LOCAL AND REGIONAL GOVERNMENTS

SHAPING THE NEW URBAN AGENDA

Towards the Second World Assembly of Local and Regional Authorities
Habitat III in 2016

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The Global Taskforce of Local and Regional Governments facilitated by UCLG gathers over 30 networks that are active internationally.

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Local and regional government leaders and their global organizations gathered in the Global Taskforce of Local and Regional Governments for Post-2015 Development Agenda towards Habitat III are working together to build a joint strategy to contribute to the international policymaking debates towards Habitat III.

The Global Taskforce, facilitated by UCLG, brings together over 30 networks that are active at international level and offers its capacities to convene local and regional authorities and provide global representation before the UN, as well as to forge strategic partnerships to facilitate worldwide consultations among the key networks of sub-national governments.

The main weakness of the Habitat II Agenda was the unclear means of implementation. The commitment of Habitat II to support local governments and strengthen local capacities to develop “sustainable human settlements in an urbanizing world” has certainly permitted some progress, but it failed to achieve mass support or to fully mobilize local capacities and potential.

The massive backlogs in housing, basic services and urban infrastructure require more decisive policies and investments by central and local authorities, and closer cooperation between local authorities and other levels of government. Effective multi-level and multi-stakeholder governance requires appropriate institutional and legal frameworks that are guided by the principle of subsidiarity, and that clearly define the roles, responsibilities and resources of all levels of government.

“The new agenda will need to include mechanisms to enable local public authorities to mobilize part of the wealth produced within their jurisdiction for reinvestment in local development, in a transparent and efficient manner”

Extract from the speech of Kadir Topbaş, Mayor of Istanbul and President of UCLG, representing the Global Taskforce for Post-2015 towards Habitat III at the High-level Thematic Debate on the Means of Implementation for a Transformative Post-2015 Development Agenda.
The new Habitat Agenda will need to pay close attention to who needs to be empowered and included in decision-making at all levels. Although partnerships with local authorities and their organizations have made important progress in recent years, the enhancement of the strategic partnership promised in Habitat II has yet to be developed.

The United Nations General Assembly will convene a third United Nations Conference on Housing and Sustainable Urban Development (Habitat III) which will take place in Quito, Ecuador, during the week of 17 October 2016. The main objective of the Conference is to reinvigorate the global commitment to sustainable urban development, focusing on the implementation of a New Urban Agenda.

This Conference will assess the Commitments from Habitat II Istanbul in 1996, which was a significant moment for the movement of local and regional authorities. The Conference will be the first global platform after the adoption of the new Sustainable Development Goals and will provide an opportunity to discuss the challenges that the urban dimension brings to the implementation and achievement of the new goals.

Habitat III should see the acknowledgement of local authorities as full partners in shaping the global agenda in an increasingly urbanizing world. It will also be the time to call for changes to governance in those agencies dealing directly with local government matters.

Local and regional authorities will organize the Second World Assembly in 2016.
TAKING STOCK OF THE HABITAT II AGENDA: THE VISION OF LOCAL AUTHORITIES

GLOBAL POVERTY DROP IN THE LAST 20 YEARS

1/2 WORLDWIDE
60% TO 12% IN CHINA
THE NEW GLOBAL URBAN LANDSCAPE

Both the world and the urban agenda have changed dramatically since Habitat II. Urbanization is among the most significant global trends of the 21st century and, consequently, of the global development agenda. The positive correlation between urbanization and development is undeniable. This requires a shift from viewing urbanization as a problem, to seeing it as a powerful tool for economic growth, social inclusion and sustainable development. The transformative power of urbanization is visible even in the least urbanized regions of the world and is part and parcel of any successful strategy to fight poverty.

Urban centres have become powerful instruments for economic, social and human development. Global poverty has dropped by half in the last 20 years, particularly due to reductions in China (where extreme poverty dropped from 60% in 1990 to 12% in 2010, while the urban population doubled from 26% to 54%). The linkages between rural and urban space are also changing. The boundary between the urban and the rural is increasingly blurred, as are many of the traditional distinctions between urban and rural cultures. Cities have become crucial to the achievement of national, regional and global development.

At the same time, urbanization is posing greater challenges. Accommodating 2.5 billion more urban dwellers efficiently and equitably in the next 30 years within geographical limits will be difficult, particularly if urbanization is unplanned. Cities are becoming more unequal as a growing share of the world’s poverty is located within urban areas, and slums continue to spread there is increasing awareness of environmental challenges and their impact on cities, particularly in terms of climate change. Current models of urbanization pose serious sustainability challenges.

The world’s cities are increasingly concentrated in the global South and East. Cities are merging into new regional spatial configurations that take the form of mega-regions, urban corridors and city regions. At the same time, smaller and medium-sized cities – known as intermediary or secondary cities – are booming and growing faster than many metropolitan areas, particularly in Asia, Africa and Latin America.

These new configurations are creating new urban hierarchies, and the scope, range and complexity of issues involved require innovative urban management and governance mechanisms.

Habitat II represented an important stage in the relationship of local authorities with UN Habitat, with the recognition of local authorities as the agency’s “closest partner” for the implementation of the Habitat Agenda. Member States made a strong commitment to support “effective decentralization and the strengthening of local authorities” (Habitat II Agenda, paras 177 and 180). The Istanbul Summit Declaration also stressed that national governments have a key role in enabling local authorities to implement the agenda, by providing them with appropriate regulatory frameworks and support. These commitments were confirmed in the Declaration on Cities and other Human Settlements in the New Millennium (Resolution S-25/2, 2001, paragraph 37) and were followed up by the adoption of the Guidelines on Decentralization and the Strengthening of Local Authorities (Resolution 21/3) in 2007 and the Guidelines on Access to Basic Services for All (Resolution 22/8) in 2009.

