

EXECUTIVE BOARD 2020

Session 1

AGENDA ITEM 3

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UN HABITAT
FOR A BETTER URBAN FUTURE



“We absolutely must come together to re-imagine and reinvent the world we share.”

“We need an effective multilateralism that can function as an instrument of global governance where it is needed.”

| International Day of Multilateralism and Diplomacy for Peace [24 April 2020]

Commitment to multilateralism and international peace and security **was also reaffirmed by most world leaders in the General Debate in September 2018**. This commitment was also reinforced in the discussion during the High-level Dialogue on Renewing the Commitment to Multilateralism on October 31, 2018.

But, as the UN chief emphasizes, **multilateralism is not only a matter of confronting shared threats; it is about seizing common opportunities:**



*“We now have the opportunity to **build back better** than in the past, aiming at **inclusive and sustainable economies and societies**.”*

It is indeed not enough to proclaim the virtues of multilateralism; **there is need to continue to show its added value.**



“International cooperation must adapt to changing times.”





The Charter brings us together.

“It defines the United Nations as **"a centre for harmonizing the actions of nations"**, where **each member is treated as an equal across social, economic or political differences**. With the quadrupling of the number of contracting parties since its inception, **the Charter**, which has become universal, **truly expresses the values and aspirations of Humanity.**”

Nicolas de Rivière, Permanent Representative of France to the United Nations
President of the Security Council for the month of June 2020



| Agenda for presentation of the proposed UN-Habitat Financial Plan

1. The financial status of UN-Habitat as at 31 December 2019

and an overview of options to further rationalize costs, as required in paragraph 4 of decision 2019/2/1;

2. Interim financial status of UN-Habitat as at 24 June 2020;

3. Update on the restructuring of UN-Habitat, as requested by paragraph 5 of decisions 2019/4/2;

4. Progress achieved in addressing the recommendation in the report of the Board of Auditors to establish a framework and methodology for full cost recovery

5. Update on UN-Habitat's Covid-19 response



/1 HSP/EF.2020/2
/2 HSP/@E.2020/2/Add.1



1 | Financial Status of UN-Habitat as at 31 December 2019

Funding Segments

1.1. Core resources

- a. Regular Budget
- b. Foundation unearmarked fund
- c. Programme Support cost fund

1.2. Voluntary earmarked funds

- a. Foundation unearmarked
- b. Technical cooperation

1.3. Other

- a. Employee end-of-service



1 | Financial Status of UN-Habitat as at 31 December 2019

Core Resources Revenue

1. **UN regular budget through the assessment was the top contributor to core funds at \$14.5 million (45%)**
2. **UN-Habitat PSC fund was the second largest contributor to core funds at \$12.7 million (39%)**
3. **21 Member States contributed \$5.2 million (16%) to the Foundation unearmarked fund. The five top contributors provided 87% and are noted below:**

Country	Contribution (USD)	Percentage total contribution
Norway	\$2.36 million	46%
Spain	\$0.98 million	19%
USA	\$0.55 million	11%
China	\$0.35 million	7%
France	\$0.23 million	4%



/1 HSP/EB.2020/2



1 | Financial Status of UN-Habitat as at 31 December 2019

Earmarked Resources Revenue

1. UN-Habitat earmarked revenue on an IPSAS basis in 2019 was \$155.3 million. The top 12 donors contributed 89%.

a. The top 10 government donors to earmarked funding were:

Government donors	Contribution (USD)	Percentage total contribution
Japan	\$23.3 million	15%
European Union	\$18.0 million	12%
United Kingdom of Great Britain and Northern Ireland	\$8.5 million	5%
Mexico	\$8.1 million	5%
Bahrain	\$4.3million	3%
Norway	\$3.2 million	2%
Egypt	\$2.0 million	1%
Sweden	\$1.0 million	1%
Brazil	\$0.9 million	1%

b. The top 3 other donors to earmarked funding were:

Other donors	Contribution (USD)	Percentage total contribution
UNDP (including One UN Fund)	\$44.3 million	29%
Adaptation Fund Board	\$19.6 million	13%
IOM	\$2.5 million	2%



