

### TRADE UNION AND WORKERS' GROUP RESPONSE TO THE HABITAT III THIRD REVISED ZERO DRAFT OF THE NEW URBAN AGENDA (18 July 2016)

#### Introduction

Public Services International (PSI) is the global trade union federation representing more than 20 million workers, in 660 unions in 150 countries and territories. We are dedicated to promoting quality public services in every part and city of the world. Our members, two-thirds of whom are women, work in social services, health care, municipal and community services, central government, and public utilities such as water, electricity and solid waste. Building and Wood Workers' International (BWI) is the global trade union federation composed of 326 trade unions representing 12 million members in 130 countries. Our members are found in the building, building materials, wood, forestry and allied sectors industries.

PSI and BWI hold the Vice-Chair and the Chair roles of the Trade Union and Workers Partner Group in the GAP on behalf of the Council of Global Unions, and bring to Habitat III the voice of all city workers worldwide: besides public sector and construction workers, these include transport, services, manufacturing, education, food and agriculture workers. Altogether we represent <u>125 million workers in over 160 countries</u>, and workers are the majority of city dwellers: it is we who build, manage, operate and bring cities to life on a daily basis.

#### **PART I - Overall comments**

We welcome the release of the third Revised Zero Draft of the New Urban Agenda (NUA) issued on 18 July 2016.

We note some improvement in the language that relates to key policy areas that directly impact our constituency and appreciate that some of the <u>comments we made to the first Zero Draft</u> (6 May 2016) are now reflected in this new Draft (18 July). However, *we note with great concern some disappointing and, at times, disturbing changes and new omissions on the language for labor standards and policies that have a major impact on socio-economic inclusion.* In particular, <u>we urge the Drafting Committee to reintegrate the inclusion of labour standard clauses in public procurement and infrastructure financing as it was in the first draft under par. 62 and to put back in language on taxation as it was in the first draft under par. 131, 133 and 152</u>, which are critical demands of our constituency and a pre-requisite for fair, inclusive urbanization. We also urge the Drafting Committee of the NUA to refer to our position on Habitat III <u>Ten key points for fair cities and for an inclusive New Urban Agenda</u>, to the General Assembly of Partners (GAP) document <u>Partnerships for a New Urban Agenda</u>, which contain lots of the pieces currently missing or needing enhancement in the new Zero Draft.

We continue to see a substantial disconnection between the vision and operationalization and between the economic and social provisions of this document. In particular, *the new Draft continues to be very weak in terms of concrete commitments and operational mechanisms to promote the creation of decent work for* 

## all city dwellers; to protect urban workers from economic precariousness that leads to poverty and inequality and from human and labour rights violations; and to spell out viable labour market policies that deliver substantive urban economic equity and social inclusion.

We are also very concerned the language has now become ever more generic with several references to '*leave no one behind*' par. 11, 12, 21, '*people-centered*' par. 8, 22 and general references to '*livelihoods*' and '*livelihood opportunities*' par. 39, 46, as well as to '*shared prosperity*' par 53, including in the commitments and follow up mechanisms. We are seriously concerned that the vagueness that characterizes this terminology, allowing for free interpretation, is dangerous and will work at odds with the key purpose of the NUA to become a reference for urban policies and a solid operational guidance for states, sub-national and local governments and all urban actors engaged in building the cities of tomorrow.

# While all main international reference frameworks to the NUA - such as the 2030 Agenda for Sustainable Development - are now mentioned under par. 6 and 9, the only missing one is the ILO Decent Work Agenda. We urge the final version of the NUA to include the ILO Decent Work Agenda among its underpinning frameworks, as this is so critical for the achievement of fair, inclusive cities.

While praising the Habitat III Drafting Committee and the Secretariat for their efforts and good work, we call upon Habitat III Member State Representatives, Negotiators, the Secretariat and all actors involved in the Habitat III process to equip the New Urban Agenda with the ambition, leadership, vision, concrete commitments and resources it requires to ensure that the urban development of the next 20 years is going to truly deliver fair, inclusive, sustainable outcomes for all workers and city dwellers while preserving natural resources and the environment.