As result of these reforms, local authorities have gained increased responsibilities in the delivery of basic services, urban planning, social policies, and environmental management, among other areas.

In a world where more than half of humanity now lives in cities, local authorities have become a vital part of the solution to major contemporary challenges. They have a unique role to play in tackling the major challenges of our time: I) democratic challenges, since it is in the local sphere that the sense of citizenship is reinforced and identities are constructed to deal with globalization; II) environmental challenges, since the preservation of our planet and the fight against global warming depends greatly on finding sustainable solutions to transform current models of production and consumption, particularly in urban areas; III) economic challenges, given that large amounts of wealth and opportunities, as well as extreme inequalities, are generated within cities and in their surroundings; and, IV) social challenges, as it is at the local level where the ground needs to be set for creating social inclusion, managing cultural diversity and ensuring human security.

However, the commitments made in Istanbul on “effective decentralization” were not fully carried out

Despite the progress mentioned above, in many countries decentralization is still in its early stages, or has only been partially implemented. Structural reforms (legal, administrative, political, financial) are necessary to allow decentralization to reach its potential, and for local government to play its full role (particularly in Africa, Southeast and South Asia, CIS countries and the Middle East).³

Deficits in fiscal decentralization

In most countries, there is a greater decentralization of responsibility than of revenues. “Problems are being handed to local governments, but not the means to find solutions”.⁴

Certainly, the global economic and financial crisis that emerged in 2008 — the most significant crisis since the Great Depression — has imposed major financial constraints on national and local governments in many regions. However, central authorities in some countries have responded to the crisis by taking recentralization measures and increasing control over local governments to deal with their own fiscal problems.

Local governments cannot develop their full potential to support urbanization and territorial development if decentralization processes do not meet certain basic criteria and local governments do not have the necessary powers and resources to meet the demands of the population that elected them, to whom they must be held accountable

LOCAL GOVERNMENTS’ SHARE OF TOTAL PUBLIC EXPENDITURE

OECD COUNTRIES
LATIN AMERICA
SUB-SAHARAN AFRICA

³ See UCLG, Global Reports on Local Democracy and Decentralization: GOLD I (World Bank, 2008) and GOLD III (Routledge, 2014).
⁴ GOLD II (Edward Elgar, 2010), p. 296.

*See GOLD II (2010). But with important differences in Europe: ranging from €15,872 in Denmark to €97 in Malta. For Eurasia it is around US$232, for Latin America: US$133, and for low- and middle-income countries in Asia: US$92.
Delivering shelter for all and sustainable human settlements

At Habitat II, Member States committed to promote adequate housing and sustainable human settlements, based on a broad approach that included: poverty reduction, the upgrading of informal settlements, improved access to basic infrastructures and services (such as water and sanitation, transport, and waste management), access to work and basic facilities, and environmental quality. Most of these policies and services depend directly or indirectly on local governments. On this basis, Members States proposed to strengthen the capacities of, and partnerships with, local authorities and other stakeholders to foster the achievement of the Habitat Agenda.

However, what is the situation 20 years on, in terms of access to basic services, poverty reduction and slum upgrading? As global reports, particularly on the MDGs, show, there have been general improvements in poverty reduction and service delivery, in middle-income countries in particular. Despite the debate on the availability of reliable and comparable data at the local level,

there is evidence of growing inadequacies in service delivery in urban areas in low- and middle-low income countries over the last ten years, especially in informal settlements, whose populations have grown from 650 million in 1990 to more than 860 million in 2012.\(^5\) There is widespread under-investment in basic urban services and infrastructures.

These basic services and infrastructures should accompany and guide the spatial planning of cities and regions. However, the impact of the shortcomings in basic services and urban infrastructures has been compounded due to other global trends in recent decades, such as inadequate urban planning support and housing policies, as a result of the limited role of the state and a preference for market-driven solutions. In many developing countries, this pro-market and anti-planning turn was associated with the aim of limiting rural-urban migration. It should be noted that the Habitat II Agenda embraced the promotion of market-driven solutions, whose greatest impact was on housing policies.

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Despite efforts by UN-Habitat to support planning and urban management, many developing countries fail to prioritize urban planning. In different regions, particularly in Sub-Saharan Africa and South Asia, urban growth has occurred without public planning, following the initiatives of real estate developers and private interests, or the spontaneous development of informal settlements. This has led to reduced public spaces and services, increasing social exclusion, fragmented urbanization and urban sprawl, and more congestion and pollution, with the consequent impacts on human health and environment. The commodification of land and housing has resulted in real estate “bubbles”, particularly in developed countries, and in extended and segregated urban areas with predominant informal settlements in developing countries.

In addition to existing deficits, rapid urbanization and demographic and environmental changes will pose radical new challenges in the coming years. Estimated investment needs in infrastructure require amounts currently allocated to urban investments to be doubled by 2030.

A failure to address the urban access issue will have serious repercussions for human well-being environmental sustainability and economic development. National and local governments need to join forces to mobilize domestic resources and experiment with innovative financing models. In many countries, structural reforms are still necessary to bridge the gaps in access to basic services and to allow decentralization to meet expectations.

National and local governments need to join forces to mobilize domestic resources and experiment with innovative financing models.

First World Assembly of Cities, and Local Authorities, 1996
First row, from left to right: Daby Diagne, President of FMCU/UTO; Pascual Maragall, President of CEMR; Jaime Ravinet, President of IULA; and Michel Giraud, President of Metropolis
Since 2000, the role of local authorities has been recognized in many UN and international summits

**Collaboration between local and regional authorities and UN-Habitat has been increased with the participation of local governments in World Urban Forums, and in several campaigns as well as global advocacy work**

Local governments as a partner of UN-Habitat and their role in global governance

The progress made in 1996 with the recognition of local authorities in the Habitat II Declaration was followed, in 2000, by the establishment of the Advisory Committee of United Nations for Local Authorities (UNACLA). In December 2003, Rule 64 was adopted which ensured the participation of local authorities in the deliberations of the Governing Council of UN-Habitat (UNGA Resolution 58/227).