1 | Financial Status of UN-Habitat as at 31 December 2019

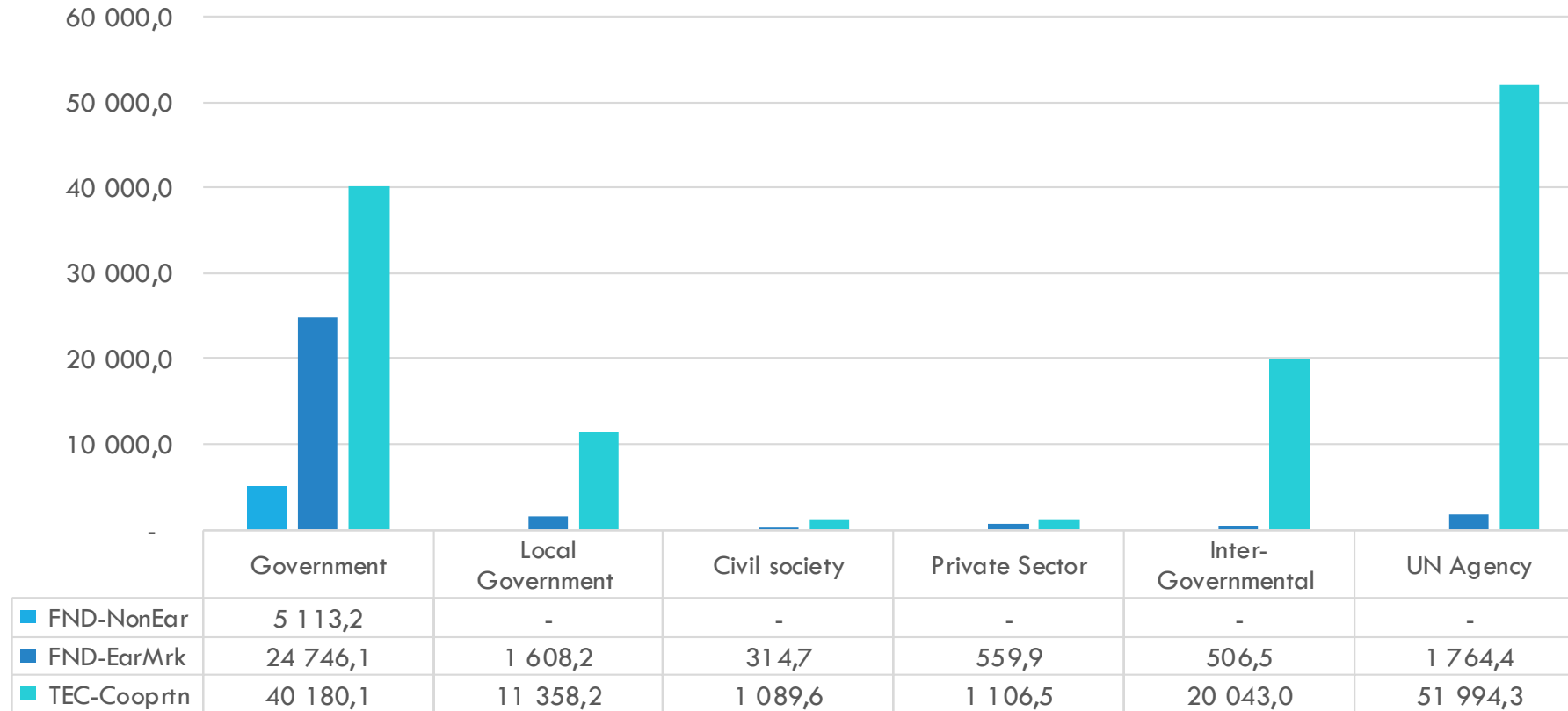
Status of expenditure by funding Segment

- **Regular Budget achieved a 98% budgetary implementation rate** and provided the main source of funding of mandated normative deliverables.
- **Foundation earmarked achieved a 55% budgetary implementation rate;**
- **Technical cooperation earmarked achieved a 63% budgetary implementation rate;**
- **Foundation unearmarked fund was only able to achieve a 40% budgetary implementation rate**, based on the resources provided by Member States; Foundation earmarked achieved a 55% budgetary implementation rate;
- **Programme Support Costs achieved a 94% budgetary implementation rate** and supplemented the Foundation earmarked fund by providing the funding for all operating expenses.
- **Employee end-of-service benefits fund reduced its unfunded liabilities by \$1.3 million to \$38.5 million.**