The NUA cannot be successfully implemented unless it properly meets and addresses the challenges, needs and aspirations of urban workers. As workers and trade unions, we will continue to relentlessly monitor and fight for urban development policies and practices that are just for urban dwellers, workers and communities, denouncing and highlighting human and labor right violations in urban settings, while continuing to operate and build to cities for all on a daily basis.

#### **PART II – Specific comments**

We refer once again to our <u>first submission</u> on the Zero Draft of 5 May 2016, which continues to be conceptually valid and point out the following recommendations:

#### Major omissions to be urgently redressed:

Labour standard clauses in public procurement and infrastructure financing language has disappeared and must be urgently reintroduced in the final document: we note with extreme concern that par 62 of the first Zero Draft (6 May) 'We commit to promote the inclusion of labor standards in procurement and other forms of subcontracting, enforce labor standards in the implementation of public works via direct contracting, use municipal extension workers to train Small and Medium Enterprises and workers, and promote linkages between building inspection and labor inspection' has completely disappeared from the 18 July Draft, which now only has a general mention of 'fair procurement mechanisms' under par. 125, referred to transparency procedures. This is an absolute requirement for us. Local governments and municipalities are some of the major clients of the construction industry and can therefore be powerful change agents for progressive changes towards fair, inclusive cities. The public sector has an enormous potential to leverage its urban building and infrastructure development policies and purchasing power to demand the respect of social, labour and environmental standards from its builders and suppliers, as well as for the promotion of decent work and sustainable local sourcing practices. Public procurement in the New Urban Agenda must aim at achieving social, environmental and local economic development objectives, and not focus solely on cost considerations. Local governments and municipalities must use their purchasing power to lay down social conditions and labour clauses in their procurement policies, in line with ILO Convention 94.

- <u>Workers continue to be largely absent in this New Draft</u>: in fact they are mentioned only once under par. 15 among a long list of other stakeholders who need specific attention, and under par. 51 where 'domestic workers' are mentioned. We remind the drafting Committee and Member States that working people must be acknowledged as the largest sector of society and the engines of urban social integration and inclusive growth: they are the actors who build the cities and keep them running, and to do so they need empowerment, rights, protection and capacity-building through decent working conditions.</u> All working people face unprecedented challenges today in cities, not only informal and migrant workers. As it stands, the Draft of the NUA fails to even acknowledge them.
- Trade unions are barely mentioned; social dialogue and collective bargaining are missing from the New ٠ Draft. The term "trade unions" only appears once (par. 42), in discussing general forms of "collaboration" among stakeholders. In comparison, 'private sector' appears 9 times under par 1, 42, 73, 80, 112, 127, 128, 136, 149. Again, this is a major, serious omission that must be redressed. Free trade unions are the voice of all working people, and are critical in securing social inclusion, promoting decent work, pushing for progressive and fair taxation systems, for democracy and transparency. Through social dialogue and collective bargaining – eminent levers of social inclusion and sustainable development - trade unions make societies, communities and cities more socially resilient to economic and financial crises and other shocks, as largely acknowledged and documented. Collective bargaining takes place among social partners, which are governments, private employers and trade unions. Trade unions also play an irreplaceable role also in the implementation and monitoring of an inclusive NUA, as they have direct access to urban workplaces across sectors and can identify, report and help remedy labour and social inclusion issues. The NUA must include and spell out trade unions among the key city stakeholders, especially among those who are critical to the creation of inclusive, sustainable urban economies, and encourage tripartite dialogue and collective bargaining between trade unions, business and local government.
- Labour market institutions and active labour market policies continue to be absent from the new Draft. The new Draft continues to ignore the concept of 'labor market institutions' and 'active labour market policies', which should be, instead, at its heart: these are the critical levers of social inclusion and inclusive growth. Also, it is through active labour market policies and financing decent employment generation that new decent jobs can be promoted and created, including 'decent 'green jobs' – also sadly forgotten in the draft - in line with the objective of transforming cities towards ecological excellence and local green energy efficiency and generation. A laissez-faire labour market approach is not an option for the NUA and central and local governments alike have a critical role to play here.
- <u>Taxation THE critical lever for local government empowerment, financing of urban policies and for</u> <u>achieving fair, inclusive cities - is absent from the new Draft.</u> We note with disconcert that the positive references from the first zero Draft to 'increase local government autonomy over taxes' par. 131 and 'introducing fair taxation and city-wide redistribution of gains' par. 133 as well as 'improving technical and human resources (...) to maintain effective local tax systems' par. 152 have disappeared from this new Draft. We urge the Drafting Committee to fully reintegrate this wording and to go further to unfold the whole potential of fair and progressive taxation systems for sustainable municipal public financing by addressing the following tax-related issues:
  - **Strengthening municipal-own revenues through fiscal subsidiarity**: the most important constraint of local governments in providing public services is finance. Sub-national and local governments need independent sources of own revenue: they must be provided with adequate tax powers to carry out the mandate of providing satisfactory levels of local public services including sanitation, housing and transport, but also help to develop capacity in them to ensure the required revenue collections.
  - Progressive taxation systems are a prerequisite to ensure sustainable municipal financing of essential public services and infrastructures, and to fairly address urban inequality and foster social inclusion.

