

Summary of the seventh meeting of the Ad-Hoc Working Group on programmatic, budgetary, and administrative matters of the Executive Board held virtually on Friday 24 July 2020 from 09:30 am to 12:00 noon EAT

Chair: H.E Ms. Julia Pataki, Permanent Representative of Romania to UN-Habitat

Co-Chair: H.E Ms. Saqlain Syedah, Permanent Representative of Pakistan to UN-Habitat

The meeting considered the following items:

1. Discussions on Foundation Non-Earmarked Budget of the draft work programme and budget of UN-Habitat for 2021

The Chair reminded that the Executive Board, during its first session held on 29 June 2020, recommended that the Foundation Non-Earmarked Budget of the draft work programme and budget of UN-Habitat for 2021 be more realistic, in a range from \$5.58 million to \$10 million (USD) and requested the Ad-Hoc working group on programmatic, budgetary and administrative matters to finalize a recommended budget for the Executive Board's second session in 2020 and further requested the Executive Director to prepare a 2021 Work Programme based on the feedback of the Ad-Hoc working group.

Before giving the floor to the Secretariat, the Chair invited the Secretariat and Member States to reflect on potential impacts regarding UN-Habitat staff, programmatic activities and priorities for UN-Habitat for 2021.

The Secretariat provided a briefing on two different drafts work programme and budget for the year 2021 developing two scenarios as follows:

- i. A draft work programme and budget of UN-Habitat for the year 2021 with the Foundation Non-Earmarked Budget at USD 10 million;
- ii. A draft work programme and budget of UN-Habitat for the year 2021 with the Foundation Non-Earmarked Budget at USD 5.5 million.

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

The briefing on the impact of the two scenarios on the programmatic activities of UN-Habitat highlighted the following:

- i. The reduction of the provisional budget for the year 2021 will impact activities of the organization leading to a reduction of deliverables, but also to a de-prioritization of certain areas of the [2020-2023 Strategic Plan](#).
- ii. Subprogramme 1 Reduced spatial inequality and poverty in communities across the urban - rural continuum - Outcome area 3: effective human settlements growth and regeneration, may be de-prioritized with results leading to put on hold the Flagship Programme 1, reduce publications and technical material development, reduce workshops, and reduce consultations and advice capacities.
- iii. Subprogramme 2 Enhanced shared prosperity of cities and regions - outcome area 3: Expanded deployment of frontier technologies and innovation may be de-prioritized with impacts including the hold of the Flagship Programme 2, the reduction of publications and technical material development, as well as the reduction of consultations and advice capacities.
- iv. Subprogramme 3 Strengthened climate action and improved urban environment - outcome area 1: Reduced greenhouse gas emissions and improved air quality, and the

- outcome area 2: Improved resource efficiency and protection of ecological assets; may receive limited support, limited resources will result in the incapacity to provide technical support and develop publications and technical material.
- v. Subprogramme 4 Effective urban crisis prevention and response: all outcome areas will be affected. The main impact will be a limited support in the development of mechanism and manage urban displacement, and in incorporating the resilience in recovery and reconstruction strategies.

In the discussions, the following issues were raised:

- a) How is UN-Habitat determining the de-prioritizing of certain outcomes areas. Member States alerted that the de-prioritization of some areas will reduce priorities of UN-Habitat's mandate which can result in a limitation of UN-Habitat's role and legitimacy.
- b) Member States recommended to provide a complete picture of the budget not only focusing on Unearmarked Foundation, Programme Support and Regular Budget, but also considering other expected sources of funding to allow the continuation of UN-Habitat's activities.

In the responses, the Secretariat emphasized that outcomes areas of the Strategic Plan require the provision of outputs to engage with all partner countries to provide normative guidance. the Secretariat further emphasized that is was part of the Executive Director's vision to have a normative presence globally, so as to not reduce UN-Habitat as a project-based organization.

On the de-prioritization criteria , the Secretariat noted that some outcome areas such as Urban Generation and Urban Innovation are considered as new areas of work for the organization. Consequently, those outcomes areas are at growth and not yet resourced. In this respect, UN-Habitat has considered this de-prioritization taking into account potential impacts, and giving priority to UN-Habitat traditional areas of work.

Regarding the funding of activities through other sources of funding such as technical cooperation, the Secretariat highlighted that most of these funding target specific countries or areas of work, and the organization has no flexibility to use it to finance normative work. On this matter, the Secretariat noted the need to be clear on what can be achieved, and reassured Member States that every initiative has been taken to compliment the Unearmarked Foundation.

