 **Municipal Finance and Human Rights**

**A**

**Cities Night Scene © UN-Habitat**

**National and local authorities are responsible for allocating the maximum available resources for the realization of human rights**

**Economic policies and institutions should be aligned with human rights standards.** Policy coherence is critical for the successful implementation of the New Urban Agenda. This will entail taking measures to bring about coherence between the work of all institutions, ensuring the prosperity of cities through inclusive employment, reduced inequalities and discrimination, sustainable urban development and the realization of the human rights of all urban inhabitants. Effective governance for sustainable urbanization demands that public institutions are in line with international human rights standards and principles and are accountable to people.

*Municipal finance is about the revenue and expenditure decisions of municipal governments. It covers the sources of revenue that are used by municipal governments – taxes (property, income, sales, and excise taxes), user fees, and intergovernmental transfers. It includes ways of financing infrastructure through the use of operating revenues and borrowing as well as charges on developers and public-private partnerships. Municipal finance also addresses issues around expenditures at the local level and the accountability for expenditure and revenue decisions, including the municipal budgetary process and financial management.*

*UN-Habitat, Guide to Municipal Finance, 2009*

**The maximum available resources should be used to realize the human rights of urban inhabitants.** Under core human rights treaties, States are obliged to mobilize and allocate the maximum available resources for the realization of all human rights. To fulfil their human rights obligations, to end poverty and to deliver on the 2030 Agenda for Sustainable Development, States should endorse a financing framework for inclusive urbanization that equals these ambitions. Substantial resources will be needed to implement a New Urban Agenda that is sustainable and inclusive, and this will require the effective mobilization of resources from among all key stakeholders, with the aim of reducing inequalities and promoting prosperity for all. It will also require the prioritization of targeted policies and programmes to include and fulfil the human rights of those individuals, groups and communities in situations of vulnerability.

**Urban financing should be participatory and human rights-based.** Financing strategies, fiscal policies, tax systems, subsidies, development plans, and budgets should benefit the poorest and most marginalised, and should be the product of transparent and participatory processes. They should also be supported by laws that protect human rights, including in the economic sphere, and by public institutions that are non-discriminatory, inclusive, participatory and accountable for financial policies and strategies.

**Equal and non-discriminatory financial service access should be guaranteed for all.** States have committed to guaranteeing equality and non-discrimination, and should strive to ensure universal access to affordable and appropriate financial services across income, gender, geographic, age and other groups. This will require the establishment of effective regulation and recourse mechanisms, as well as consumer protection agencies to prevent predatory lending. It is also important to establish effective programmes to build greater financial literacy among all urban inhabitants, with a focus on the most economically marginalized groups.

**Excluded groups should be empowered.** States must be committed to upholding the rights ofall people, and special measures are needed to protect the rights of the most excluded groups in society, including women and children in situations of greatest vulnerability, persons with disabilities, migrants, and the urban poor. The full realization of the human rights of all can only be attained when excluded groups are effectively integrated into society. Specific barriers to women’s access to finance must be eliminated. Women and girls must have equal access to financial services, and the right to own land and other assets. The human rights of migrants should be protected, regardless of their status and not be treated as an economic commodity.

**Accountability is crucial.** National and local authorities should adopt policies and institutional, legal and regulatory frameworks to encourage responsible and accountable public and private investment in cities. Such frameworks should include human rights and sustainability criteria, and should align investor incentives with sustainable urbanization.

**By monitoring progress toward fulfilment of human rights objectives, States can make informed decisions regarding the effective use of resources for the progressive realization of human rights. State authorities should regularly review and monitor the impact of investments and finance based on specific, measureable, time-bound targets to ensure the accountability of all States for their commitments.**

**All, including the private sector, should respect human rights and do no harm:** As businesses assume an ever-expanding role in the development and economic spheres their adherence to the human rights responsibilities outlined in the UN Guiding Principles on Business and Human Rights becomes increasingly critical. Businesses must respect human rights and do no harm. These responsibilities apply in the context of public private partnerships (PPPs), blended finance instruments, foreign direct investment and all private business activities. With regard to PPPs and blended finance, the risks and benefits of investments should be shared equitably between public and private investors. Both private and public sector partners must meet their respective human rights responsibilities and obligations. In working together, States and businesses should incorporate social, environmental, labour, human rights and gender equality considerations into their activities and subject public private partnerships to human rights safeguards and rigorous due diligence, including human rights impact assessments.

Considering housing as a mere commodity and real-estate opportunity leads to speculation and to the social and spatial exclusion of those in situations of vulnerability and economic marginalization. Therefore, private sector partners and local financing plans must put the city at the service the urban, social, economic, cultural, environmental and political rights of all inhabitants’. This will require a redistributive approach in which inequalities in housing opportunities and incomes are actively reduced through sustained redistributive mechanisms, and in which local financing processes are transparent and participatory.

**State authorities should establish appropriate regulations and oversight mechanisms to protect human rights from the potentially negative impacts of public-private partnerships and blended finance instruments.**



For more information on human rights and urbanization, please visit:

<http://www.ohchr.org/EN/Issues/Urbanization/Pages/UrbanizationHRIndex.aspx>