- Tax justice for local communities must be prominently featured: the new Draft continues to avoid the reference to the fact that sustainable municipal public financing encompasses the payment of a fair share of taxes by the private sector including multinational corporations (MNCs) operating or sourcing within the jurisdiction of local and regional governments which must pay taxes to the communities where they operate and generate profits. Corporate tax avoidance is a daily occurrence that deprives central and local governments of the resources they need to provide essential services. Tax justice is essential if we want to secure sustainable financing for the NUA. Within this context, the new Draft also leaves out how local fiscal systems fit within a broader national and international harmonization of norms and with a much needed reform of the global taxation system, currently facilitating systematic corporate tax avoidance (e.g. Declaration of the Independent Commission for the Reform of the International Corporate Taxation<sup>1</sup>). This is a primary responsibility of central governments.
- The deleterious impacts of inter-local tax competition, the excessive and often redundant granting of *fiscal incentives* (both inside and outside of special economic zones), and the drain on the revenues to several countries caused by urban-based tax havens are also left dangerously unaddressed in this Draft.
- The following fiscal-related policy instruments must be also explicitly mentioned in the final text: standardizing country-by-country tax reporting, automatic information exchange among countries/municipalities on taxpayers, tax inspectors without borders (e.g. UNDP and OECD initiatives) for strengthening local tax auditing capacity, inter-municipality and inter-country agreements on minimum corporate tax rates and tax incentives harmonization, developing a good local business tax system and strengthening the role of municipalities in international tax cooperation arenas.
- Central governments has a responsibility in raising municipal finance through tax justice and in securing policy coherence between national and urban policies: the acknowledgement of the role played by central governments in empowering local governments and in creating an enabling environment for thriving cities under par. 12 (a) is a positive step. Par 122 is also positive in recognizing the role of central government transfers to local government to sub-national and local government and sets a series of criteria to do so 'We will promote a sound and transparent system of financial transfers from national government to subnational and local governments based on their needs, priorities, functions, mandates, and on performance-based incentives -- providing them with adequate, timely and predictable resources and enhancing their own abilities to raise revenues and manage expenditures'. However we regret that the 20% transfer threshold has been lost (former par. 130 in the first draft). The acknowledgement of the importance of policy coherence across different policy levels is also critical, especially with reference to housing (par. 92), to the SDGs (par. 148) and within the UN system-wide coordination (par. 151). However, the new Draft continues to omit 2 critical aspects of the responsibility of central governments visa à vis subnational and local governments that need to be reflected in the NUA, notably that:
  - National governments must raise additional tax revenues, particularly from multinational corporations which are known to shift their tax bases to tax heavens and low tax jurisdictions. These corporations are known to employ a variety of means to indulge in underpayment of legitimate taxes which reduces the overall resource envelop available to developing countries in their pursuit of SDGs. In particular, concerted cooperation by the countries could minimize the tax abuse by multinationals. Higher revenue collection at the central level from multinational could result in higher transfers to achieve the SDGs.
  - National governments must ensure coherence between the national and local levels when it comes to trade agreements negotiations such as the Transatlantic Trade and Investment Partnership (TTIP), the Trans-Pacific Partnership (TPP), and the Trade in Services Agreement (TiSA) that constrain national and local government sovereignty and regulatory powers in favour of business and corporations; allow foreign corporations to challenge local government regulations and actions by providing the rights to sue for damages in areas such as zoning and waste disposal; and limit local government ability to invest in public services. As they stand, these trade agreements negotiated by the

