

Summary of the thirteenth meeting of the Ad-Hoc working group on programmatic, budgetary and Administrative matters of the Executive Board

Wednesday 17 March 2021 – morning session, 10:00 – 12:00 East Africa Time (EAT)

Chair: H.E. Mr. Dragan Zupanjevac Permanent Representative of Serbia to UN-Habitat and rapporteur of the Executive Board of UN-Habitat standing in for H.E. Ms. Saqlain Syedah, Permanent Representative of the Islamic Republic of Pakistan to UN-Habitat and Chair of the Ad-Hoc working group

The Chair called the meeting to order at 10:05AM (EAT)

1. Adoption of the Agenda

The Ad-Hoc working group on programmatic, budgetary and administrative matters of the Executive Board (“The Ad-Hoc working group”) adopted the provisional agenda for its thirteenth meeting as follows:

1. Adoption of the provisional Agenda.
2. Discussions on financial status of UN-Habitat.
3. Update on the restructuring process.
4. Informal consultations on the draft decisions towards the 2021 first session of the Executive Board.
5. Any other matters.

After the adoption of the Agenda, the meeting considered Agenda item 2, namely discussions on discussions of financial status of UN-Habitat.

2. Discussions on the financial status of UN-Habitat

- i. The Chair noted that on 24 February 2021, the Secretariat shared an advance version of the report of the Executive Director entitled “Financial, Budgetary and Administrative Matters: interim financial status of the United Nations Human Settlements Programme as of 31 December 2020 as set out in document [HSP/EB.2021/2](#) and provided on 12 March 2021, additional background document on [the financial status of the United Nations Human Settlements Programme as of 28 February 2021](#).
- ii. The Chair reiterated that the purpose of the meeting was for the Secretariat to brief the Ad-Hoc Working Group on the financial situation of UN-Habitat, and for the Ad-Hoc Working Group to request any clarification or provide guidance. In addition, the Chair further stated that any recommendation from the Ad-Hoc Working Group on the matter will be conveyed to the Executive Board at its 2021 first session as part of my report to the Executive Board under Agenda item 3 of the provisional Agenda for the 2021 first session.
- iii. The Secretariat provided a briefing on the implementation of the financial situation of UN-Habitat. The full presentation by the Secretariat can be accessed [here](#).

The briefing highlighted the following:

1. Status of UN-Habitat main funds as of 28 February 2021:

- Highlights of the regular budget, foundation non-earmarked, foundation earmarked and technical cooperation as reflected in page 1 of the [report of the Executive Director on Financial and Budgetary Matters as at 28 February 2021](#).
- Acknowledgement of the Government of Mexico for their contribution of USD 500,000 this year noting that the budget of the Foundation restricted budget of the foundation which leads to continuity of UN-Habitat austerity plan.
- Elements of the UN-Habitat budget have been impacted by the effects of the COVID-19 pandemic.

2. Voluntary contributions by region:

The Secretariat thanked Member States and other entities below for their generous contribution in the first two months of these year.

No.	Contributor	United Nations region	FNDE	TECH	Total
1	Algeria	Africa	-	-	-
2	Egypt	Africa	-	-	-
3	European Commission	Western Europe and Other	2,000.1	4,249.7	6,249.8
4	India	Asia and Pacific	-	43.9	43.9
5	Institute for Transportation and Development Policy	Global	281.4	-	281.4
6	Italy	Western Europe and Other	3.1	-	3.1
7	Korea East-West Power Co Ltd	Asia and Pacific	-	173.7	173.7
8	Rwanda	Africa	-	-	-
9	Sweden	Western Europe and Other	14.6	-	14.6
10	Switzerland	Western Europe and Other	1,112.4	-	1,112.4
11	The Adaptation Fund Board	Global	80.0	-	80.0
12	Tongji University	Asia and Pacific	50.0	-	50.0
13	UN Agencies (Includes One UN Fund)	Global	2,061.6	1,100.7	3,162.3
Total			5,603.2	5,568.0	11,171.2

Abbreviations: FNDE, Foundation earmarked; TECH, technical cooperation.

3. Earmarked voluntary contributions as of 28 February 2021:

- Projections for 2020-2021 show negative projection due to the loan of USD 3 Million from the programme support account, as reflected in page 6 of the [report of the Executive Director on Financial and Budgetary Matters as at 28 February 2021](#).
- 2021 net assets will grow to an additional negative projection due to the outstanding loan as referred to above.