1 | Financial Status of UN-Habitat as at 31 December 2019

Revenue distribution by category
(thousands of United States dollars)



1 | Financial Status of UN-Habitat as at 31 December 2019

1.1. Core Resources

1. **Core resources are non-earmarked** which means that the UN entity receiving them can use them to finance any programme within their strategic plan.
2. **UN-Habitat core resources are the funding comprising the regular budget (assessed) and UN-Habitat Foundation Fund (unearmarked voluntary contributions) and the Programme Support Fund (indirect costs applied to earmarked contributions)**
3. **The core revenue in 2019 amounted to \$29.4 million (16%) and earmarked revenue amounted to \$154.9 million (84%) of operational funds.**
 - a. Core revenue without the programme support cost funding, with intended to ensure that the additional cost of supporting activities financed from extrabudgetary activities is not borne by assessed funds and/or core resources, amounted to \$19.7 million (11%) and earmarked would then amount to 89%.



1 | Financial Status of UN-Habitat as at 31 December 2019

Core Resources General Assembly A/RES/71/243

Stresses that core resources are the bedrock of the United Nations operational activities for development, owing to their untied nature, and in this regard expresses concern at the continuing and accelerated decline in the amount of core contributions to the entities of the United Nations development system in recent years;

Urges donor countries, and encourages other contributors, to maintain and substantially increase their core contributions to the United Nations development system, in particular its funds, programmes and specialized agencies, and to contribute on a multi-year basis, in a sustained and predictable manner.