<sup>&</sup>lt;sup>1</sup> ICRICT Declaration <u>http://www.icrict.org/wp-content/uploads/2015/06/ICRICT Com-Rec-Report ENG v1.4.pdf</u>

same governments that are involved in HIII would jeopardize local sustainable development efforts and would undermine the NUA vision and commitments as, through their built-in investment-state dispute settlement mechanisms, they will limit the ability of national and local policy-makers to adopt or revise decisions aimed at pursuing non-profit objectives such as social and environmental goals in the interest of their communities. Also, the NUA should explicitly mention that *national government have a critical role in setting a normative framework that levels the playing field minimizing destructive competition among local governments, particularly in areas like local taxation, labor and environmental regulation.* Decentralization must occur within a framework of fairness and shall not foster an inter-municipal "race to the bottom" dynamics due to competition for investment and economic opportunities.

#### Positive changes, with recommendations for further improvement and consistency:

Decent work for all: we appreciate the mention under par. 37 'We recognize that sustained, inclusive, and sustainable economic growth, with full and productive employment and decent work for all, is a key element of sustainable urban development and that cities and human settlements should be places of equal opportunities allowing people to live healthy, productive, prosperous and fulfilling lives' and under par. 49 'We commit to generate full and productive employment, decent work, and livelihood opportunities in cities and human settlements with special attention to the needs and potential of women, youth, persons with disabilities, indigenous people, refugees and internally displaced persons, and migrants, regardless of migration status, particularly the poorest and those in vulnerable situations, and to ensure that all people have equal access to income-earning opportunities, respecting and leveraging cultural diversity and territorial specificity'. Decent jobs are also mentioned under par. 2, 52, 54, 66, and 'decent employment' under par. 10 c. We encourage the drafting Committee to keep the consistency with this transformative commitment all along the document and to operationalize with appropriate labour market policies and dialogue mechanisms with workers and their trade unions. In particular, 'decent' is missing or separated from other related expressions under par. 11 b and 53 and to use the integrated expression 'full, productive, decent employment (or work) for all'. The NUA must also underpin the ILO's Decent Work framework and Agenda among the other UN Frameworks, which is not yet mentioned in the document. In a view to operationalize Decent work, *local sustainable and business* development must be linked to the promotion of decent work including compliance with labor standards.

<u>Universal access to quality public services for all:</u> we appreciate the wording from par. 48 *'universal access to adequate, inclusive, and quality public services*' and the mention of *public services* under par. 85. However, other parts of the text refer to *'basic services' par 11(a)* creating confusion and inconsistency in the text. Universal access to essential public services has a major impact on equality among urban populations and is inextricably linked to the respect of human rights. These public services are the foundation blocks of the Sustainable Development Goals (SDGs). Essential public services include: water, affordable energy, sanitation, waste management, health care, education, transportation, social services (e.g. child and elderly care, social housing), public security (municipal police), emergency services (firefighters, emergency medical responders), culture services (e.g. libraries, museums), public spaces (e.g. parks) and natural resource management. *These essential public services must be publicly owned. The role of accessible, affordable quality public services is paramount for building inclusive, sustainable cities and for reducing inequality in urban settings. We therefore recommend that all references to 'essential' or 'basic' services in the final text of the NUA are referred to as 'essential public services'.* 

