



HABITAT III ISSUE PAPERS

6 - URBAN GOVERNANCE

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ISSUE PAPER ON URBAN GOVERNANCE

KEY WORDS

Dialogue between national and local governments, metropolitan governance, transparent and efficient public management, innovation, local government, citizen/inhabitant's participation, inclusion, subsidiarity, accountability, local capacity and territorial cohesion.

MAIN CONCEPTS

Urban governance – It is the software that enables the urban hardware to function, the enabling environment requiring the adequate legal frameworks, efficient political, managerial and administrative processes, as well as strong and capable local institutions able to respond to the citizens needs.

Decentralization - Process of reorganization of the State involving a gradual transfer of responsibilities originally concentrated in central government towards other spheres of government (federal, regional, provincial or municipal). To be effective, it needs to provide the adequate powers and resources to fulfill such responsibilities. It involves the fair distribution of resources and responsibilities amongst the different government spheres. The principle behind this process is the belief that decision-making and implementation are more efficient if taken as closest to citizens as possible (subsidiarity principle).

Local self-government - Capacity of local governments to manage public affairs in the interests of the local population, and within the limits of the law as recognized by national legislation. These rights and responsibilities may be political (capacity to elect their own government bodies, make policies, take decisions and exercise their function independently from other government spheres on matters related to their competencies), financial (capacity to access adequate resources to carry out their responsibilities and to use them freely) or administrative (capacity for self-organization).

Multi-level governance - Decision-making system to define and implement public policies produced by a collaborative relation either vertical (between different levels of government, including national, federal, regional or local) or horizontal (within the same level, e.g. between ministries or between local governments) or both. It also includes the partnership with actors from civil society and private sector for the achievement of common goals. In order to be effective, multilevel governance should be rooted in the principle of subsidiarity, the respect for local autonomy and establish mechanisms of trust and structured dialogue

Localizing the New Urban Agenda – The New Urban Agenda will need to be implemented in towns, cities and metropolitan areas, that is, at the local level. The term “Localization” takes into account territorial contexts, governments and local stakeholders, from the definition of the New Urban Agenda priorities, to its implementation and the definition of indicators to monitor progress.



FIGURES AND KEY FACTS

- In the words of the UN Secretary-General “our struggle for global sustainability will be won or lost in cities.”ⁱ. Managing urban growth is a shared responsibility of local, regional and national governments.
- There are more than 500,000 local and regional governments in the world today, from the very small towns to big megalopolis. They have emerged as key institutional drivers for development and levers of change in the promotion of inclusive growth. Cities are places for innovation where 70/80 per cent of the worlds gross domestic product and new job creation happens. Cities are, therefore necessary partners for the definition, implementation and monitoring of the New Urban Agenda.
- In the last decade, decentralization policies have provided increased authority and resources to local governmentsⁱⁱ. Their share of national expenditure rose from a world average of 13% in the 1980s to 19-20% at the end of the 2000s. In Latin America, local governments represent 12% of general government revenues and 19% of expenditure; while in Sub-Saharan Africa it is only around 3% of revenues and 8% of expenditure.
- Most megacities and large cities are located in the global South and more are expected to emerge in Africa, Latin America and Asia by 2030ⁱⁱⁱ. The metropolitan dimension is becoming increasingly relevant as cities are more interdependent with their surrounding settlements and hinterlands, a de-facto continuum in terms of urbanization, economic growth, employment, environmental impact, transportation and cultural belonging.
- Over the next 25 years most of the growth of cities (at least 90 per cent) will take place in low-income countries, some of which are fragile states plagued with recurrent conflicts^{iv}. More than 1.5 billion people live in countries affected by state fragility and violent conflict.^v Fragile states often have the highest rates of urbanization, partly due to the massive population movements from rural to urban centers caused by conflicts. This projection calls for putting in place transparent and accountable management of public finances, particularly in infrastructure projects, to minimize opportunities for corruption helping in turn to preclude cycles of violence and impunity.

5 key facts summarizing the trend of the last 20 years

- The Habitat Agenda (1996) calls for an ‘enabling environment’ characterized by the decentralization of responsibilities and resources; civil society participation; the use of partnerships; and the capacity-building of those involved in decision-making and urban development policy. In paragraph 45, Member States commit to the objective of “enabling local leadership, promoting democratic rule, exercising public authority and using public resources in all public institutions at all levels in a manner that is conducive to ensuring transparent, responsible, accountable, just, effective and efficient governance of towns, cities and



metropolitan areas”. Nearly 20 years have elapsed but still in many contexts the lack of adequate legal frameworks and institutional and financial capacity has prevented effective urban governance.