Since 2000, the role of local authorities has been recognized in many UN and international summits: the Millennium Declaration+5, Beijing+10, UNFCCC COP 16, the Busan Partnership for Effective Development Cooperation and Rio+20; as well as in various international statements and documents related to the UN.

This process occurred in parallel with the strengthening of global and regional networks of local governments and the convergence of three of the global local government organizations to form United Cities and Local Governments in 2004, as well as the constitution of new global networks, particularly of regional governments. More recently, the launch of the Global Taskforce of Local and Regional Governments for Post-2015 Development Agenda towards Habitat III has brought together the majority of global local and regional government networks.

With regard to more specific institutional collaborations, there has been increased between local authorities and UN-Habitat, with the participation of local governments in World Urban Forums and in several campaigns, as well as global advocacy work; for example, through the Global Campaign on Urban Governance in the 2000s, and more recently in the World Urban Campaign.

In 1999, local authorities and UN-Habitat participated in the establishment of Cities Alliance, a partnership including multilateral institutions, national governments, local authorities and NGOs, with the aim of promoting strategic planning and slum upgrading policies. There has also been many one-off collaborations in different areas of global advocacy work in international fora (on disaster risk reduction, climate change, and water and sanitation, for example).
Based on the lessons of Habitat II, local authorities expect that their full involvement in the preparation of Habitat III will enable the creation of a more inclusive New Urban Agenda, with clear means of implementation and monitoring mechanisms, including adequate support based on a strategic partnership with local authorities, and greater involvement of local stakeholders in its definition, implementation and follow up. This will probably require a revision of UN-Habitat’s governance model to include local governments and other stakeholders.
01 To take an active role in responding to the challenges facing humanity; to fight strongly at our level against poverty, ignorance, intolerance, discrimination, exclusion, insecurity, environmental degradation, and cultural levelling; and to promote and strengthen our action for the rights and well-being of children, which should be seen as the ultimate indicator of a healthy society and good governance;

02 To promote within our regions, metropolises, towns and villages participatory development policies rooted in an active partnership with all vital local forces (community-based organisations, neighbourhood or village associations, non-governmental organisations, the private sector, professional groupings, trade unions, etc.);

03 To devise methods of administration adapted to the complexity and specificity of the local level, as well as appropriate modes of financing and management of human settlements, including regional planning measures;

04 To improve the transparency and efficiency of the management of our regions, metropolises, towns and villages, with the primary aim of providing people with services to meet their needs, and thereby to encourage the development of a sense of civic engagement;

05 To accord every opportunity for full access and participation by women in municipal decision-making by making the necessary provisions for an equitable distribution of power and authority;

06 To strengthen direct cooperation between our local authorities, with the support of the national, regional and international associations of local authorities, in order to encourage meetings between peoples, exchanges of experience and the development of partnerships between local actors. Such cooperation will also help us to build a local vision of the challenges of the future and to draw up appropriate strategies of action, in a constructive dialogue with the States, the international community, the private sector, non-governmental organisations and the other partners of civil society;

WORLD ASSEMBLY OF CITIES AND LOCAL AUTHORITIES
ISTANBUL, 30-31 MAY 1996

[Extract from the Final Declaration]
07
To draw full advantage from the transformation potential of new technological developments in setting up better targeted forms of decentralised cooperation by means of technical assistance, transfers of technology and know-how, and collaboration between practitioners;

08
To develop a constructive dialogue with the States, the international community and all partners about activities and practices at the local level, especially by disseminating information and by producing specific local indicators to facilitate decision-making;

09
To work towards concerting our respective activities more closely, in particular through the global coordination of cities and local authorities established at this Assembly. This coordination will be our voice vis-à-vis the international community, with which it will in particular negotiate the ways and means of implementing at local level the global plan of action in the Habitat Agenda;

10
To play our full part in achieving the fulfilment of the United Nations resolution calling for at least 0.7% of the GNP of the developed countries to be allocated to cooperation programmes with the developing countries;

11
To implement the recommendations of the Conference within our realm of responsibility through involvement in the national committees for HABITAT II, and to evaluate their impact with regard to our respective local authorities;

12
To collaborate with UNESCO in the institution of an international Mayors’ Prize for Peace to be awarded to outstanding initiatives taken by local authorities in the implementation of a culture of peace in everyday living.
RECOMMENDATIONS FOR HABITAT III PREPCOM I
SEPTEMBER 2014

Delivered by the Global Taskforce delegation in New York on 15-18 September, on the occasion of the first Preparatory Committee meeting for the Habitat III Conference
Local and regional government organizations, in their capacity as governmental stakeholders and gathered as part of the Global Taskforce for Post-2015 Development Agenda towards Habitat III, are committed to undertaking their full responsibility and assuming their role as key partners in the definition and implementation of the Habitat Agenda, ensuring its linkages to the Post-2015 Development Agenda and its localization; in this way contributing to managing urbanization so it is accompanied by better living conditions and sustainable development.

This paper highlights some of the key areas that will need to be further developed during the Habitat III preparation process towards the Conference in 2016.
Territorial governments: key partners for Habitat and the Post-2015 Agenda

During the preparation and outcomes of Habitat II, local governments were recognized as a key partner of UN-Habitat in the implementation of the Habitat Agenda. Habitat II was also an important step forward in recognizing the relevance of the networks of local authorities and contributing towards greater collaboration among them. The Rio+20 outcome document acknowledged the state of governmental stakeholders to local governments and signalled the relevance of their strong involvement in the sustainability agenda. Likewise, the ongoing post-2015 process, notably the recommendations of the HLP and the Open Working Group, as well as key international policy positions (from the Commonwealth, SIDS and Communications of the European Union), have highlighted the important role of local and regional governments, in particular that of cities, in sustainable development. Presently, the members of the Global Taskforce confirm their belief that a new, broad partnership must be erected, based on a common understanding of our shared humanity, mutual respect and mutual benefit. Mindful of the challenges that many parts of the world are facing with increased violence, in particular in the Middle East, we would like to call for far-reaching agreements based on universal commitments.