• <u>Public financing for the delivery of essential public services</u>: we acknowledge the mention of intermunicipal cooperation as an instrument that is now mentioned under par. 84 as a 'as effective instrument to perform municipal and metropolitan administrative tasks, deliver public services, and promote both local and regional development' as well as a capacity development instrument for local government under par. 136. We encourage to maintain these mentions in the final document. We appreciate that the open endorsement and promotion of public private-partnerships as the solution to the urban financing and infrastructure gap and for the provision of essential services that was present in the first Draft now seems to have disappeared. However, under par. 80 we read 'We will encourage appropriate regulatory frameworks and support to local governments in partnering with communities, civil society, and the private sector to develop and manage basic services and infrastructure ensuring that public interest is preserved and concise goals, responsibilities, and accountability mechanisms are clearly defined'. While we acknowledge the goodwill of the drafting committee to ensure better performance of PPPs in terms of transparency and accountability, we wish to reiterate our observation that - based on the evidence of twenty years of many dramatic failures of public-private partnerships in essential services such as water, sanitation, electricity, health care, waste management and education, a worldwide wave of remunicipalizations is occurring and that there is no evidence that PPP's are more efficient than public sector service providers, and we advise extreme caution when advocating  $PPPs^2$  as a solution to the financing gap for urban infrastructure building. Par. 112 also calls for an 'tapping into all available traditional and innovative sources at the global, regional, national, sub-national, and local levels as well as enhanced partnerships among Governments at all levels, the private sector, civil society, the United Nations System, and other actors, based on the principles of equality, non-discrimination, accountability, respect for all human rights, and solidarity'. This is why we insist that the NUA includes references to the public option as a viable financing option for much needed essential services, including remunicipalization, public-public partnerships, public ownership, investment and management, which are more socially inclusive, allow direct control and are economically sustainable in the long run. These are increasingly the preferred choices of cities and communities that have been ravaged by the woes of privatization.

We also appreciate the mention under par. 126 of the need to 'establish robust legal and regulatory frameworks for sustainable municipal borrowing, on the basis of sustainable debt management'. However, the same par. 126 mentions 'the establishment of appropriate finance intermediaries for urban financing' and the 'Multilateral Investment Guarantee Agency' as one of the risk mitigation tools for municipal borrowing. Besides, par. 128, referring to urban transport infrastructure, mentions the possibility of 'public grants to other public entities', which we appreciate, but also to the private sector. On these abovementioned points, we urge the NUA to be wary of the economic and accountability trap that subsidizing and guaranteeing private investment in essential services with public funds represents.

Informal economy: 'a sustainable transition of the informal employment into the formal economy' is mentioned under par. 10 d. Nonetheless, in <u>our previous submission</u> we had encouraged replacement of the expression 'informal sector' and with 'informal economy', and to consistently mention the need to promote and facilitate the transition from informal to formal, decent employment, which is the pathway to social mobility and social inclusion for informal workers. This language and consistency does continues not to be reflected in the new document, which mentions under par. 46 'to facilitate business and livelihoods opportunities both in the formal and informal sectors' and under par 52 'the creation of quality, decent and productive jobs in both the formal and informal informal sectors': while the intention to create decent, productive jobs is excellent this cannot happen in the informal economy, as informal jobs don't meet the decent work requirements spelled out by the International Labour Organization (ILO), including the social protection criteria. We wish to remind that in most developing countries, a majority of slum dwellers are casual workers and not informal entrepreneurs, who are forced to live in substandard conditions due to the proximity of their jobs<sup>3</sup>.

<sup>&</sup>lt;sup>2</sup> PSIRU (2014) *Public and private sector efficiency. A briefing for the EPSU Congress*, May 2014 <u>www.epsu.org/IMG/pdf/PSIRU\_efficiency.pdf;</u>

Hall, D. Why Public-Private Partnerships don't Work. The many advantages of the public alternative. PSIRU 2015 http://www.world-psi.org/sites/default/files/rapport\_eng\_56pages\_a4\_lr.pdf;

Jomo KS, Chowdhury A., Sharma K., Platz D. Public-Private Partnerships and the 2030 Agenda for Sustainable Development: Fit for purpose? UN DESA Working Paper No. 148 ST/ESA/2016/DWP/148, February 2016 https://sustainabledevelopment.un.org/content/documents/2288desaworkingpaper148.pdf

<sup>&</sup>lt;sup>3</sup> A 2006 World Bank study documented in Nairobi, Kenya, that 49% of adult slum dwellers were casual workers, while only 19% were engaged in microenterprises <u>http://documents.worldbank.org/curated/en/2006/05/7066075/kenya-inside-informality-poverty-jobs-housing-services-nairobis-slums</u>

