on this situation, the strategy for regionalizing UN-HABITAT’s activities can be summarized under two main objectives:

(a) Consolidation of the existing regional structure, particularly ensuring its financial viability;

(b) Expanding the presence of UN-HABITAT to other regions and subregions, which are considered at present not adequately benefiting from UN-HABITAT’s capacity and expertise.

1. Consolidation

27. Consolidation requires the strengthening of the programme and organizational capacities of the existing Regional Offices in Fukuoka, Nairobi and Rio de Janeiro. In 2001-2002, the goals of consolidating the regional offices were established as follows:

(a) Adopt a strategy which combines UN-HABITAT’s new focus on normative work with technical cooperation activities;

(b) Strengthen working relationships with development organizations and funding agencies outside the United Nations system;

(c) Strengthen networks with Habitat Agenda partners in the regions;

(d) Raise the visibility of the regional offices in the countries of the respective regions.

28. Administratively, consolidation calls for strengthening core functions and for ensuring the viability of the regional offices in terms of their financial and human resources. The Executive Director has taken several actions in this regard:

(a) Mobilization of a programme budget for the biennium 2002-2003 which includes provisions for the establishment of regular budget staff positions in the regional offices (one P-4 post in each office), with focus on strengthening the normative activities in terms of providing core programme capacity to the global campaigns at regional levels;

(b) Conversion of professional staff positions from 200 series (L-posts) to 100 series (P-posts) which allows for regular appointments to core functions in the regional offices. This regularization process was completed in 2002. These posts continue to be funded through overhead income (OHU);

(c) Proposal to establish a limited number of new professional posts in the regional offices, to be funded directly by the Foundation, within the overall framework of the revitalization strategy. These extrabudgetary posts will only be established as the financial situation of the Foundation allows;

(d) Closer operational links between UN-HABITAT’s global programmes and global campaigns and the regional offices through the direct allocation of regional support budgets from the global programmes to the regional offices. This includes funding for experts, consultants, seminars and workshops, and travel to sustain the operational follow-up of global activities at regional levels;
(e) Increased presence at country level to improve UN-HABITAT participation in United Nations Development Assessment Frameworks and Poverty Reduction Strategy Papers. In 2002, a memorandum of understanding was signed between UN-HABITAT and UNDP to place national UN-HABITAT programme managers in selected country offices. Habitat programme managers will be based in countries where both the Government and UNDP are committed to promote sustainable urbanization. Their placement will also be a function of the existing and potential activities of UN-HABITAT at national and local levels. The first Habitat programme managers are currently being recruited. A budget of US$ 350,000 has been allocated to this partnership in 2003 (50 per cent Foundation, 50 per cent OHU).

29. UN-HABITAT regional offices are an essential element in mainstreaming human settlements issues in national development agendas, and in strengthening capacity at the national and local levels, particularly for implementation of the millennium development goals on water, sanitation and slum improvement. It is increasingly difficult, however, for the regional offices to be financed mainly by technical cooperation overheads as this form of financing puts great pressure on those offices to continuously seek out overhead generating projects, with the risk of losing focus from the core mandate and responsibilities of the organization and to compete against potential partners. Consideration may therefore be given to launching regional trust funds under the umbrella of the Foundation to raise core funding for the regional offices.

2. Expansion

30. Expansion of the existing network of regional offices calls for measured responses to offers from member States to host further offices. Following consultations with countries from Europe, it became apparent that different views on the possible Istanbul office would preclude the definition of an exact geographical coverage for a future office in that part of the world. However it seems that the new office could cover interested countries of Europe and Central Asia.

31. Decisions on the opening of future regional offices, including mandate and location, will continue to be determined essentially by three main factors:

(a) An offer from a member State to host a regional office, including a positive assessment by the Executive Director of the financial viability of funding support for (initially) five years;

(b) A clear definition of mandate and geographical coverage of such an office, including a positive assessment by the Executive Director of an effective demand from interested countries in that region;

(c) A positive consideration from the Governing Council or the Committee of Permanent Representatives as its subsidiary body of the presentation of a host country offer by the Executive Director.

32. Given the consolidated mandate of the existing regional offices, the viability of future regional offices will also be determined by the ability of UN-HABITAT to provide direct funding support from its own extrabudgetary resources, including staff position and programme support funding. Ideally, therefore, future regional offices (or subregional offices) would require a minimum of four international staff positions. Given the financial difficulties in funding new staff positions for future offices out of core resources, at least three of these positions would require funding from a host Government for five years.

33. Other costs expected to be covered by a host Government would include office requirements in terms of premises, equipment and operation and maintenance costs, local staff costs under United Nations contract conditions, as well as a contribution to a programme development fund. Operational programme and project funds would continue to be mobilized by UN-HABITAT from third parties, mainly external support agencies.