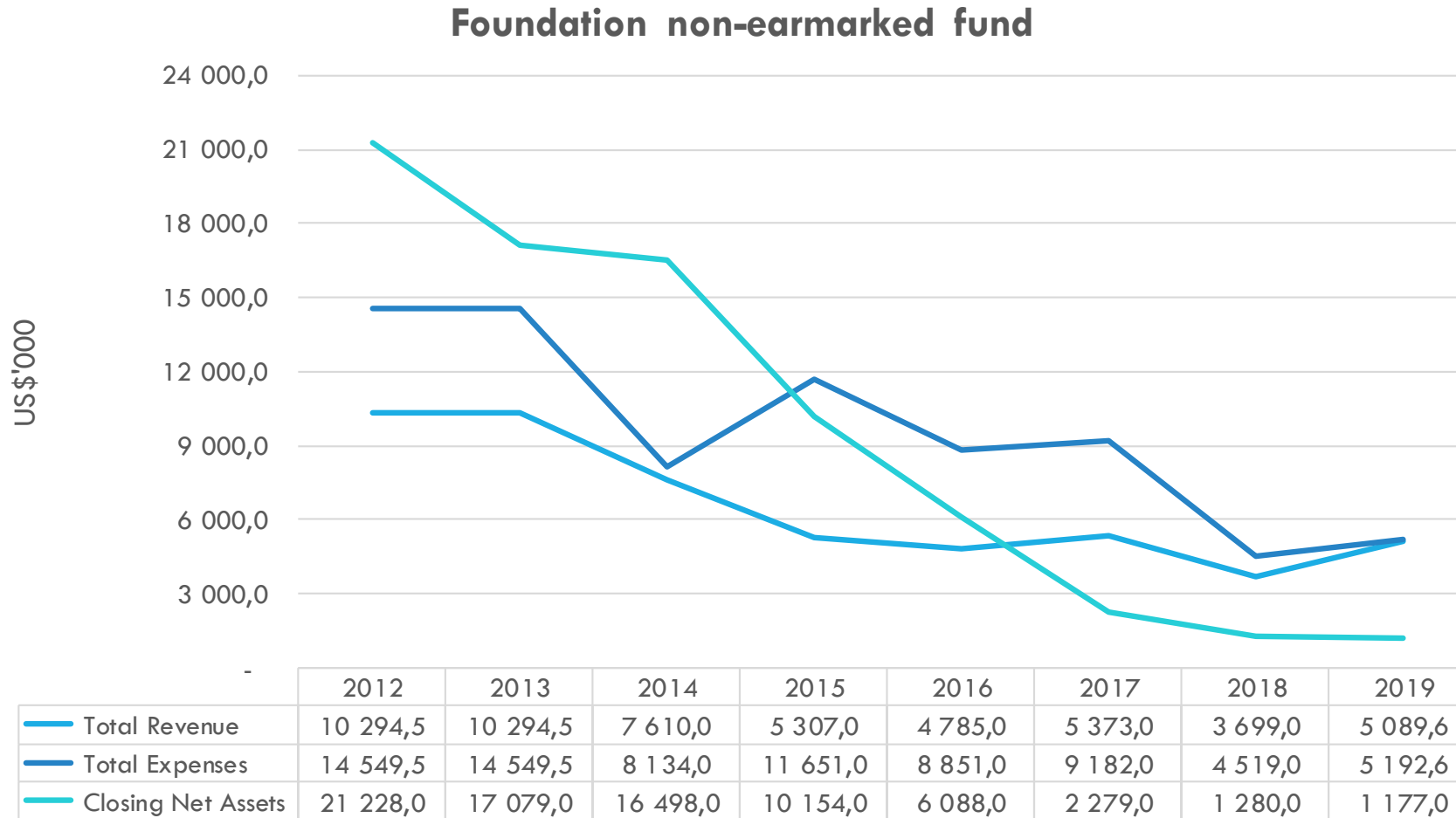


A/RES/71/243
Quadrennial comprehensive
policy review of operational
activities for development of
the United Nations system



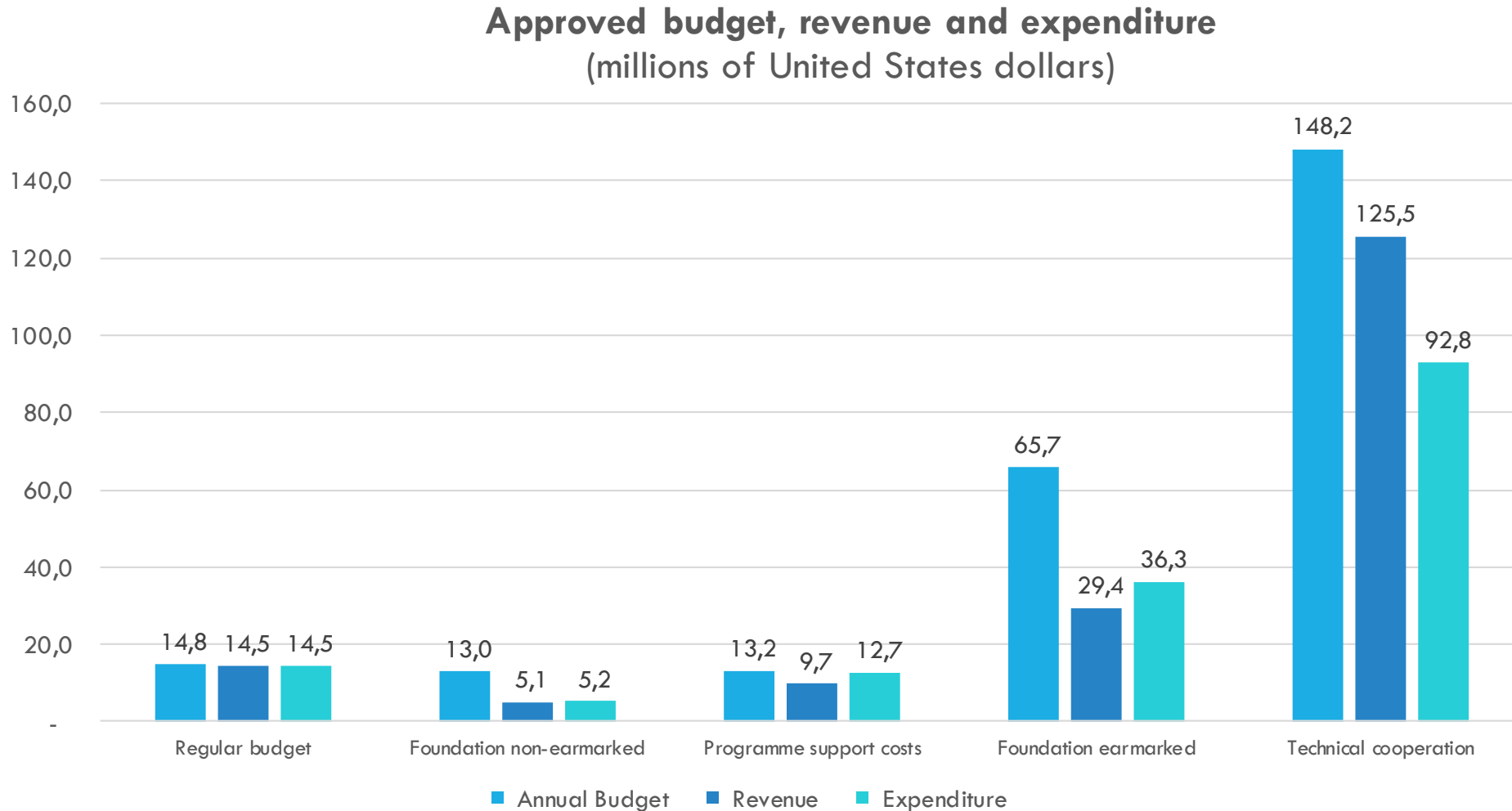
1 | Financial Status of UN-Habitat as at 31 December 2019