4. Trends in the Foundation non-earmarked Funds:

- The secretariat implemented strict austerity measures for the Foundation non-earmarked fund. In this regard, out the 58 approved posts approved during the resumed first session of the Executive Board in November 2019, 14 positions have been filled and 44 posts are frozen, affecting the delivery of normative and programmatic operations.
- The current trend will also have a negative impact on the servicing of the upcoming meetings of the Governing Bodies of UN-Habitat such as the High-Level Mid-Term Review of the Committee of Permanent Representative Meeting (CPR) scheduled in June 2021 and the second session of the Executive Board for the year 2021.

5. Status of the UN-Habitat programme support fund as of 28 February 2021:

During the upcoming first session of the Executive Board for the year 2021 to be held on 7 and 8 April 2021, the Secretariat will provide an update on **the use** of additional resources from the Programme Support Fund to (i) ensure sustenance of existing staff contracts and (ii) meet organizational needs which include corporate fees applied by UN HQ in New York, to cover corporate initiatives such as the Umoja **Enterprise Resource Planning (ERP)** application, which is a single, global solution that is enabling efficient and transparent management of United Nation's financial, human and physical resources and improving programmatic delivery.

6. Statement of financial performance for the period ended 28 February 2021 (by segment) as reflected on page 7 of the [report of the Executive Director on Financial and Budgetary Matters as at 28 February 2021](#).

Following the presentation by the Secretariat, the discussions highlighted the following:

1. Member States requested succinct opinions from the Secretariat on the present challenges faced by the Organization with respect to the financial situation including implication to staff posts.
2. **USA** recalled their interventions during the 12th Ad-Hoc Working Group on PBA held on 3 March 2021, for which they still await feedback, during which the delegation flagged assumptions made on the negative impact of COVID-19 on the 2022 draft budget. USA further reiterated that the 2022 draft budget needed to be realistic in assessing the environment and trends.
3. **CANADA** acknowledged the challenges emanating from the presented budget situation and further observed that Member States have not been consistent in transmitting their contributions which has negatively impacted the implementation of SDGs and flagship programmes such as the Safer Cities Programme. The delegation further noted that the budget presented by the Secretariat for the year 2022 presented an important budget on earmarked funding but not a sufficient budget for voluntary non-earmarked funding and further requested for a detailed explanation from the Secretariat on the impact on the lack of funding for the next 6 months and for the year 2022 which should be clearly detail as follows:
 - How much UN-Habitat has raised from public, private donors and other sources?
 - How many staff have been laid off?
 - Implications of decreasing contributions from the public and private donations to the Organization.
4. **FRANCE** reemphasized on the need for the Secretariat to provide detailed presentations on impacts of the lack of contributions, which can be used for discussions with respective Capitals.
5. **EGYPT** called on the Secretariat to present UN-Habitat's progress made in the implementation of the resource mobilization strategy during the upcoming 2021 first session of the Executive Board, including innovative ways of resource mobilization adopted during this COVID-19 period.
6. **SWEDEN** reiterated the importance of Member States to dialogue and provide guidance to the Secretariat in their capacity as Executive Board members. In addition, in their capacity as donors, Sweden further noted the lack of contributions to the earmarked fund which is imperative for UN-Habitat to succeed in implementing its mandate. She further noted the importance of seeking alternative models of funding by giving the example of the Swedish Contribution, which is a multi-annual contribution in a period of four years, which is geared toward the implementation of the UN-Habitat Strategic plan.

In light of the views expressed by Member States, the Secretariat responded as follows:

1. The Secretariat continually monitors the situation of earmarked funding noting the financial impact of COVID-19 which has mounted pressure on National Governments and negatively impacted foreign aid.
2. The regular and the core budget need additional resources to further implement the 2020-2023 UN-Habitat Strategic Plan.
3. UN-Habitat is working with regional offices and philanthropist to achieve its financial goals and increased its source of funding.
4. Financial constraints:
 - Impacted the implementation of the flagship programmes and the resolutions adopted by the UN-Habitat Assembly, which address cross cutting issues such as gender, safer cities and capacity building.
 - Challenged the achievement of UN-Habitat long-term objectives against SDGs against reporting, data analysis.
 - Caused stress on staff members and departments where if one or two key staff members are ill, the department is not be able to deliver.
 - Turned UN-Habitat into a project-based organization
5. Should UN-Habitat proceed to a downsizing, it will abide by the rules of the General Assembly noting that official announcements on a downsizing to the global community of donors, will have a negative impact on UN-Habitat's reputation and ability to deliver its mandate.