The briefing on the budgetary impacts of the two scenarios highlighted the following:

- i. The Secretariat provided a budgetary perspective of 2021 Proposed Resources (HSP/EB.2020/4), and a budgetary overview of the 2020 Approved Resources (HSP/EB.1/11).
- ii. The Secretariat provided a budgetary perspective of 2021 Proposed Resources at \$10.0% ceiling prioritizing Subprogrammes 1 and 4, and a 2021 Proposed Organizational Chart detailing staffing.
- iii. The Secretariat provided a budgetary perspective of 2021 Proposed Resources at \$5.58% ceiling, and a 2021 Proposed Organizational Chart detailing a minimal number of staffs (151), including re-assignment, and limiting advocacy capacities. This briefing provided also a Foundation Unearmarked Fund Resources by Category of Expenditure (USD).
- iv. Then, the Secretariat highlighted that the Executive Director will propose a revised proposal to the Executive Board, noting the following:
- The originally proposed 2021 work programme and budget was of 33.9 million in

- line with the implementation of the Strategic Plan 2020-2023 and of the Agenda 2030, specifically SDG 11, as well as the implementation of the New Urban Agenda,
- The Secretariat took note of the Executive Board's decision of 29 June 2020 that the UN-Habitat Foundation unearmarked Fund will have a budget between \$5.58 and \$10.00 million,
 - The revised proposition from the Executive Director will take into account the recommendation of the Ad-Hoc Working Group on programmatic, budgetary, and administrative matters following the session of 24 July 2020 and 30 July 2020.
- a) The Executive Director's revised proposal will be submitted to the United Nations Advisory Committee on Administrative and Budgetary Questions (ACABQ) on 31 July 2020 following the recommendation of the Ad-Hoc Working Group.
 - b) The 2020 Foundation unearmarked based on contributions received to date is of \$1.3 million and the projected annual revenue of \$4.9 million. The UN-Habitat Foundation may become insolvent in the 4th quarter 2020.

In the discussions, the following issues were raised:

- a) Some concerns were expressed regarding the development of scenarios that can be misleading in order to avoid over-budgeting and mistargeting incomes. Member States stressed that the Secretariat should consider a more realistic and accurate forecast focusing on a range from \$5.58 to \$10.00 million to build trust and secure engagements. Member States also invited the Secretariat to consider a budget based on previous results and expected contributions.
- b) Regarding the 2020 Foundation Unearmarked Budget based on contributions received to date, Member States expressed their confusion on the possibility for the UN-Habitat Foundation to become insolvent in the 4th quarter 2020.
- c) Some Member States supported the scenario with the Unearmarked Foundation Budget at \$10.0 million, and highlighted that numerous Member States are trying to keep their commitment to make voluntary contributions.

In the responses, the Secretariat agreed on the need to be transparent and steady regarding budgetary matters. Regarding the potential insolvency of the Foundation, the Secretariat recalled issues faced at the end of 2019 where the organization ended the year with \$3.4 million in cash with \$1.3 million reserved for liquidity purposes. As per today, the organization has raised \$1.3 million and is now expecting significant donation before the end of summer. With the expenditure at \$3.4 million plus the \$4.9 million projected budget for the year leading to a total of \$8.3 million, and after deduction of the latest approved reserved at \$1.8 million (10%), the remaining \$6.5 million will lead to an unbalanced budget within the 4th quarter. As a result, this situation enabled the organization to move staff under the Programme Support costs to the Foundation, and the Secretariat highlighted the risk to pay for termination costs that may impact heavily the budget. In this regard, the Secretariat further highlighted that the \$5.2 million of the 2020 UN-Habitat budget was contributed from only two significant donations.

Regarding the support of some Member States regarding the \$10 million scenario, the Secretariat reassured Member States that this scenario is a minimal level envisaged by the Executive Director to fully implement UN-Habitat mandate.

Finally, the Secretariat expressed invited Member States to inform the organization on their planned contribution for the year 2021 in order to develop a more accurate budget for the year 2021.

In light of the concerns expressed by some Member States during the meeting, the Chair highlighted the need for the Ad-Hoc working group to continue the discussion and to formulate a clear recommendation to the Secretariat. The Ad-Hoc working group agreed to continue the discussions during a meeting to be held on Thursday 30 July 2020, to hopefully agree on recommendations regarding the draft work programme and budget of UN-Habitat for 2021. The Chair noted that at that meeting, Member States will be invited to clearly state their position on the two different scenarios.