Local and regional governments and their associations emphasize the need to draw a clear picture of the results, achievements and unfinished issues of the Habitat II Agenda

Transformative potential of urbanization

Habitat III will take place at a time when the transformative potential of urbanization is being broadly acknowledged. This is also a time when we face unprecedented global challenges such as migration shifts and consumption patterns, which will need to be tackled at territorial level. The Habitat III process leading up to the Conference should be an opportunity to strengthen existing partnerships and explore mechanisms that will enhance the participation of all actors, in particular local and regional governments, in the policy and decision-making mechanisms that will lead to the Habitat III and Sustainable Development Agendas. Local and regional governments and their associations emphasize the need to draw a clear picture of the results, achievements and unfinished issues of the Habitat II Agenda, paying particular attention to the implementation of decentralization processes around the world, the state of access to basic services, the financing of sub-national authorities and infrastructures, and the development of territorial cohesion.
Habitat III fundamental to the implementation of the sustainability agenda

The Habitat III outcomes need to be closely intertwined with the Post-2015 Agenda, as they will generate the basis for its localization and implementation on the ground. Considering that Habitat III will be the first conference taking place after the UN Summit on the Post-2015 Agenda Resolutions, the members of the Global Taskforce would like to stress the need to pay special attention to the means of implementation of specific targets and indicators for cities and human settlements. Local and regional authorities would like to further focus on the localization of the Post-2015 Development Agenda, so that they have the capacities to achieve the goals that relate directly to the responsibility of the local level.

Acknowledging that local and regional governments are not the only actors, it will be vital to ensure the full involvement of this constituency to foster the political will and innovation necessary to face common challenges and achieve the type of progress that leaves no one behind.

The full involvement of local and regional authorities as policy developers and not simply implementers will enable the creation of an inclusive Habitat III Agenda as well as the achievement of urban sustainable development in the future.

Local and regional governments call for the localization of the Post-2015 Development Agenda, so that they have the capacities to achieve the goals that relate directly to the responsibility of the local level.

As inheritors of the First Assembly of Local Authorities organized in Istanbul during Habitat II, local and regional leaders and their networks see the organization of the representation of local and regional authorities at the conference, and their contribution to defining the key recommendations, as an important mandate.
Local and multi-level governance
Managing a rapidly urbanizing world will necessitate reinforcing local governance and improving collaboration between the different levels of government (national, regional, local). The promotion of public space policies, strategic urban and regional planning, and acknowledging the opportunities and challenges of metropolization and cohesion among territories will be instrumental. A clear division of responsibilities between the different levels of governance based on self-government and the principle of subsidiarity will be of great importance to achieving a sound agenda. In this respect, local data production and mining, as well as access to local statistics and the definition of dedicated indicators, will be key to inducing the evaluation, monitoring and efficiency of development policies and fostering innovation.

Territorial cohesion
Local and regional governments and their associations would like to emphasize the need for a territorial approach as being crucial to the New Urban Agenda, and stress how urbanization can contribute to national development. The territorial focus should take into account the rural-urban continuum as well as the important role of peripheral areas, intermediary cities and intermediary levels of governments. Local and regional governments will promote efficient and inclusive land-use planning as a mainspring for implementing sustainable urbanization.

Citizens at the centre of governance
Strengthening mechanisms to enable the genuine participation of the population in the co-production of public services and urban planning, the evaluation of public policies and decision-making, and in ensuring the accountability of governments at all levels, including e-solutions, will be essential. Increased accountability and innovative formats of governance will be a fundamental change that should be factored into the outcome of Habitat III. The members of the Global Taskforce call for a Habitat III Agenda that is based on equality and accountability from the bottom up.

Innovation and local economic and social development
The agenda will need to support the efforts of cities to develop an enabling environment for economic development, promoting local enterprises and cooperatives as engines of growth, as well as corporate social responsibilities, decent and inclusive job opportunities, and connecting local initiatives with markets at local, national and international scales. Further, it should foster resilience, solidarity, innovation and culture, and build creative solutions, including social economic strategies and mechanisms based on solidarity – with a multiplier effect across the nation. This is particularly the case when social cohesion is threatened by excessive income and wealth concentration and growing urban inequalities, as reflected in the lack of affordable housing and gated communities with inadequate access to basic services and infrastructure. Furthermore, local and regional governments will need to see their capacities strengthened to be able to better integrate the informal sector’s contribution to local development, define and implement local economic policies and design strategies to support local initiatives, especially those tackling income inequalities, support local policies, mobilize adequate and diversified resources, and create economic development structures, programmes and services involving community partners.
Culture as a driver and enabler of sustainable development
Sustainable urban development needs to explicitly acknowledge the role of culture. A people-centred society needs to promote heritage, creativity, diversity and the transmission of knowledge. There is no future without culture: cities need vitality, meaning, identity and innovation, and citizens need to widen their freedoms. This is why members of the Global Taskforce call for a Habitat III Agenda that makes culture an operational dimension of sustainable urban development.