- The importance of effective governance has increased importance in global debates, particularly the Rio+20 Declaration. “The future we want” document recognizes in article 76 that “effective governance at the local, subnational, national, regional and global levels representing the voices and interests of all is critical for advancing sustainable development” underscoring “the importance of inter-linkages among key issues and challenges and the need for a systematic approach to them at all relevant levels”.
- Cities provide many opportunities to foster sustainable development, but also pose a number of challenges for equality^{vi} with different levels of access to political representation and power, economic opportunities, basic services or security. These situations often degenerate into conflict as the rule of law and management systems are unable to cope with the increasing inequality gap. Competition for control of cities and their resources mark the landscape of many fragile states, unable to provide institutionalized mechanisms for political settlement and containing large-scale social exclusion, conflict and instability, often degenerating into radicalization.
- The accelerated pace of urbanization call for new governance framework to face new urban forms – megacities, urban corridors, metropolis-, improve cities management particularly in developing countries, and enhance urban-rural collaboration. The new transformative urban agenda requires for all relevant stakeholders, including women and their organizations, to find new understanding and work together in a more efficient way. Citizens need rapid and flexible responses to face urban challenges and to solve daily needs. Governing without the citizen has become nearly impossible and many local governments are already experimenting innovative experiences such participatory budgeting, neighborhoods committees, youth councils, e-governance solutions etc.
- As urban settings and interactions are becoming more complex and interdependent, effective governance requires strong and capable leadership from the public sector, which needs to be responsible to ensure access of all to better living conditions, and to regulate and defend the common good. In many parts of the world, the informal provision of basic services and the tax evasion produced by the informal economy keep being one of the major threats to good governance. Municipal finances need to recognize the importance of local revenue and the quality and accessibility of basic services need to be a public responsibility. Local corruption constitutes one of the big scourges of the urbanising world: the rerouting of resources from the public domain erases the belief in the benefits of living together. Allowing for access to information and preventing conflict of interests are essential to maintain public trust and engaged citizenship. It is equally important to ensure transparency and accountability within the private sector, particularly among those doing business with the public sector. Hence, accountability and transparency are more than ever at the core of urban governance to ensure confidence in the



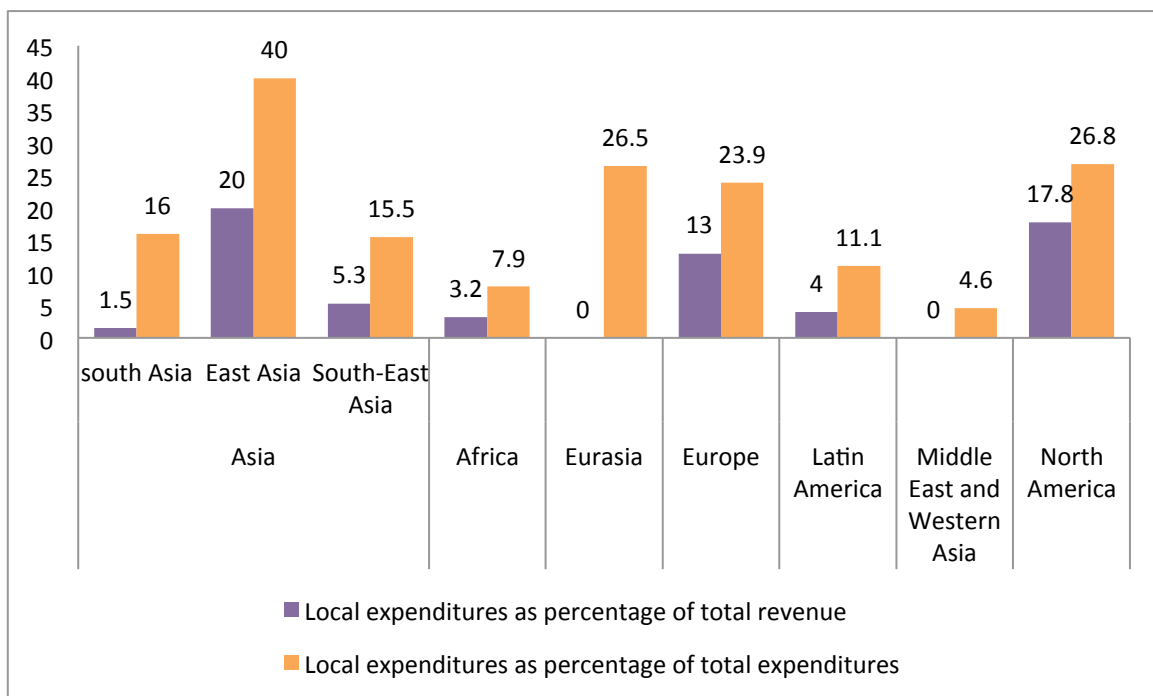
capacity of the public to protect the common good and generate improved management of public finances and property.