Foundation unearmarked fund trend (thousands of USD)



1 | Financial Status of UN-Habitat as at 31 December 2019

Figure 1: Status of UN-Habitat funds



1 | Financial Status of UN-Habitat as at 31 December 2019

Overview of Expenses

Expenses	Regular budget	Foundation non-earmarked	Programme Support	Total for core	Foundation earmarked	Technical Cooperation	Total for Earmarked	Total operational funds
Personnel costs	12,875.3	5,227.5	6,877.2	24,980.0	18,481.6	36,336.6	54,818.2	79,798.2
Consultants and experts	683.0	(1.8)	737.6	1,418.8	–	–	–	1 418.8
Travel	253.0	2.2	324.1	579.3	4,168.3	2,546.3	6,714.6	7,293.9
Contractual services	328.5	4.7	2,374.2	2,707.4	2,696.8	8,810.6	11,507.4	14,214.8
Operating expenses	276.7	(70.4)	2,016.4	2,222.7	10,934.6	28,392.6	39,327.2	41,549.9
Materials and consumables	16.6	–	38.0	54.6	38.1	298.7	336.8	391.4
Equipment, furniture, vehicles	28.6	–	50.7	79.3	234.8	1,230.2	1,465.0	1,544.3
Grants, contributions and fellowships	64.4	30.5	263.0	357.9	(263.7)	15,186.2	14,922.5	15,280.4
Total	14,526.1	5,192.7	12,681.2	32,400.0	36,290.5	92,801.2	129,091.7	160,072.9