Adequate financing at territorial level
There is widespread under-investment in basic services and infrastructures in urban and rural areas and an increasing gap between the responsibilities transferred to local governments and their revenues. National and local governments need to join forces to mobilize domestic resources, create an enabling environment for long-term investment, adopt strong regulations against fiscal evasion, foster the creditworthiness of local and regional authorities, enable the hybridization of their resources and their access to financial markets, and experiment with innovative financing models and alliances. Structural reforms are needed in national and international financial systems to bridge these gaps and allow decentralization to meet expectations. The localization of resources is instrumental and must be part of financial engineering and resource managing capabilities to foster the modernization of local administrations, as well as to reduce costs and increase efficiency and accountability, implement fiscal autonomy and cooperation processes and promote a renewed official development assistance to better attend to local and regional needs.

Climate change and disaster risk
We must move away from the connection between development and higher living standards, and increased fossil fuel use and environmental degradation, and build resilience in each urban centre to address the direct and indirect impacts of climate change. Local governments are committed to promoting sustainable development that is mindful of the earth’s capacity to sustain life.

An organized constituency, ready to contribute
In order to articulate the voice of local and regional authorities and their networks more strongly towards Habitat III, and to properly reflect the great changes that have taken place since 1996, members of the Global Taskforce express the will to develop an intensive consultation process among constituency members, which will culminate in the Second Assembly of Local Authorities. This will enable the development of action plans at local level.

Peer-to-peer learning and decentralized cooperation
Decentralized cooperation, peer-to-peer learning, municipal international cooperation and other similar means have been helping to enhance and build the capacity of local governments in the global South. These must evolve into a more structured and systematic approach to support counterparts from all over the world to build resilient cities, fight climate change, reduce poverty, support democracy and local governance, and provide basic service delivery to the people. Local and regional networks gathered as part of the Global Taskforce reiterate their willingness to work with the international community towards a sustainable, fair and equitable future for all.
THE SDGs WILL NOT BE ACHIEVED IF FINANCING DOES NOT REACH LOCAL LEVELS
POSITION ON THE ROLE OF LOCAL AND REGIONAL GOVERNMENTS IN THE DELIBERATIONS ON THE FINANCING FOR DEVELOPMENT CONFERENCE

The Conference on Financing for Development must lead to further reflections on the mechanisms that will enable the mobilization of the necessary funding to promote sustainable local development, as well as to unlock the economic potential of urban areas and territories.

How can local governments mobilize part of the wealth produced within their jurisdiction (domestic resources) to finance and support local development?

What conditions are necessary to capture public and private resources at local, national and international levels, in order to meet funding needs for infrastructure and the provision of basic services?

How can we improve access to long-term investments for sub-national governments and strengthen their capacities to deliver services, particularly in poor areas?
01 STRENGTHENING THE MOBILIZATION OF DOMESTIC RESOURCES

The mobilization of endogenous resources seems to be crucial to the future of many countries undergoing rapid urbanization. Under certain conditions, the “city must be able to better finance itself”, through optimal support for local financing from land and property income as well as the productive urban economy. The history of urban development proves this.

However, the mechanisms enabling local public authorities to mobilize part of the wealth produced within their jurisdiction to reinvest in local development in a transparent and efficient manner are not in place in many low-and middle-income countries. Local taxation remains underdeveloped, and the necessary conditions to capture a portion of the capital gains in land value and the added value of economic activities are often not met.

Reforming local financing

Generally speaking, local governments lack the buoyant tax sources that would produce revenue growth in line with their increasing responsibilities. The vast majority of taxable goods and services are often concentrated at national level, and systems of redistribution to local governments, such as transfers and grants, not guarantee equitable distribution. Further, local tax bases are very narrow and highly dependent on property taxes, only yielding an average of 0.5% of GDP in developing countries, with revenue potential rarely achieved. Property tax is particularly difficult to manage in countries that do not have proper land registers, where informal construction is widespread, which lack the capacities to assess property values. Hence the difficulties in ensuring the implementation of the tax and its collection.

Therefore, it is necessary to diversify and expand local tax bases. Some countries allow local authorities to benefit from part of national economic growth through the taxation of economic activities, people’s income or local sales (VAT).

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7 Brazil, Chile and Colombia, for example, have adopted various types of local taxes based on economic activities; several countries in Europe and North America resort to a local tax or surcharge on personal income; taxes on local sales are notably used in Canada and the United States. Morocco, has given 30% of VAT to local governments, but in the form of transfers.
Unlocking land values to finance urban infrastructure

Capturing the land added-value gained from public authority. Investments (e.g. in roads or new equipment) is a very promising way to finance urban investments, especially in countries undergoing rapid urban growth. By producing substantial immediate revenues that enable the reduction of debt dependency, this type of financing seems well suited to growing cities. It can also help to enhance the efficiency of urban land markets, and direct urban growth towards areas most suitable to accommodate it effectively.8

Western cities largely financed their development in the 19th and 20th century with such resources, and more recently, some Latin American and Chinese countries use these mechanisms to support urban development.9 However, in many developing countries, the necessary fiscal tools, both regulatory and institutional, are not in place to ensure that local governments can benefit from this fair “return on investment”.

According to recent experiences, the land added-value contribution could represent between 10% and 50% of public investment made in development or urban restructuring projects. In general, the mobilization of local resources helps to improve financial equilibrium within local governments, and at the same time strengthens their borrowing capacity.

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9 Several examples in Brazil and Colombia in particular. The experience of São Paulo could also illustrate this point well.
02
STRENGTHENING LONG-TERM FINANCING IN INFRASTRUCTURE AND BASIC SERVICES

Whether through direct loans or private capital contributions, including in the form of special purpose companies, PPPs or infrastructure facilities, local governments must have access to long-term financing to cover investment needs. Access to loans and financial markets has been crucial to most infrastructure investments in Western cities over the past two centuries. Cities have led this process, supported by central governments.

Today, in emerging countries, an increasing number of cities are borrowing to expand service provision through loans and bonds. However, in many low- and middle-income countries, local government borrowing is legally constrained. Restrictive institutional frameworks, weak creditworthiness and local administrative constraints curb access to finance for local governments outside of metropolitan areas and large cities.