ISSUE SUMMARY

Knowledge

- Cities need to include more and more voices to respond to the challenges of urban governance. Effective urban governance requires a more sophisticated relationship with clearly assigned responsibilities, a stronger collaboration between different levels of government (multilevel governance), and regular and more creative means of interaction with civil society.
- Interdependence amongst all spheres of governments is today stronger than ever. We need effective decentralization and stronger local governments with the appropriate resources, transparent mechanisms, and legal power to respond to the citizens needs. Yet, many countries manifests a growing gap between the responsibilities and the resources allocated to local governments. To enhance local resources mobilization, local governments need to strengthen their capacities to generate local revenue while accessing to the adequate share of national resources through predictable transfers and equalization mechanisms.

Figure 1 – Local expenditure proportion, by region



Source: GOLD Report II, UCLG, 2010

Note: while local expenditures as a proportion of public expenditures may be elevated in East Asia, Eurasia and South Asia, this does not necessarily correlate with the existing level of decentralization



Policy

- Capacity building programs are still needed to strengthen capacities of all local stakeholders around: organizational structures, budget and assets management, enhanced mobilization of endogenous resources, integrated urban planning, inclusive service delivery, enforcement of legal frameworks, promotion of economic and social development as well as gender responsive planning and budgeting.
- This is particularly relevant for metropolitan areas where fragmentation causes missed opportunities for service provision efficiencies; spillovers across jurisdictional boundaries; and regional income and service level inequalities. Fostering a culture of cooperation should help overcome fragmented governance on a metropolitan scale, reduce the impact of externalities and promote greater inclusion, efficiency and competitiveness. Coordination mechanisms are emerging: inter-municipal cooperation, legal incentives for cooperation, planning and development agencies, cost sharing arrangements for metro-wide service delivery, metropolitan development fund, coordinated tax agreement, pool financing, improved linkages between national and local governments' programs and policies to ensure efficiency and reduce imbalance.
- Performance monitoring, transparent budgets, adequate public asset management, public reporting and access to information for citizens as well as the acceptance of public responsibilities and mistakes are vital to a responsible leadership. Enhanced accountability mechanisms are becoming central to sound municipal and metropolitan governance. Local and regional governments are in a strong position to empower all inhabitants to fully participate in local political, social, economic and cultural life, which will help to better address inequalities, marginalized groups and vulnerable people. For that guaranteeing access to information is essential to citizen's engagement. Furthermore, to strengthen public trust in government institutions, authorities should put in place anti-corruption mechanisms, in line with applicable international standards.
- Enhanced governing capacities also rely on improved data gathering. The processing and dissemination of data and indicators disaggregated by sex and age needs a revolution to include territorial-based (disaggregation) to be readily available to support local planning and monitoring of urban development.
- Urban governance must ensure that facilitating security and development are part of the planning process. It means deliberate efforts at forging developmental political settlements (just as at national political level), empower citizen engagement especially in informal areas and link them to city institutions, facilitate social cohesion and create opportunities for social and economic mobility.
- Fragility in cities is not merely for those considered in conflict but the raising levels of armed violence and crime should also be considered. The conjugation of exploding uncontrolled urbanization and weak governance structures in many cities in fragile countries puts severely their