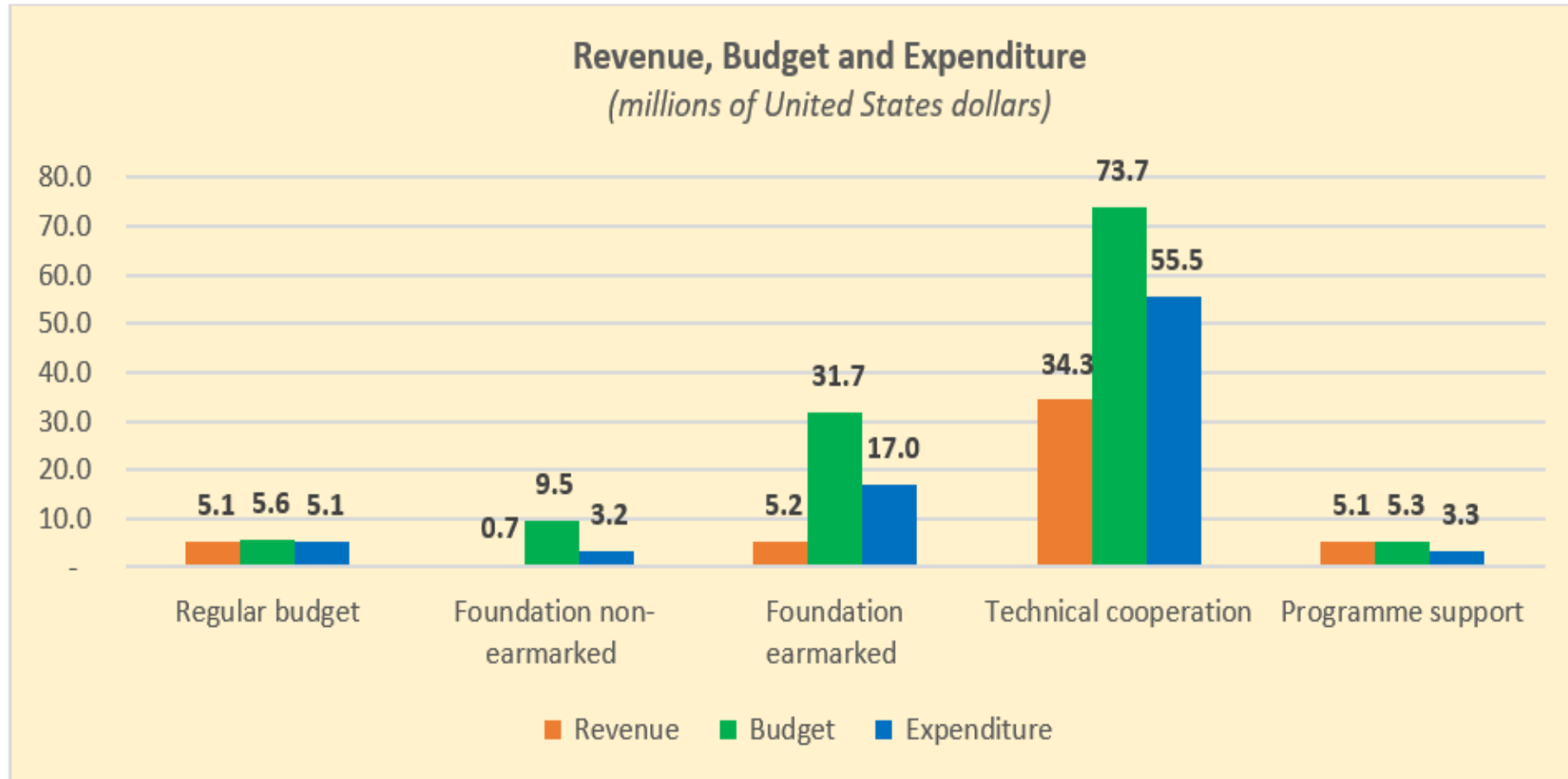
2 | Interim financial status of UN-Habitat as at 24 June 2020

1. **Interim Financial Status report as at 24 June 2020 prepared following June 2020 payroll has been released for information purposes;**
2. **Core Regular Budget – Liquidity restraints imposed**
 - a. Freeze on posts that became vacant
 - b. Required to under-spend by 10% with a projected easing in 4th quarter
3. **2020 Foundation earmarked revenue is currently \$5.2 million, and expenditures totaled \$17.0 million, thereby reducing the fund balance by \$11.8 million to \$75.9 million;**
4. **2020 Technical earmarked revenue is currently \$34.3 million, and expenditures totaled \$55.5 million, thereby reducing the fund balance by \$21.2 million to \$206.2 million;**
5. **Core PSC Budget – The fund will have spent \$4.3 million as at 30 June 2020.**



2 | Interim financial status of UN-Habitat as at 24 June 2020

Figure 1
Status of UN-Habitat funds (Semi Annual Budget)



2 | Interim financial status of UN-Habitat as at 24 June 2020

Austerity Actions

1. Core Foundation unearmarked fund:
 - a. **Fund balance as at 20 June 2020 will have used all of the authorized liquidity reserve and require a short-term loan pending receipt of Norway's pledged contribution in July 2020;**
 - b. **Following authorisation of a \$18.9 million budget for 2020 the number of positions funded is currently 46 of the 135 authorised,** with an additional 20 positions continued to be funded based on the principle of Duty of Care” by other funds;
 - c. **The Foundation unearmarked fund currently as 40 staff members with permanent or continuing contracts,** with an additional 54 funded by RB, 10 by projects, and 20 by PSC;
 - d. **The Foundation unearmarked fund is projected to be unfunded as 31 August after utilising the liquidity,** which will require staff to moved to other funding sources, if possible, which will severely impact the implementation of the 2020 program of work



3 | Update on the restructuring of UN-Habitat

Completed processes

- **New UN-Habitat governance framework** approved in November 2018;
- **Restructuring of UN-Habitat headquarters-based divisions** completed January 2020;
- **Corporate RACI** completed in May 2020.