To provide reimbursable resources, private investors and financial institutions require sound financial management of local governments, long-term stability and the ability to generate revenue in a sustainable way. In the same vein, in directly funding a public service, investors conduct due diligence processes to ensure performance and long-term profitability.

In this context, providing increased institutional capacity to local governments should be a priority in both the national and international agenda. Legal, institutional and financial decentralization frameworks are critical to create enabling environments for local authorities.

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10 The limited performances of SFIs are associated with problematic loan designs, market narrowness or professional weakness and politicization of lending decisions. With regard success stories, it is worth mentioning: Findeter in Colombia and FEC in Morocco; local development banks such as BNDES and CEF in Brazil.
In a context where risk and creditworthiness play a prominent role, the commitment of central governments to support local governments is indispensable and can facilitate access to adequate resources for the latter. In many low- and middle-income countries, municipal financial institutions (MFDs or SFIs) have been created to provide local governments with access to investment capital. Although we need to recognize that some of those experiences have had disappointing results, some important success stories are worth considering. Despite their shortcomings, SFIs play an important role in the credit enhancement of sub-national governments and utilities.

International and regional development banks already play an important role in financing basic urban service infrastructure in different regions. However, these banks tend to national governments and the private sector, rarely granting credit directly to local governments. In order to overcome institutional barriers, other options should be explored (e.g. innovative credit enhancement for sub-national loans to improve local governments’ access to private finance and reduce foreign exchange risks).

It is essential that development partners support local governments directly, promoting city-to-city cooperation and developing financial instruments to meet their needs. ODA will also continue to play a significant role in financing basic infrastructure and social service investments, particularly in low-income countries. Finally, access of local governments access to global, regional, and national climate change financing mechanisms (e.g. the Green Climate Fund, GEF, etc.) should be promoted in order to facilitate investments in adaptation infrastructure.
“Almost two decades ago, at Habitat II in Istanbul, the international community resolved to make the most of the opportunities presented by human settlements and preserve their diversity to promote solidarity, […] The world has changed dramatically since the second United Nations Conference on Human Settlements. More than ever before, we understand the power of well-planned urbanization for development. But that is the key: planning—good, strong planning.”

Ban Ki-moon
UN Secretary General
“Governments, local authorities and international institutions should place the urban challenges of the twenty-first century at the top of their priorities. [...] The year 2016 should represent a turning point. Habitat III is a unique opportunity for governments and institutions around the world to engage in a New Urban Agenda that addresses the challenges of rapid urban growth and a new model of urbanization.”

[Extract from the Opening Statement]

Joan Clos
Executive Director of UN-Habitat

“The first ECOSOC Integration Segment that tackled sustainable urbanization convened a wide range of stakeholders (academia, NGOs, local governments, etc.), highlighting that urbanization can serve as a transformative approach to sustainable development. [...] The outcomes of the segment need to feed in the Habitat III Agenda, especially regarding the urban goal, the data-driven approach for urban planning, policymaking and planning mechanisms to deal with urban growth.”

H.E. Mr. Vladimir Drobnjak
Permanent Representative of the Republic of Croatia to the United Nations and Vice-President of ECOSOC

“One of the main issues to be addressed in the SDG framework is to strengthen national associations of local governments to tackle their strong urban element, which will require ensuring learning between cities and promoting a different vision of local governments towards the next generation of urban planners and managers.”

William Cobbett
Director of Cities Alliance
CLGF Chairperson Mayor Lawrence Yule and I were pleased to have attended the PrepCom I in New York in September 2014 as members of the Global Taskforce of Local and Regional Governments for Post-2015 towards Habitat III. We are pleased at the widespread recognition being given to the role of sub-national governments in the envisaged implementation of the new international development agenda. This is exemplified by the agreement that the agenda should address the importance of peaceful and stable societies, and effective and accountable institutions at all levels; a point also made by Commonwealth Heads of Government in their Statement on the UN Post-2015 Development Agenda, issued in September 2014.

In this context, local governments wish to emphasise the key importance of:

- A stand-alone goal on cities and human settlements, as embodied in SDG 11; and
- A wider ‘localizing agenda’ whereby all relevant goals and targets can be adopted, implemented and indeed monitored at the sub-national level through a ‘bottom-up’, not a ‘top-down’ approach.

The concept of localizing the SDGs was extensively considered during the UN Global Consultation on Localizing the Post-2015 Agenda, with which local government was closely engaged, and which stressed, in the final 2014 Turin communiqué: “The implementation of the Post-2015 Agenda will greatly depend on local action and leadership, in coordination with all other levels of governance. Any new development agenda will only have an impact on people’s lives if it is successfully implemented at the local level.”

Likewise, it is encouraging that the 2015 Chisinau Outcome Statement explicitly endorsed that: “local authorities and their associations must be empowered through capacity strengthening and enhanced institutional effectiveness to own and achieve development goals, stimulating community involvement and participation in local development strategies, as well as implementing modern management and planning technologies.”

It also stressed: “the importance of establishing financing mechanisms to support the strengthening of capacities and building effective institutions at all levels, including through the localization of resources alongside localizing the SDGs, and recommended this issue to be considered at the Third International Conference on Financing for Development in July 2015 in Addis Ababa.”

The Global Taskforce and its members such as the Commonwealth Local Government Forum, with its own membership in 53, mainly developing, countries, remain committed to working with UN-Habitat and other partners for a successful preparation and, above all, outcome for Habitat III in 2016, building on the framework being set out by the new international development agenda in 2015.
“The experience of the leading decision-makers in major metropolises across the world is essential. They manage the day-to-day needs of millions of citizens with regards to housing, mobility, education, health, safety and energy, to name but a few. They run cities, urban areas and metropolitan regions that are sometimes larger than certain United Nations Member States, in terms of their population size, budget size and global reach. They are the main political leaders on the front line, tackling the challenges facing the planet. Nevertheless, this role has yet to be sufficiently recognized in present-day international relations. [...] Habitat III is an important moment for the international community to listen to local governments and take into consideration their experiences and recommendations.”