6. The lack of core funding is forcing UN-Habitat to deviate from the Secretary General's goals as endorsed by Member States which highlights that all organizations by 2025 should have a minimum of 30% funding from the core.

Following the responses by the Secretariat, the Member States further highlighted the following:

1. **FRANCE** expressed that Member States were conscious that UN-Habitat staff were under high pressure and spending nights working to provide solutions and further agreed with the Secretariat's assessment on its effect on normative work which would negatively impact the Secretariat's service to Member States. She strongly encouraged the Secretariat to clearly present the direct impact of the lack of funding on the delivery of programmes and its implications on the status of staff for discussions, orally and in written formats and not bilaterally but to all Member States. This way a global picture would emerge, and which will escalate the sense of urgency which can be reported to Capitals.
2. **SERBIA** called upon the Secretariat to open a Regional Office in Eastern Europe to enhance participation and financial contribution of the Eastern European countries.

3. Update on UN-Habitat on-going restructuring process

- i. The Chair further noted that on 24 February 2021, the Secretariat shared with the Ad-Hoc Working Group an advance version of the report of the Executive Director entitled "Ongoing restructuring of the United Nations Human Settlements Programme" as set out in document [HSP/EB.2021/3](#), which is expected to be considered by the Executive Board at its 2021 first session in April.
- ii. The Chair reiterated that the purpose of the meeting was for the Secretariat to brief the Ad-Hoc Working Group on the on-going restructuring of UN-Habitat and the recommendations from the Ad-Hoc Working Group on the matter will be conveyed to the Executive Board at its 2021 first session as part of my report to the Executive Board under Agenda item 3 of the provisional Agenda for the 2021 first session.

The Secretariat provided a briefing on the on-going restructuring of UN-Habitat.

The briefing highlighted the following:

- i. The Executive Director approved the Guiding Principles to Realign and Enhance the Agency's Regional Architecture in November 2020. This was based on the recommendation of an agency wide task team set up in 2019 to ensure alignment between headquarters-based activities with that of field offices. The roll-out plan was reviewed and recommended to the Executive Director at the UN-Habitat Executive Committee meeting in February 2021.
- ii. The Guiding principles are based upon three broad pillars of reform including:
 - (a) to enhance programmatic effectiveness; and the delivery of technical advisory & other services;
 - (b) to enhance headquarters support to regional and country offices with respect to monitoring, reporting, evaluation, risk management and other human resources-related matters and
 - (c) To Strengthen internal coordination & accountability by refining and/or establishing reporting lines between headquarters-based divisions as well as between divisions and offices away from headquarters, including project and related offices.
- iii. Due to the on-going financial austerity and disruptions arising from COVID-19, the Executive Director decided that the Guidelines will be implemented in two parallel work tracks including;
 - (a) By strengthening the Programme's existing regional architecture where existing locations and presence will be prioritized especially their financial sustainability; and
 - (b) working with Member States, identify new offices away from headquarters and seek interest of Member States to host new UN-Habitat offices.

- iv. The Guidelines also explains the Secretariat Process for establishing offices away from headquarters taking into account the Executive Office of the Secretary-General's directive (EOSG Memorandum dated December 2019). In this case, the Executive Director has to seek "approval in principle" from the Secretary-General and that EOSG is to consider "institutional policy or political aspects, including any offer of financial and/or in-kind support from prospective Host Government".
- v. UN-Habitat types of Presence: The task team continues to work on the roll-out plan based on the twin-track approach described above. Globally, UN-Habitat provides support through the development and implementation of normative work that is funded by Regular Budget & Extra-Budgetary resources. Its normative products are available to all Member States, where possible in all 6 UN languages. In 2020, UN-Habitat published its Catalogue of Services, which was disseminated worldwide. Away from headquarters and living up to its mandate as an operational secretariat agency, UN-Habitat has four kinds of presence including:
 - (a) presence through projects/advocacy/campaigns, whereby it operates based upon an MOU or MOA;
 - (b) a country office, whereby it operates through a Host Country Agreement with fixed operations costs that are off-set by the host country & donors;
 - (c) Liaison offices in New York, Geneva, Brussels and Bangkok, which are mainly funded by Regular Budget & Extra budgetary resources as well as donors with host country support; and
 - (d) Regional Offices, that have evolved through time with particular arrangements that we are now hoping to standardize.