Ongoing processes

- **Policy paper under development to establish principles and recommendations for enhancing UN-Habitat's regional and country level presence;**
- **Mapping UN-Habitat's current presence, focus, need, demand, alignment** with wider UN into an interactive online dashboard;
- **Classification of posts;**
- **Skills inventory.**



3 | Update on the restructuring of UN-Habitat

Future processes (starting July 2020)

- **Phase 1: strengthen capacity and resources of existing divisions and offices taking into consideration financial realities;**
- **Phase 2: envisioned establishment of sub-regional/multi-country offices in consultation with UN-Habitat's govern bodies.**



/1 HSP/EB.2020/2/Add.1



4 | Update on Full Cost Recovery /1

...establish a framework & methodology for full cost recovery

Background

1. The concept of full cost recovery: A first HLCM working group on “Support Costs for Extra-budgetary Activities” was activated in October 2003;
2. Reaffirms the principle of full cost recovery, proportionally, from core and non-core resources, **thereby avoiding the use of core or regular resources to subsidize activities financed by non-core or extrabudgetary resources**, urges all entities of the United Nations development system, **donor countries and other contributors to comply with existing cost recovery policies and rates whenever earmarked financial support is provided, [...]**.
3. **Full cost recovery includes both direct and indirect costs.** Costs are categorized as direct, i.e., directly linked and traceable to a programme or project and to benefits derived by programme/project beneficiaries, or as indirect, i.e., not directly linked or traceable to a programme/project.



4/ A/RES/72/243



4 | Update on Full Cost Recovery /1

...establish a framework & methodology for full cost recovery

Background

Direct costs are recovered from regular or other resources depending on the funding source of the programme/project. Examples of direct costs relating to programmes/projects include:

- a. Costs of missions and travel incurred specifically to carry out or support project activities;
- b. Cost of staff and consultants hired for the project;
- c. Cost of policy advisory services (fully costed: staff cost, share of office rent, utilities, communications, supplies and office security);
- d. Cost of processing transactional services (finance, administration, procurement, human resources, logistics);
- e. Equipment, including information technology equipment, maintenance, licenses and support for the programme/project;
- f. Programme/project audit and evaluation fees.



4 | Update on Full Cost Recovery /1

Global Presence

1. UN-Habitat has implemented the requirement that all direct costs are charged to the applicable project;
2. UN-Habitat restructuring to ensure a global presence that provides the resources to:
 - a. implement the UN-Habitat Strategic Plan 2020 – 2023;
 - b. provide a regional, multi-country, and country presence to engage in the delivery of normative outputs;
 - c. ensure the UN-Habitat best practices are advocated to the regions and utilized by operational projects;
 - d. obtain feedback from both pilot and subsequent project to re-validate the UN-Habitat best practices;
3. The global presence architecture will supplement and focus the resources approved for the Regional Programme Division by the Executive Board.



4 | Update on UN-Habitat Financial Status

1. The current rate of expenditure of the Foundation unearmarked fund is unsustainable;
2. Austerity is no longer effective, as the freeze on positions is impacting the Executive Director ability to complete the restructuring and is on the verge of requiring reductions in personnel;
3. We continue to work on alternative funding of normative mandated deliverables in the form of soft-earmarking as there are no funds to be borrowed on a long-term basis;
4. We need to significantly increase the foundation non-earmarked to ensure the ability to meet the goals of the Strategic Plan and the delivery of the 2020 programme of work;
- 5. We seek the guidance and support of the Executive Board and the Members States per rule 5 of HSP/HA.1/HLS.3 paragraphs:**
 - a. To adopt decisions, within the scope of its mandate, on, among other things, programmatic, operational and budgetary issues for the adequate and effective implementation of resolutions and other decisions adopted by the UN-Habitat Assembly;**
 - b. To guide and support efforts to finance the work of UN-Habitat;**



THANK YOU!

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