

Summary of the thirty-seventh meeting of the ad-hoc working group on programmatic, budgetary, and administrative matters of the Executive Board

Tuesday, 07 March 2023 – 14:30 – 16:30 East Africa Time

Chair: H.E. Ms. Saqlain Syedah

Permanent Representative of the Islamic Republic of Pakistan to UN-Habitat

Agenda item 1 - Adoption of the Agenda

The meeting of the ad hoc working group on programmatic, budgetary, and administrative matters of the Executive Board was called to order at 14:35 EAT. The working group adopted the provisional agenda for its thirty-seventh meeting without any change as follows:

1. Adoption of the provisional Agenda
2. Financial status of UN-Habitat
3. Resource mobilization
4. Any other matters

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

Agenda item 2 - Financial status of UN-Habitat

Under this item, the Chair provided the following background:

- i. The Chair recalled that in paragraph 5 of its Decision 2019/4 adopted at the resumed first session of the Executive Board for the year 2019, the Board decided that the financial situation of UN-Habitat should be included on the provisional agenda of each Executive Board session for consideration.

Following the above background information, the Secretariat provided a briefing on the financial status of UN-Habitat with a focus on sustainability.

The full presentation can be accessed [here](#).

The briefing by the Secretariat highlighted the following:

- i. The Secretariat outlined that in the year 2022, UN-Habitat spent a majority of its funding towards technical cooperation (58.2%) at the country level whereas 27.0% was spent on foundation earmarked, 8.7% on regular budget, 5.1% on programme support costs and 0.9% on Foundation non-earmarked activities.
- ii. The Secretariat noted that the annual budget of UN-Habitat for the year 2022 was approved in 2021, at a time when the Organization was still operating on aspirational budgets. The Secretariat further updated that the aspirational budget in 2022 exceeded the actual revenues and expenses of 2022. The Secretariat recommended that that going forward, UN-Habitat would rather treat the annual budget as spending plans based on revenues.
- iii. In an effort to move towards solvency, the Executive Director developed a proposed annual budget for 2023 of \$3 million for the Foundation non-earmarked and of \$12 million for programme support costs.

- iv. The Secretariat acknowledged that, for the first time in 12 years, UN-Habitat's revenues (\$7.7 million) in the foundation non-earmarked fund exceeded its expenses (\$1.8 million). The Secretariat recalled that the previous years, UN-Habitat was operating on deficit spending through its assets. Due to rigid austerity measure and successful fundraising, UN-Habitat's net assets went from negative \$1.1 million in 2020 to \$4.8 million in 2022. Therefore, a surplus of \$5.9 million was achieved for the year 2022.
- v. The Secretariat recalled that decision 2022/5, paragraph 11 of the Executive Board in its *"decides to set the minimum level of the reserve at \$3 million or 20 per cent of the approved budget for the following financial period"* and in paragraph 12 the Executive Board provided that the *"Executive Director is authorized to enter into planned commitments from the available balance of the financial reserve to compensate for short-term requirements and liquidity due to uneven cash flows in accordance with the approved work programme and budget"*. In this respect, the Secretariat noted that the financial reserve was fully funded by \$3 million and that a first instalment payment of \$500,000 thousand against the \$3 million loan was effected.
- vi. The Secretariat further highlighted the milestones of 2022 as having achieved: (i) realistic budgets, treated as spending plans, (ii) controlled spending within agreed envelopes, (iii) maintained all personnel, and (iv) stabilized core finances. Furthermore, UN-Habitat achieved its first of many including: (i) first additional regular budget posts approval in 20 years, (ii) first surplus in 12 years, (iii) first fully funded financial reserve, (iv) first instalment to repay the loan and (v) first programme budget implication from paragraph 17 of decision 2022/6.

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

- i. Several Member States congratulated the Secretariat on the progress made in returning the Organization to solvency. Similarly, Members States acknowledged (i) the approved increase of the regular budget in 2023, (ii) the surplus achieved for the Foundation non-earmarked, (iii) the funded financial reserve and (iv) the first instalment of repaying the \$ 3 million loan. They acknowledged that such achievements reflected the efficient role of the Executive Board as an oversight body.
- ii. One Member State enquired whether the support to UN-Habitat regional offices was funded from non-earmarked funds.
- iii. Another Member State sought clarification as to why the \$ 3 million loan was not yet repaid in full.
- iv. Several Member States encouraged UN-Habitat to continue on the positive trend that will build the trust between UN-Habitat and its donors while urging Member States to continue to adopt realistic budgets for the non-earmarked fund.
- v. One Member State indicated the need to strengthen UN-Habitat regional offices that face challenges in the delivery of UN-Habitat's mandate.