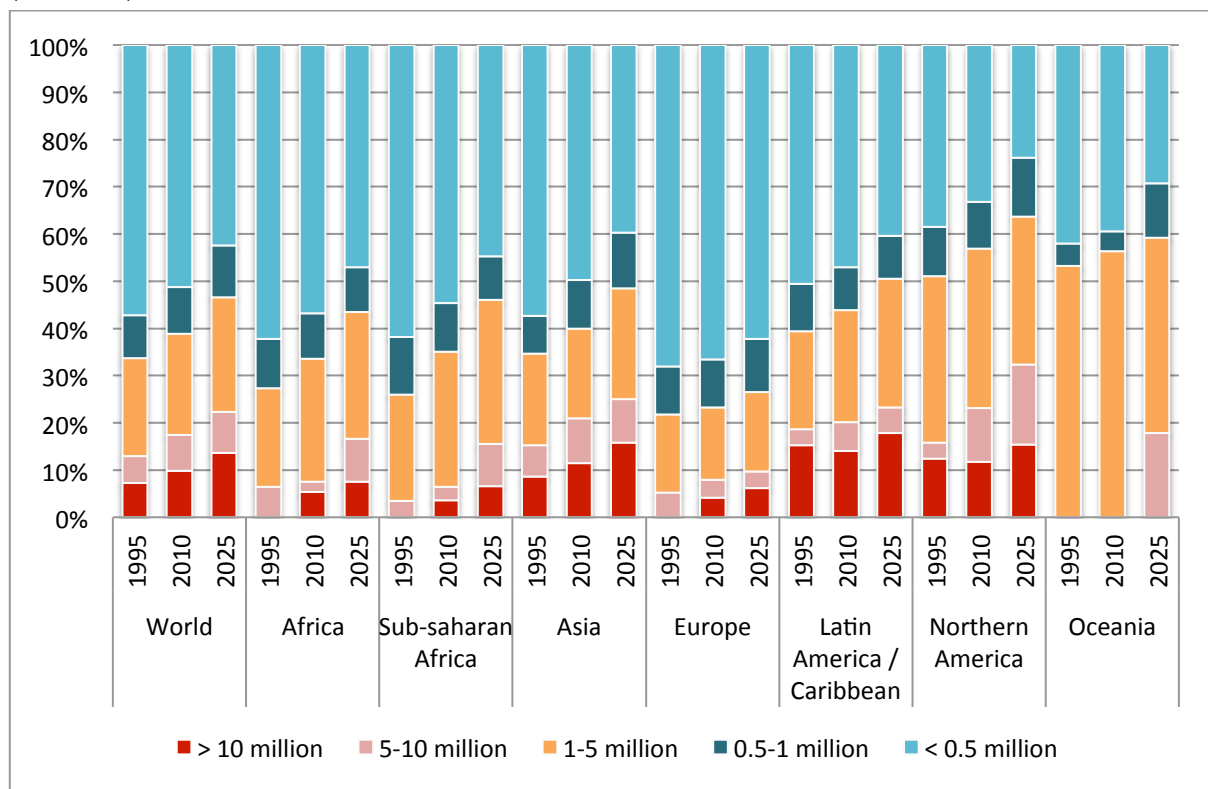


resilience, and that of the states they belong to, at risk. The local governments' role in post-recovery and post-conflict situations is now emphasized as the primarily level to restore trust and confidence.

Sound urban governance is also needed to ensure environmental sustainability and resilience, combat climate change, preserve ecosystems and biodiversity, and build more local communities that are more resilient to natural and human threats. New governance processes adjusted and re-scaled to ecosystem scale should be promoted^{vii} as well as consideration of green infrastructure and ecosystem services as opportunities for development of cities^{viii}

Without sound urban governance, the short-term gain of economic development will continue to trump goals of environmental sustainability, upon which economic and social sustainability ultimately depend.

Figure 2 - Percentage of population living in cities by city size and by region 1995, 2010, 2025 (estimated)



Source: UN urban prospectus, 2011

Engagement

- In the context of low-income countries with large-scale informal systems of service provision, appropriate support is needed to improve universal access to basic services and reduce poverty and exclusion in collaboration with civil society, particularly in marginalized neighborhoods and



