Resolution 21/10: Strengthening the Habitat and Human Settlements Foundation: experimental financial mechanisms for pro-poor housing and infrastructure

The Governing Council,

Recalling General Assembly resolution 56/206 of 21 December 2001 in which the General Assembly, inter alia, encouraged the Executive Director of the United Nations Human Settlements Programme to strengthen the United Nations Habitat and Human Settlements Foundation in order to achieve its primary operative objective, as set out in General Assembly resolution 3327(XXIX) of 16 December 1974,

Recalling also its own resolution 19/11 of 9 May 2003 in which it requested the Executive Director to continue to work with the World Bank Group, regional development banks, other development banks, the private sector and other relevant partners to field-test approaches through pilot projects, and its resolution 20/18 of 8 April 2005 in which it called upon the Executive Director to strengthen the Foundation’s Slum Upgrading Facility,

Recalling further General Assembly resolution 61/206 of 18 December 2006 in which the General Assembly noted the Secretary-General’s bulletin on the special annex for the United Nations Habitat and Human Settlements Foundation appended to the financial regulations and rules of the United Nations and requested the Governing Council to address, in a comprehensive manner, any issues relating to the United Nations Habitat and Human Settlements Foundation at its twenty-first session, bearing in mind the need to effectively mobilize resources for the Foundation,

Taking note of the Secretary-General’s bulletin on the financial regulations and rules,

Recognizing its responsibilities to issue policy directives with a view to ensuring that the resources of the Foundation are utilized with maximum efficiency and effectiveness in pursuance of the Foundation’s objectives,

Conscious of paragraph 56 (m) of the 2005 World Summit Outcome, which calls upon Member States of the United Nations to achieve significant improvement in the lives of at least 100 million slum-dwellers by 2020, recognizing the urgent need for the provision of increased resources for affordable housing and housing-related infrastructure, prioritizing slum prevention and slum upgrading, and to encourage support for the Foundation and its Slum Upgrading Facility,

Taking note of rule 305.3.5 of the special annex, on policy, system and procedures,

Taking note also of the note by the Executive Director on the United Nations Habitat and Human Settlements Foundation: a policy framework and draft operational procedures and guidelines,

I

1. Requests the Executive Director to continue the work of strengthening the Foundation so as to accelerate the provision of finance for the mobilization of seed capital,

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3 General Assembly resolution 61/206, para. 1.
4 General Assembly resolution 60/1.
5 HSP/GC/21/5/Add.3.
domestic and other financial resources for shelter and related infrastructure with due priority to the needs of low-income households;

2. Also requests the Executive Director to establish a trust fund within the Foundation to support the introduction of experimental reimbursable seeding operations as described in subparagraph 7 (d) (iv) of the present resolution, as well as other innovative financial mechanisms, building upon the experiences with instruments and partnership networks such as the Water and Sanitation Trust Fund and the Slum Upgrading Facility, for a four-year experimental period from 2007 to 2011, and further requests the Executive Director to submit for the consideration of the Committee of Permanent Representatives proposed operational procedures for such experimental activities, taking into consideration the relevant elements of the draft operational procedures and guidelines;

3. Decides that consideration of HSP/GC/21/5/Add.3 is subject to a thoughtful review of the final evaluation by the Governing Council at its twenty-third session, in 2011, of the experimental activities conducted in accordance with paragraph 7 (g) of the present resolution, and an analysis of required risk assessments, including resource implications of the proposed mechanisms in that document and other activities tested during the experimental period;

4. Decides that further extension of the implementation of other aspects of the financial regulations and rules shall be subject to consideration by the Governing Council of the United Nations Human Settlements Programme at its twenty-third session;

5. Reiterates the request by the General Assembly in paragraph 12 of its resolution 61/206 that UN-Habitat intensify coordination in the framework of the United Nations Development Assistance Framework and the common country assessment to continue to work with the World Bank, regional development banks, other development banks, regional organizations and other relevant partners to field-test innovative policies, practices and pilot projects in order to mobilize resources to increase the supply of affordable credit for slum upgrading and other pro-poor human settlements development in developing countries and in countries with economies in transition;

6. Appeals to all Governments to contribute to the Foundation to broaden its funding base and to increase substantially its non-earmarked financial resources to enable the United Nations Human Settlements Programme to implement its full mandate, including technical assistance to strengthen the Foundation;

II

7. Requests the Executive Director, for the purpose of the implementation of the trust fund, to build on the following:

(a) Purpose:

(i) To field-test experimental reimbursable seeding operations and other innovative operations for financing for the urban poor for housing, infrastructure and upgrading through community groups, including where there is an expectation of repayments mobilizing capital at the local level;

(ii) To strengthen the capacity of local financial and development actors to carry out those operations and to support the capacity of the United Nations Human Settlements Programme to enhance those operations;

(b) Arrangements:

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6 Ibid.
(iii) Establish a trust fund for the financing of the experimental reimbursable seeding operations and other innovative operations within the Foundation specifically for the implementation of the experimental activities;

(iv) Establish a steering and monitoring committee of 12 to 14 persons appointed in consultation with the Committee of Permanent Representatives. Representatives of Governments, international financial institutions, United Nations bodies, the private sector and major non-governmental organizations may be invited as participants;

(c) **Macro level:**

Work with existing international financial institutions, relevant United Nations bodies, other operators and relevant stakeholders, looking at preconditions for finance arrangements;

(d) **Methodology:**

(v) Partnership arrangements between national Governments, local authorities, community groups and financial intermediaries with which there are agreements for term repayment to the trust fund;

(vi) The experimental activities are different from the current Slum Upgrading Facility and Water and Sanitation Trust Fund arrangements in that some of the activities of the former are reimbursable whereas the latter are only given as grants;

(vii) The experimental reimbursable seeding activities shall be extended through intermediaries but shall exclude borrowing, direct lending, guarantees or equity investments;

(viii) Having a working operations manual to describe the processes for different reimbursable seeding operations and other innovative finance mechanisms in consultation with the Committee of Permanent Representatives and the Steering and Monitoring Committee;

(ix) Taking into account a balanced regional approach;

(e) **Analysis:**

(x) Look at options and different partnership arrangements, including with Governments, local authorities, international financial institutions, relevant United Nations bodies, the private sector and major non-governmental organizations;

(xi) Look at costs of operations, defaults, targeting, debt service, interest rates and currency exchange risk to assure proper risk management and to enhance local markets;

(f) **Collaboration:**

Collaboration, complementarity and partnership would be the key arrangements from the beginning;

(g) **Evaluation:**

External evaluations will be undertaken of the activities of the sector, including to evaluate progress on the implementation of the experimental reimbursable seeding operations and other innovative mechanisms and to assess alternatives for more effective implementation;
(h) **Administration:**

Separate necessary administrative and financial arrangements will govern the operations of the experimental activities of seed capital operations and other innovative mechanisms as described in the relevant regulations and rules of the Foundation;

(i) **Continuity/steps forward:**

At the end of the experimental activities, in 2011, an evaluation will be conducted which will guide any decision by the Governing Council at its twenty-third session on potential future applications of the experimental methodologies;

8. *Also requests* the Executive Director to report to the Governing Council at its twenty-second session on the implementation of the present resolution.

*7th plenary meeting*

*20 April 2007*