Overall UN-Habitat has regional offices in Regional Offices in the Regional Office of Asia Pacific, Regional Office of Africa, Regional Office of Asia Pacific and the Regional Office of Latin America and the Caribbean.

- vi. UN-Habitat provides advisory services through a regional advisor in EES and Central Asia. There are two UN-Habitat offices in Moscow and Beijing respectively. In some cases, owing to financial austerity and other matters, UN-Habitat has offices in a state of abeyance.
- vii. Global Programmes, often working with partners, have been established in Nairobi (Participatory Slum Upgrading & Global Land Tool Network), Barcelona (City Resilience Global Programme), Bonn (Global Water Operators Alliance), Hamburg (Innovation Technologies Accelerator); these global programme offices are established through a transparent and competitive bidding process.
- viii. In February 2021, the Executive Director, based upon the recommendation of the task team and the endorsement by the Executive Committee, approved the European field architecture roll out plan. It confirms UN-Habitat's Brussels office as the main focal point for the European Union; the Geneva Office as the liaison office for Geneva-based UN agencies and three global programme offices in Barcelona (CRGP), Bonn (GWOPA) and Hamburg (Innovation Technologies).
- ix. With regards to Eastern Europe and Central Asia, it is proposed that UN-Habitat work with Member States to develop the appropriate bidding mechanism to host a sub-regional office in a suitable location. At present, the inter-regional advisor, supported by RB funds, provide advisory services from Nairobi.
- x. Similar roll-out plans to be completed by end March for ROLAC & ROAS; in early April for ROAP and ROAF. UN-Habitat will be sharing more details at the Regional Group meetings that are scheduled for the next 2 weeks.
- xi. UN-Habitat also welcomes opportunities to meet bilaterally to meet the needs of Member States.

Following the presentation by the Secretariat, the discussions highlighted the following suggestions from Member States:

- i. **USA** highlighted on a discrepancy between the information provided under Agenda item 2 on the financial situation of UN-Habitat as at 28 February 2021 and Agenda 3 on the on-going restructuring, indicating that the financial constraints and UN-Habitat's current austerity plan do not allow for regional expansion. The delegate further recalled that if UN-Habitat wished to maintain its core function, staff need to be based at the Headquarters in Nairobi. He raised concerns in opening offices in Barcelona, Bonn and Hamburg being cities based in high-income countries and not in low- or middle-income countries.
- ii. **USA** reiterated that elements of the 2020-2023 Strategic Plan needed to be considered bearing in mind financial constraints and concerns on whether a strengthened regional architecture is important as compared to strengthening the Headquarters in Nairobi.
- iii. **SWEDEN** requested for a paper providing an overview of the country presence of UN-Habitat offices.
- iv. **POLAND** referred to the involvement of UN-Habitat in Eastern Europe in February 2020, when the Minister of Finance and Infrastructure of Poland made an official offer to reopen the office in Warsaw and reemphasized it would appreciate a response from the Secretariat on the same.
- v. **KENYA** enquired the Secretariat which support would be needed from Member States to strengthen the Headquarters
- vi. **SERBIA** stated that UN-Habitat's regional and country offices presence would need to be discussed during the upcoming 2021 first session of the Executive Board to be held in April.

In light of the views expressed by Member States, the Secretariat responded as follows:

- i. The Secretariat is cognizant of the financial situation and reassured Member States that further expansion of regional offices has been curtailed by austerity measures in place and tailored accordingly. It further highlighted that no regular budget source has been used for setting up regional offices, but this is rather sourced from donors and project funding. In this regard, the country offices in Barcelona are supported by the City of Barcelona. In addition, the Bonn Office was competitively bid to implement the GWOPA programme as it is a UN Secretariat programme. The Secretariat further reassured that the model can be used to replicate opening of an office on Eastern Europe.
- ii. Most of the UN-Habitat Foundation funding is used at the Headquarters level and programme support costs are used to support the regional offices.

The Chair adjourned the Ad-Hoc Working Group at 12:00 PM (EAT) and announced that the meeting would reconvene at 14.30 (EAT) for the afternoon for the first reading of draft decision to be possibly adopted by Member States, which draft as after the first reading has been transmitted to Member States on Monday 22 March 2021.