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

- vi. The Secretariat indicated that UN-Habitat has a large global and regional footprint despite being a relatively small Programme. The regional architecture of UN-Habitat includes several layers expanding from the headquarters in Nairobi down to regional offices, then to country offices and then project offices. The Secretariat, however, informed that for now, the core funding of UN-Habitat is currently only distributed in the Liaison Office in New York and the core funding

is used to fund three regional representatives in the Regional Office of Africa, Regional Office for Asia-Pacific and the Regional Office for Arab States. The Secretariat clarified that all other operation and personnel costs outposted from Nairobi are currently funded through earmarked voluntary contributions using project funding. Moreover, the Secretariat noted that the Secretariat offices such as the Local 2030 Coalition and the Global Water Operators are earmarked funded projects sponsored by Governments which will only operate provided there is voluntary earmarked funding available.

- vii. The Secretariat responded that UN-Habitat had a loan liability of \$ 3 million. Given the \$ 5.9 million surplus received in 2022, UN-Habitat allocated \$ 3 million dollar to the financial reserve and made an initial instalment of \$ 500,000 against the loan of \$ 3 million. The Executive Director decided to pay the initial instalment as a sign of good faith towards repaying the loan. Since UN-Habitat is still recovering from insolvency, however, the Executive Director will evaluate whether to complete the total payment of the loan at the end of the year 2023.

Agenda item 3 – Resource Mobilization

The full presentation can be accessed [here](#).

The briefing by the Secretariat highlighted the following:

- i. The Secretariat informed that the primary goal of UN-Habitat Resource Mobilisation Strategy for the period 2020-2023 is to ensure sufficient, predictable, flexible, and long-term funding to implement the approved activities under UN-Habitat Strategic Plan 2020-2023. It aims to be result-focused, efficient, transparent, and accountable to maximise grants and investments' return on value.
- ii. The Secretariat indicated that the objective of the strategy is to: 1) secure adequate funding to implement UN-Habitat Strategic Plan 2020-2023; 2) support delivery of urban SDG targets and the New Urban Agenda by aligning with the UN Sustainable Development Cooperation Framework at the country level and by adhering to the UN Funding Compact; 3) develop and enhance strategic partnerships with donors and recipient communities; 4) diversify UN-Habitat's donor base; 5) find innovative methods for fundraising; 6) demonstrate that UN-Habitat implements programmes in an accountable, efficient and transparent manner that produces transformative results and impact.
- iii. The Secretariat further indicated that due to the additional regular budget resources from the General Assembly in terms of posts, the regular budget fund mobilization performed well in 2022. Whereas there are positive indications based on the 2022 surplus, the Foundation non-earmarked fund still lags behind on its overall targets since the fund is heavily dependent on the mobilization of voluntary contribution from Member States. The Foundation earmarked fund is being monitored to ensure it remains active while the technical cooperation fund performed well, meeting its targets at 55%. As at 31 December 2022, UN-Habitat had acquired 64% of the total target set in the resource mobilization strategy. Therefore, if the Strategic Plan is extended for another two years, there is a high probability of achieving the \$ 1 billion target of the strategy aimed to support the implementation of the Strategic Plan.
- iv. The Secretariat highlighted that there are usually fewer voluntary contributions in the earlier months of the year. The Secretariat further acknowledged Slovak Republic and China for providing soft-earmarked funding and encouraged more Member States to do the same. The Secretariat noted that in addition, it had developed several packages for soft-earmarked to meet

the various interests for Member States such as support to the servicing of Governing Bodies of UN-Habitat, or support to regional offices for instance, among others.

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

- v. One Member State noted that UN-Habitat's non-earmarked resources represented less than 10% of the overall budget and inquired how the Organization maintained balance between the decisions taken by the intergovernmental decision-making bodies which provide programmatic direction on how UN-Habitat should operate. The Member State further noted the increasing trend in the use of soft-earmarked funding as a pathway to building trust between Member States and requested information on how soft-earmarked funding sources were monitored considering that the funding source is outside the oversight purview of the Executive Board. The Member State further sought clarification on which programmatic activities the soft-earmarked funding supported between the normative and operational work.

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

- vi. The Secretariat indicated that despite the fact that 90% of UN-Habitat budget is funded from earmarked funding, all operational activities within UN-Habitat are aligned with the 2020-2023 Strategic Plan which is endorsed and approved by the UN-Habitat Assembly with the oversight responsibility of the Executive Board. Therefore, all funding sources – earmarked or non-earmarked – are aligned with the approved work programme of UN-Habitat which then informs the Strategic Plan and in turn reflects the hybrid mandate of UN-Habitat which is both normative and operational.
- vii. Furthermore, the Secretariat noted that the monitoring of soft-earmarked funding is based on practices of earmarked funding sources which is donor reporting and through the publication of the quarterly urban impact newsletter. The use of soft-earmarked funding is welcomed because it has less constraints for instance on geographical location or certain program outputs which allow the for the flexibility to fill gaps in the implementation of the Strategic Plan.

Agenda item 4 - Any other matters

There were no other matters considered and the Chair adjourned the meeting at 15:40 East Africa Time.