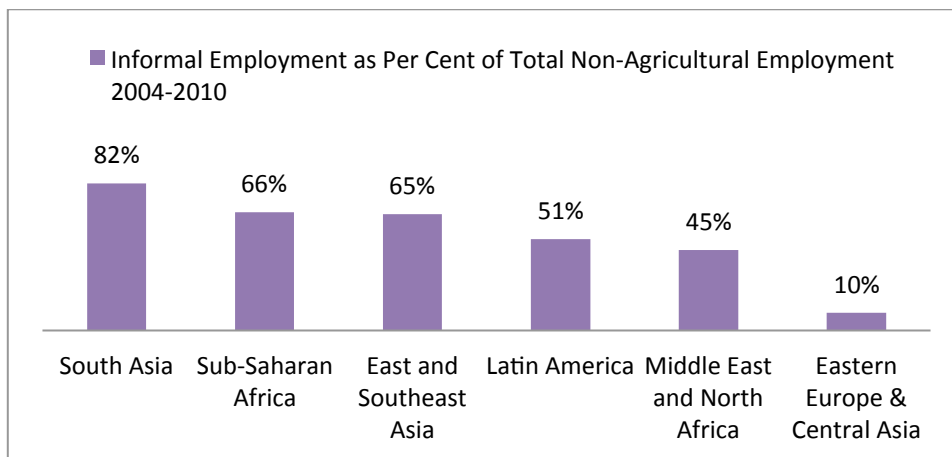
slums in developing countries. The large informal character of urban growth means that residents are excluded from public service delivery, formal labour markets, and the protection of state security. Informal provision of basic services, like water or electricity, hold risks for health, quality control, and are sometimes more expensive than the formal municipal provision.

- More profoundly, this marginalization and injustice erodes the public legitimacy to provide for equal access to services for all the urban residents. Furthermore, it jeopardizes the municipal finance sustainability as tax collection is not ensured. The size of informality in urban areas (in terms of local economies generated, employment, and space) and its intricacy with formal sector is such that it cannot be eluded anymore. There are emerging ways to improve collaboration between informal and formal sector, relying on cooperatives and organized civil society by implementing inclusive local policies (street vendors, waste pickers, etc.). Local governments should contribute to integrate the informal sector in the urban fabric through regulation, oversee and targeted support, including the co-production of public services.
- In an increasingly urbanized world, local governments are taking on greater responsibilities for urban management and service delivery. But they cannot act alone. There is an increased need for partnership and collaboration with communities, the private sector, civil society and women's organizations, as with central and other levels of government. However, local governments should be empowered but also responsible to ensure universal access to services and to preserve public goods.
- Cities, due to their compact size and contiguity, offer the greatest potential for the development of inclusive institutions for managing political conflict, create critical spaces for institutionalized forms of political debate and participation and facilitate new forms of political representation through civil society actors, operating within participatory governance mechanisms.
- Access to information, public participation and transparency are incentives for the different stakeholders involved in the urban making. A bottom-up approach and the participation of grassroots communities in city management and policy-making are important as they work and live in the locality and thus are well placed to contribute to local projects.
- Sound urban governance is gender responsive and requires the empowerment of women in local leadership and public affairs. Globally, women are grossly underrepresented in mayoral positions and local governance institutions. In every region, the number is under 15% of the total number of mayors.^x While data is largely lacking, the evidence that does exist tells us that when women are represented in decision-making positions, the priorities of families, women, and ethnic and racial minorities are scaled-up.
- Sound urban governance also facilitates the inclusion and participation of youth and minorities. Use of social media and urban youth activism in the context of popular reforms has often taken roots in urban areas and sub-national enclaves improving social policies, citizen participation and accountability in deprived neighborhoods where even formal mechanisms (elections, institutional checks and balances) have failed in the same areas.^x



- As the private sector is now an essential actor of urban governance, balanced partnerships have to be implemented to ensure that the public sector still drives local policies. Public-Private-Popular-Partnerships (PPPPs) are emerging to manage the power dynamics within such collaborations.
- Public administrations have to take into account the emerging and steady proliferation of social media and smart urban management technologies that can be an opportunity to promote democratic public choice making.
- Local governments associations are key partners in promoting dialogue between local and national governments, strengthening a multilevel governance approach, identifying and communicating successful strategies applied at local level and establishing horizontal cooperation between local and regional governments at national and international levels.

Figure 3: Informal Employment as Percent of Total Non-Agricultural Employment 2004-2010



Source: Women and Men in the Informal Economy: A Statistical Picture Second Edition, International Labour Office – Geneva: ILO, 2013

KEY DRIVERS FOR ACTION

- Strong, capable, enabled and accountable local governments to strengthen urban governance – adequate organizational and institutional structures, effective financing systems and procedures to enhance domestic public resource mobilization, promote strategic participatory urban planning and manage sustainable urban development.
- Effective decentralized framework to unlock urban and regional governance, with clear distribution of powers, responsibilities and resources, allowing for stronger multi-level governance and collaborative relations between different levels of government, based on the principle of subsidiarity (“service delivery should be assured as close as possible to the people, while still being efficient”).



