

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

Wednesday, 12 October 2022 – 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 14:30 EAT. The working group adopted the provisional agenda for its thirty-first meeting without any change as follows:

1. Adoption of the provisional Agenda.
2. Continuation of discussions on the draft work programme and draft budget for 2023, including the scalability model for the Foundation non-earmarked budget
3. Briefing on the status of the restructuring of UN-Habitat
4. UN-Habitat staffing report, including gender and geographical balance
5. Any other matters

Following the adoption of the Agenda, the meeting considered Agenda item 2, namely continuation of discussions on the draft work programme and draft budget for 2023, including the scalability model for the Foundation non-earmarked budget.

Agenda item 2 - Continuation of discussions on the draft work programme and draft budget for 2023, including the scalability model for the Foundation non-earmarked budget

The Chair introduced this Agenda item by recalling that during its last meeting held on 21 September 2022, the ad hoc working group heard from the Secretariat on the status of the UN-Habitat draft budget and draft work programme for 2023, based upon the feedback from the Committee for Programme and Coordination and the Advisory Committee on Administrative and Budgetary Questions. The Chair noted that the ad hoc working group had been briefed by the Secretariat on the scalability model for the non-earmarked Foundation budget and that it had been agreed that further discussion take place on the document in order to give the opportunity to the Secretariat to provide further clarification to the points raised by delegations at that meeting.

Following the above background information, the Chair invited the Secretariat to brief the ad hoc working group on the draft budget and draft work programme for UN-Habitat for 2023 and on the scalability model for the non-earmarked Foundation budget.

The briefing by the Secretariat highlighted the following:

- i. UN-Habitat was at a revenue of almost \$3 Million by the time of the briefing and was operating on a spending plan of \$3 Million under foundation non-earmarked budget for the year 2022.

- ii. The total expenditure of UN-Habitat stood at \$ 1.5 Million by end of August 2022 and was projected to be just under \$2 Million for the year 2022. It was emphasized that the current under-expenditure for 2022 was important because the Foundation non-earmarked fund was operating in deficit.
- iii. The deficit under the Foundation non-earmarked fund currently stood at \$4 Million. This deficit comprises of a negative opening balance of \$1 Million in Foundation non-earmarked fund at the beginning of 2022 and a \$3 Million loan from the program support cost fund to the Foundation non-earmarked fund which ultimately would need to be repaid over a period.
- iv. The Secretariat informed Member States that the Board of Auditors had conducted the ratio analysis for the Foundation non-earmarked fund and noticed that the solvency ratio and liquidity ratios declined from 2017 to 2021. In 2020 and 2021, the ratios were all below one, indicating an insolvency and liquidity risk faced by the Foundation non-earmarked fund. It was stated that the Board of Auditors was therefore of the view that core resources under Foundation non-earmarked fund are key to operations of UN-Habitat, lack of which, there would be a negative impact on UN-Habitat's capability to provide sufficient support to its normative and operational work to fulfil its obligations and strategic goals.
- v. The Secretariat highlighted some of the recommendation of the UN Joint Inspection Unit (JIU) including the following:
 - a. Due to the large gaps between the approved budgets and the actual contributions over the years, the Secretariat should update the Executive Board on its financial situation at each session so that the Board can consider realistic budget levels and recommend how UN-Habitat can prioritize its work.
 - b. The Executive Director should further pursue more realistic budgeting based on the actual revenue levels of recent years with further cost rationalization.
 - c. The Executive Board should approve a realistic budget for the Foundation non-earmarked fund, to which Member States should consider making sufficient contributions so that UN-Habitat can carry out its critical normative work in accordance with its mandate and in a consistent and sustainable manner.
 - d. The Executive Director should implement activities supported by the Foundation non-earmarked fund within existing resources and should not consider new activities until adequate contributions for that fund are received.
- vi. The Secretariat also noted the JIU concerns about the prospect of UN-Habitat scaling down and in this regard the Secretariat reiterated that currently UN-Habitat does not plan to scale down but would maintain the various austerity measures in place including a freeze in hiring.