- <u>The role and challenges of small and medium enterprises (SMEs) is acknowledged.</u> We appreciate the mention under par. 50 to 'commit to address the challenges faced by local business communities, through supporting micro, small and medium enterprises and cooperatives throughout the value chain, in particular businesses and enterprises in the social and solidarity economy'. SMEs generate the most formal sector employment especially in low and middle-income countries, and props up consumption that keeps local economies dynamic.
- A substantial, integrated approach to fight corruption in the implementation of the NUA is still missing. We appreciate the positive mention of the support that states commit to provide to local government to establish and implement 'preventive anticorruption measures' par 125 and their related capacity building measures (par. 137) are positive. Yet, there is no call in this new Draft for a coherent, effective, enforceable transparency and accountability regulations and measures must be put into place, addressing all actors and stakeholders, to prevent and halt corruption and unethical practices in the implementation of the NUA, both at national and at local level, in the public and the private realms, including in lobbying activities and in public procurement procedures, whose details and contracts should be public and accessible to all to enable transparency, accountability and proper evaluation. We hold this must include adequate measures for proportional and dissuasive sanctions, public seizure of profits and gains attained through corruption and unethical practices and the protection of whistle-blowers, their families and communities from harm and retaliation. A failure to prioritize the fight against corruption and prompt a cultural shift where needed will severely undermine the efforts of the NUA, will subtract resources from those who most need them and will increase transaction costs.

#### <u>Public social housing and the right to decent housing.</u>

We appreciate the vision and transformative commitment under the new Draft of realizing 'the full and progressive realization and enjoyment of the right to adequate housing' par. 10 (a), p.93 which is a human right, including 'to prevent forced evictions' par. 25 and to develop 'gender and age responsive housing policies' par. 26. We note the commitment to 'strengthen the role of affordable and sustainable housing, including social habitat production' par 40, par. 87, but we regret this is seen only in the context of strengthening economic development and the role of the housing sector rather than for its nature of essential need and a critical factor for socio-economic inclusion. We are glad to see par. 92 has stayed 'consider shifting from a predominantly private ownership to rental and other tenure options, including cooperative solutions such as co-housing, community land trust, and other forms of collective tenure, in order to improve the supply of housing, especially for low-income groups and to prevent segregation', at the same time the *public social housing option is missing and must be included among the solutions.* We also hold that 'preventing land speculation; and promoting secure land tenure' par 11 (b) is critical for urban socio-economic inclusion and equity; and that needs to be ensured through the effective enforcement of adequate estate market regulation to put a halt to the commodification of housing, land and property, and public space. We are concerned that par. 124, which seems to try and address this problem through gain distribution and taxation are an ill-designed ex-post patch, whereas it is an effective, transparent regulation of the real estate sector that is needed. We also strongly reiterate our recommendation to emphasize the use of local, sustainable, renewable materials for housing and infrastructure building, especially in re-building and in disaster-prone areas.

#### • <u>Capacity building of local government workers</u>.

The new draft has a strong emphasis on local government capacity building in many relevant areas such as disaster risk reduction (par. 89), right to housing (par. 93), sustainable transportation (par. 103), water and sanitation services (par. 106), sustainable urban development management (par. 114), financial management and anti-corruption (par. 119, 137), stakeholder participation in urban policies (par. 134) and gender issues (par. 135), data collection (par. 144), local government capacity to take part in the NUA review (par. 150) and we agree that capacity and skill building must be recognized as critical for the successful implementation of the NUA. This correctly spells out the *specific role of city workers and local government workers in particular*. However, an important area that is missing from this list is the need *to build the capacity of government authorities (especially local authorities) to embed decent work in* 

their urban policies and activities and to expand and upgrade human settlements via policies to stimulate the local economy and foster socio-economic inclusion. This includes support to and empowering of public sector workers. It is local, regional and central government, including international organizations public servants, who will have to implement the NUA.

The role of city workers needs to be acknowledged and valued in the NUA, also in the context of capacity building. Only skilled, well-trained local government and municipal staff, with decent working and living conditions and with access to adequate resources, can sustainably deliver quality public services to the communities they serve and successfully confront the many challenges posed by rapid urbanization. City workers must be also accompanied and their capacity strengthened in a fair transition towards digitalization and towards a green, zero-carbon economy.

• Inclusion of the General Assembly of Partners (GAP) in the implementation and follow-up mechanisms: we appreciate the text under par. 113 that pledges to involve and mobilize the GAP in the implementation and follow-up of the NUA. Nonetheless, we are concerned about the lack of specific review and follow-up mechanisms and we refer to the GAP 'Partnerships for a New Urban Agenda' for this purpose.

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For more information and resources:

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