- Improved metropolitan and megacity governance –with effective metropolitan coordination institutions, instruments and financing mechanisms, based on political consensus between local governments, to reduce metropolitan fragmentation and the impact of negative externalities, support metropolitan development, planning and resilient services and infrastructure delivery throughout the overall territorial extension, as well as articulation with national governments’ programmes and policies.
- Strengthen intermediary city governance, foster regional development and urban-rural linkages– innovative governance arrangements and target policies to strengthen the role of middle size cities as regional hubs, develop integrated regional strategies and plans, improve complementarities between cities and towns at subnational level through coordination and collaborative mechanisms between local and regional governments.
- Enhanced policies to support broader partnerships in local governance, including co-production of services and public goods, involve the private sector and local communities, integrate the informal sector in the urban fabric and collectively bridge institutional and resource gaps.
- Territorial approach - governance arrangements for macro-regional and regional territories via support to middle-size cities and urban-rural collaboration: development of strategies and plans, coordination mechanisms between local governments.
- Use of SMART technologies for innovative public management, participation and accountability reduce urban environmental impacts, improved data disaggregated at local level to support local planning and monitoring of urban development and encourage citizen participation and accountability.
- Women’s leadership and gender responsive local governance, mindful of the specific needs of women and men and fostering equal participation in local decision making and policy-making for more inclusive, balanced and dynamic governance.
- Participatory city decision-making and active citizenship via platforms engaging youth, women, minorities, communities and all citizens, continuous and structured dialogue, meaningful consultations, and others forms of constructive commitments between local institutions and non-state actors to guarantee long-term empowerment inclusion of all in the city decision-making process.
- Cities as models for improved state-society relations in fragile states - efforts to foster constructive state-society relations, safe and just communities, inclusive markets, basic service provision, and sustainable revenue generation.
- City-to-city cooperation as a collaborative and peer-to-peer exchange modality between cities, administrative staff and elected leaders for capacity development, based on north-south and south-south cooperation and the support of local governments associations.

The New Urban Agenda won't work unless "all relevant stakeholders, under a strong leadership of the local government, will join their forces and establish permanent structures of dialogue to make sure cities are places of opportunity for all".



ⁱ UN Secretary General Ban-Ki-Moon, Remarks to High Level Delegation of Mayors and Regional Authorities, UN Headquarters, 23 April 2012

ⁱⁱ UN-Habitat International Guidelines on decentralization and strengthening of local authorities approved by the 2008 Governing Council in Resolution 21/3

ⁱⁱⁱ UN DESA report on 'World Urbanization Prospects' (2014)

^{iv} New UN Urban Agenda Policy Paper, October 2014, CEB/2014/HLCP-28/CRP.5

^v OECD estimates that by 2050, 50 per cent of the world's poor will live in such contexts. OECD Environmental Outlook to 2050: The Consequences of Inaction - ISBN 978-92-64-122161 © OECD 2012

^{vi} UN-Habitat estimates that more than two thirds of the world's population lives in cities where income inequality increased since 1980's, *The Economist*, "A new form of radical centrist politics is needed to tackle inequality without hurting economic growth" 13th October 2012.

^{vii} Cohen, A., McCarthy, J. (2015). Reviewing rescaling: Strengthening the case for environmental considerations. *Progress in Human Geography*, Vol. 39(1) 3–25.

^{viii} Elmqvist, T., Fragkias, M., Goodness, J., Güneralp, B., Marcotullio, P. J., McDonald, R. I., ... Wilkinson, C. (Eds.). (2013). *Urbanization, Biodiversity and Ecosystem Services: Challenges and Opportunities*. Dordrecht: Springer Netherlands.

^{ix} UN Statistics Division based on UCLG data from 2009. The World's Women 2010: Trends and Statistics by United Nations 2010

^x Infrastructures of Consent Interrogating Citizen Participation Mandates in Indian Urban Governance, Coelho, K. Kamath, L. and Vijaybaskar, M. IDS Research Summary of IDS Working Paper 362 Publisher IDS

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