Alain Le Saux
Secretary General of Metropolis

“Over the 20th century, Europe has completed its transformation from a mostly rural and agricultural society to an urban and peri-urban continent, mainly composed of medium-sized and smaller cities and two world metropolitan cities (London and Paris) of more than 10 million inhabitants. Today, over 350 million people – 72% of the total EU population – live in cities, towns and suburbs. In Europe, the main objective of public policies at national or European level is to keep this rich diversity of local governments that compose our continent, from small towns to metropolitan areas – a diversity that we must preserve and respect for – a balanced territorial and social development. Cohesion is key to ensuring the development of Europe and good complementarity between rural and urban areas, and where metropolitan cities are driving forces for growth and rural areas provide the necessary goods and high standards of living. In the discussions on the EU Urban Agenda, currently in the making, CEMR strongly advocates for a better impact assessment of EU policies on our territories. Habitat III offers a unique opportunity to implement a similar system at global level. Development can only be sustainable if local factors and actors are properly integrated in the design, implementation and monitoring of any policy, whether it is at national, European or world level.”

Frédéric Vallier
Secretary General of CEMR

“It is crucial for local governments to undertake responsibility for catalyzing the potential of civil society. [...] The large endorsement on the occasion of the Climate Summit on 23 September showed the awareness not only of cities, but of all actors, that action at local level is vital and constitutes the link between populations and civil society organizations. For Habitat III, discussions should not only take place between States and representatives of local governments, but have dialogues including members of other constituencies.”

Ronan Dantec
Councillor of Nantes Metropole, France, and UCLG Climate Spokesperson
Globalizing sustainability in the Post-2015 Development Agenda by building a world of local action.

The United Nations Conference on Housing and Sustainable Urban Development (Habitat III) will convene in Quito, Ecuador in October 2016. This Conference is expected to provide the final guidance on sustainable development of the urban world of the 21st century, based on the visions resulting from the Rio+20 Conference held in 2012.

In preparation for the Second Preparatory Committee taking place in April 2015, around 18 months ahead of the Habitat III, I would like to underline two relevant realities;

Firstly, the global community is having difficulties to accelerate adequate and sustainable responses to the growing social, ecological, economic and institutional crisis that each and every nation and community in the world is facing more severely and more frequently.

Secondly, more and more local and sub-national governments are advancing to turn the urban problematique to an urban advantage by exploring, implementing and sharing holistic and innovative solutions individually, and collectively through their networks, despite the limited availability of appropriate recognition models, engagement mechanisms and adequate resources at the national and global levels.

As the largest, global network of local governments dedicated to sustainability, ICLEI expects Habitat III to provide the opportunity to engage with the global community in three main concepts: building urban alliances for implementing the Urban Sustainable Development Goal and other SDGs, reconnecting our Urban Region through the Urban Nexus approach and advancing with the development of the Future Urban Professional.

We also expect Habitat III to advance in the full operationalization of para.42 of the Rio+20 Outcome Document, which formulates the concept of local and sub-national governments as governmental stakeholders of the national and global regime on sustainability. This concept results from the recognition of local governments’ actions in the fields of climate change, biodiversity, disaster risk reduction, sustainable consumption and production and sustainable development goals.

We are ready to collaborate with the Member States, the Habitat III Secretariat, UN-wide intergovernmental institutions, and all Major Groups and Other Stakeholders to develop inclusive, transparent and participatory dialogues and consultations for this purpose.

Ahead of PrepCom II, ICLEI members will convene on 8-12 April 2015, in Seoul, Republic of Korea, at the ICLEI World Congress 2015. The adoption the ICLEI Strategic Plan for 2015-2021 will enable us to provide substantial inputs both in the consultation towards Habitat III and advance with its immediate implementation.

Throughout this period, ICLEI will closely collaborate with the United Cities and Local Governments (UCLG) and contribute to the work of the Global Taskforce of Local and Regional Governments in the Post2015 Development Agenda towards Habitat III as a lead partner.
“We need to ensure linkages between the SDGs and the Habitat III agenda, which will require a clear focus on the means of implementation.”

Lawrence Yule
Mayor of Hastings, New Zealand, President of Local Governments of New Zealand and Chair of the Commonwealth Local Government Forum (CLGF)

“The experience of over 2,000 Local Agenda 21 processes – proof if one were needed that local authorities are key actors in promulgating and delivering UN commitments – shows that the concept of participatory, inclusive planning involving partner sectors in a real sense can transform traditional ways of doing things. In some cases, totally new plans may result. In others, existing planning obligations should be looked at afresh and delivered in new ways. Individual city leaders are unlikely to regard the Habitat Agenda as a practical guide to fulfilling their day-to-day management responsibilities. They will, however, value and expect to see delivered the commitments made by their national governments towards decentralization, local empowerment, and capacity-building, and they will look to their representatives in the national Habitat Committees to take action to ensure that the Istanbul momentum is maintained. They will also look increasingly to the international community to fulfill the promises it made. Many local authorities have already discovered the mutual benefits to be gained from working in partnership on shared concerns across national boundaries. And many more have profited from the international exchanges of ideas, experience and expertise facilitated by their international associations.”

Jean-Pierre Mbassi
Secretary General of UCLGA

“Decentralization and subsidiarity are key to development. When developing their own implementation mechanisms, Member States should go hand in hand with the local governments and integrate local governments in international negotiations, and ensure their recognition in the New Urban Agenda.”