- vii. The Secretariat briefly reviewed the role of the Executive Board and UN-Habitat Secretariat under the leadership of the Executive Director as follows:
- a. [General Assembly Resolution 56/206](#) of February 2002 confirmed that the Executive Director is responsible for the management of the Foundation and : “confirms that the Executive Director of the United Nations Human Settlements Programme (UN-Habitat) shall be responsible for the management of the United Nations Habitat and Human Settlements Foundation, with due regard to the terms of reference of the Foundation as stipulated in General Assembly resolution 3327 (XXIX) [16 December 1974];”.
 - b. The 1974 General Assembly resolution 3327 (XXIX) [16 instructed the Executive Director to prepare a plan and program of operations for the Foundation for approval by the then Governing Council which has since been replaced by the UN-Habitat Assembly while the Executive Board currently oversees the budget of UN-Habitat as provided for in the [General Assembly resolution 73/239](#) .
 - c. The General Assembly [resolution 73/239](#) endorsed the findings and recommendations of the open-ended working group established by the Chair of the Committee of the Permanent Representatives (CPR) as contained in document [A/73/726](#) which contains the role and responsibilities of the Executive Board that are also highlighted under Rule 5 of the rules of procedure of the Board found [here](#).
- viii. The Secretariat noted that the second session of the Executive Board in 2020 2020/4 decided that the final approved budget of the following financial period is the basis upon which the financial reserve is applied in the current financial period year-end financial statement and that that the financial reserve percentage will be set at 20 per cent of the approved budget for the following financial period. That decision can be found in paragraph 5 and 6 of Decision 2020/4 which is available [here](#). The Secretariat illustrated that consequently, the 2021 financial statements have a line for reserve, and it is populated with \$ 2 Million which is 20% of the approved Foundation non earmarked budget of \$ 10 Million for 2022.
- ix. The Secretariat noted that the pathway from insolvency to sustainability involves the following, not necessarily in order of priority:
- a) Emerge from insolvency by coming out from debt to a positive opening balance in the year 2023.
 - b) Operationalize the unfunded reserve
 - c) Repay the loan of \$3 Million loan to program support cost fund that was lent to the non-earmarked foundation in 2017.
- x. With regard to the management of the reserve, the Secretariat noted that organizations across the UN system have no consistent policy or practice on reserve management. Some organizations have decisions on how to manage reserves while others have no decisions at all. Within the UN Secretariat, however, there are two reserves, one is the

working capital fund under the UN regular program budget and the other is the peacekeeping operations reserve. The two reserves are each fixed at \$150 Million. The working capital reserve is for the express purpose of managing liquidity issues so that the regular program budget of the UN Secretariat sustains itself through uneven payments of assessed contributions from Member States. The peacekeeping reserve is for the swift establishment of new peacekeeping operations so that the UN Secretariat does not wait for contributions prior to operationalizing a mandate from the Security Council.

- xi. The Secretariat gave examples of possible purposes of an operational reserve as follows:
 - a. Short-term unplanned events (additional expenses)
 - b. Short-term liquidity issues and contingencies (reduced income)
 - c. Long-term liabilities (staff benefits)
 - d. Long-term capital investment needs (asset planning)
 - e. Floor and ceiling levels vs target level
 - f. Fixed vs dynamic
 - g. Authority to establish a reserve
 - h. Authority to use a reserve
- xii. The Secretariat suggested that the Governing Bodies could regulate who can establish a reserve and how to use a reserve, further stating that while UN-Habitat currently has a dynamic reserve level of 20% in line with decision 2020/4 of the Executive Board, there was no policy on the use of the reserve.
- xiii. The Secretariat recommended consideration of a fixed floor for a reserve of \$3 Million to support staff benefits for example, and a 20% level of reserve based on income volume to support volatility from fluctuating member states contributions to the Foundation non earmarked budget. The Secretariat further recommended that there should be a decision language that limits the usage of the reserve for certain purposes to limit Secretariat dipping that reserve.

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

One Member State suggested that UN-Habitat should benchmark with other UN agencies that have experienced insolvency process and also requested an update on the recommendations by JIU on UN-Habitat, noting the need for more funding from UN Secretariat.

One Member State noted that the key to UN-Habitat restoring its solvency is demonstrating a pattern of effectively managing contributions and spending. The Member State emphasized that the Executive Board should exercise its oversight authority and consider the completion of the reserve policy that has been established, with additional input from Member States.

One Member State supported the establishment of the reserve and suggested that the next

session of the Executive Board in November 2022 should adopt conditions in which the reserve could be used.

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

Regarding benchmarking across the UN system, the Secretariat indicated that part of the mandate of the Executive Board is to engage with Executive Boards across the UN system and that the specific role could contribute to benchmarking. The Secretariat further stated that there is no immediate knowledge of a comparable scenario with other UN Organizations because most reserve scenarios established by other governing bodies are to control the spending of that specific UN Organizations. It was emphasized that UN-Habitat has historical control of the budget through the Executive Board's approval of budgets, and that because the budget has been underfunded for the past 12 years, UN-Habitat Secretariat has been in a difficult position of always spending less than the approved budget or spending more than actual contributions.

Regarding the JIU recommendations on engagement with the UN Secretariat on funding support, the Secretariat noted that UN-Habitat has had regular engagements with the UN Secretariat in New York through the UN Controller and the Secretary General on the proposed conversion of posts from Foundation on non-earmarked budget to regular budget. The Secretariat underlined that the UN Secretariat in New York does not have a discretion on funding because all funds that exist in New York is regulated by the General Assembly.

The Secretariat further noted that based upon a proposal it had submitted to the Secretary General, he may be prioritizing certain number of posts which would be considered by Member States in New York. In this regard the Secretariat requested Member States to communicate with their colleagues in New York to support the proposals.

Possible follow-up action on Agenda item 2:

Member States may consider a decision at the upcoming 2022 second session of the Executive Board by giving guidance on the conditions for use of reserve funds following decision 2020/4 of the Executive Board in which the Board decided that “ the financial reserve percentage will be set at 20 per cent of the approved budget for the following financial period”.