Michael Müller
Mayor of Berlin, Germany, Senator for Urban Development and the Environment and Vice President of Metropolis

“There is a need to decentralize services in cities. In many Latin American countries, national laws prevent actions from local authorities, even though they are the closest level to the citizens. There is a need for a global policy promoting citizen participation. Citizens should be at the core of the definition and implementation of the social policies in their city in order to restore social links: parliaments and assemblies should be created at local levels to facilitate citizen participation.”

Paul Carrasco
Mayor of Azuay, Ecuador and Secretary General of ORU-FOGAR

“Rapid urbanization in Africa leads to great challenges for public service delivery, access to water and sanitation, and housing.”

Amiri Nondo
Mayor of Morogoro, Tanzania, and UCLG Champion for Development Cooperation
Today, the question is: how do we, local, regional and national leaders, take charge of our destinies and shape the lives of billions of urban dwellers, by addressing the decentralization of powers and resources, insufficient infrastructure and the challenges faced in the delivery of basic urban services?

The United Nations Conference on Housing and Sustainable Urban Development (Habitat III) taking place in Quito, Ecuador, in October 2016 will not only be a fundamental element of the agenda of local governments across the world; it will also be the key to addressing many of these issues.

However, to be able to reflect on how we want to shape Habitat III, we need to take stock of the achievements of Habitat II. We need to look at the state of decentralization, the state of access to basic services, local authorities’ finances and the financing of urban infrastructure. We will need to be critical in order to build a new urban and territorial agenda.

Drastic changes have occurred since 1996. In an increasingly urban world, the new agenda will certainly need to promote decentralized cooperation, in order to strengthen city management. This will only be possible if the new agenda raises awareness on public space policies, strategic urban planning and long-term instruments to control land resources. Yet, above all, the new agenda needs to foster a new contract with citizens. A new partnership must be built on inclusive, participatory local democracy.

Habitat III will thus need to focus on local and urban actors. It must put into motion mechanisms and means that can actually transform the agenda into actions. It will not only need to ensure capacity building, but also provide the bases for new policymaking.

In this respect, linking the Sustainable Development Goals and Habitat III is essential to localizing the Post-2015 Agenda. Development and urbanization are closely linked, and not fully recognizing the significance of the transformative potential of urbanization would be a fundamental mistake that will shake the bases of the new agenda and put its success in jeopardy.

Habitat II was an important step forward in recognizing the relevance of networks of local authorities and the need to strengthen links with and between them. It is now time to take a significant leap forward and provide concrete support to local authorities, to enable them to effectively manage a rapidly urbanizing world, develop economic potential, improve public services and engage citizens.

Given the above, our constituency will organize the Second Assembly of Local and Regional Governments, as a contribution to the global process, which we consider vital for the future of our communities.

We, local and regional leaders, are ready to play our role as central partners and implementers of the Habitat Agenda, showing that managing urbanization leads to better living conditions and sustainable, inclusive and fair development.

In this context, we call for a solid Habitat III process with the active involvement of all levels of government in the national delegations, and with coordination among relevant Ministries. We call for a decision-making conference, not merely one that takes stock; and we hope that all UN Agencies working on local development actively participate in the provision of policy proposals.
“We are glad that local governments would be considered as a part of government and not only NGOs, but we regret they were not yet in a position to join the decision-making process. [...] Governments need to take into account that implementation is done at local level, in order to implement the development agenda in urban and rural areas.”

Annemarie Jorritsma
Mayor of Almere, the Netherlands, President of the Association of Netherlands Municipalities (VNG), President of CEMR and Vice-President of UCLG

“The work of UCLG and the GTF provides a united voice of local governments for Habitat III, which was not the case in Habitat II; and the movement of solidarity among local governments has been successful to build development cooperation, better service delivery and poverty alleviation.”

Roger Anderson
Regional Chair for the Municipality of Durham in Ontario, Canada, and FCM representative

“Local governments need to invest in designing and building public spaces as a means of social cohesion. Establishing green, safe, inclusive, accessible and inter-connected open spaces is a must.

Cities that prioritize the quality of life of all experience a higher level of prosperity. Such cities strive towards social equity by providing access to urban commons, such as green areas, squares, ample pavements and streets, recreational facilities and other public spaces.

Public spaces will also enhance community cohesion and civic identity and support the level of urban density required for environmentally and economically sustainable cities.

Public spaces and streets are multifunctional areas for social interaction, economic exchanges and cultural expression among a wide diversity of participants. The role of urban planning is to organize public spaces and the role of urban design is to encourage their use.”

Bernadja Irawati Tjandradewi
Secretary General of UCLG-ASPAC

“We need the instruments to ensure sound local governance that provides an enabling environment for innovation, creativity and the trust of citizens in institutions. We need institutions that are able to deliver, based on real knowledge about the needs of citizens. We believe that strengthening mechanisms to enable genuine participation of the population in decision-making processes and ensuring a clear division of responsibilities between all levels will be instrumental.

If we agree that cities are the closest level of governance to the citizens, if we agree that cities reinforce social cohesion, if we agree that cities improve basic services for all, and if we agree that cities create better living conditions for all, the Habitat III Agenda will undoubtedly need to support the efforts of local authorities.”

Guillermo Tapia
Secretary General of FLACMA

“There are numerous challenges for cities of the South that impact living conditions as well as geopolitical, economic and climate conditions, stressing the urgency of action in poor countries on a continent that is urbanizing very quickly. [...] We need to strengthen governance at national level before the local level, and increase capacities in human resources to answer to the changing challenges.”

Khalifa Sall
Mayor of Dakar, Senegal, and President of UCLG Africa
GLOBAL TASKFORCE
OF LOCAL AND REGIONAL GOVERNMENTS
FOR POST-2015 DEVELOPMENT AGENDA
TOWARDS HABITAT III

LOCAL AND REGIONAL GOVERNMENT MEMBERS

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