Agenda item 3 – Briefing on the status of the restructuring of UN-Habitat

Introducing this item, the Chair recalled that the Executive Board in paragraph 5 of its Decision 2019/4 requested that the topic of restructuring of UN-Habitat be included on the provisional Agenda of each of its sessions for consideration.

The briefing by the Secretariat highlighted the following:

- i. The Secretariat noted that the current organigram of UN-Habitat was approved by the Executive Board at its resumed first session in November 2019. The organigram comprises of five distinct but inter-related Divisions which are Executive Management, the Global Solutions Division (GSD), the Regional Programme Division (RPD) and the External Relations, Communications, Innovation and Strategy Division (ERSKID); and Management, Administration, Compliance Services (MACS).
- ii. The Organization's responsibility matrix or RACI (Responsible / Accountable / Consulted / Informed) was subsequently completed in April 2020 allowing staff to work across the different Divisions in a 'whole of house' approach on corporate tasks and other responsibilities associated with the implementation of the Strategic Plan. This includes setting of annual corporate targets at start of the year retreats chaired by the Executive Director; mid-year retreats to take stock of what has been achieved and identify gaps in the work plan; and year end retreats convened by the Executive Director following the Executive Board sessions to set priorities for the following year and convey the guidance from the Board.
- iii. The Secretariat noted that staff surveys had contributed to the development of an action plan to help improve (a) collaboration with other UN entities; (b) ethics and integrity; (c) alignment of funds, functions, and posts; and (d) inclusivity and continuous development for staff members and personnel.
- iv. The Secretariat indicated that to ensure efficient financial management, the Executive Director had established a Budget Steering Committee that meets four times in the year. The Committee is chaired by the Director of MACS and makes recommendations to the Executive Director.
- v. The Secretariat further explained the organigram which is summarized as below:
 - a. The *Executive Direction* is headed by the Executive Director and is supported by a complement of officers in the Office of the Executive Director (OED). Under the OED resides the Office of the Deputy Executive Director (DED), the Secretariat of Governing Bodies, the Legal Unit, and the Independent Evaluation Unit. The New York and Geneva liaison offices also report to the Office of the Executive Director to ensure smooth alignment with UN-level corporate priorities. The DED convenes the Programme Management Committee (PMC) that meets every two weeks to ensure alignment between normative and operational functions. The DED also chairs the Publication Committee, the Project Review Committee and assists the Executive Director with representational duties. The Chief of Staff provides coordination between all the components of the Office of the Executive Director and is the secretariat for the Executive Committee meetings. He also chairs the Project Review Committee Work Group meetings and supports the Executive Director in operational matters. Due to austerity measures, the functions of the DED are currently assumed by Director of Global Division in the

capacity of the Officer-in-charge until the DED position is filled by November 2022. In addition, due to the austerity measures, Executive Direction is very stretched without the requisite staff composition. For example, the Chief of the Legal Unit should be at the P5 level as in other UN organization, yet at UN-Habitat, the position is funded at P4 level; the Evaluation Unit has only two professional staff members; Executive Director's Principal Advisor has also been acting as the Chief of Staff since April 2020, yet these should be two distinct roles.

- b. The *Global Solutions Division* (GSD) is responsible for normative guidance as well as programme alignment with the Strategic Plan. The Division has two branches; the Urban Practices Branch and the Programme Development Branch. It also supports the Project Review Committee by actively co-creating project proposals with field offices. GSD is funded from Regular Budget and from soft-earmarked funds from Member States and has no posts under the Foundation non-earmarked budget. Until 2022, several positions in GSD were also supported by Project Support Cost (PSC) but this has been significantly reduced with the staff members moved onto project funded posts. This is to comply with the guidance by the UN Controller that funding source be aligned with functions.
- c. The *Regional Programme Division* (RPD), which is almost totally project-based, has only two regular budget positions. One P4 at HQ and one P4 at Fukuoka. Both positions are responsible for inter-governmental and normative functions. All positions supported by the Project Support Cost at the Division perform their functions in regional project management work. The UN-Habitat Regional Representatives are funded by PSC and assist with representational work as well responding to systemwide requirements. RPD receives no allocation from the non-earmarked resources. As such, field offices are supported completely by projects. RPD as part of the business plan for self-sufficiency proposes the creation of multi-country offices that are supported by specific Member States. Existing multi-country offices include the Bangkok Office, the Sri Lanka office, and the Mexico Office. They each have host country agreements that allow them to provide support to neighbouring countries. In this regard the Secretariat is proposing to also seek Member States support to establish multi-country offices to serve the West Africa subregion (to be based in Dakar, Senegal), Central Asia sub region (to be based in Istanbul, Turkiye) and Central America sub region (to be based in Mexico). Wherever possible, UN-Habitat tries its best to have a presence in line with the Economic Commissions with donor support. UN-Habitat also has two communications bureaus hosted by Russia and China in Moscow and Beijing respectively. UN-Habitat welcomes offers for support to multi-country offices from Member States and Donors.
- d. The *External Relations Division* (ERSKI) has a combination of both regular budget posts, soft-earmarked funding and project funding. ERSKI manages corporate communications and advocacy platforms including the World Urban Forum, the

World Habitat Day, the World Cities Day, the World Urban Campaign and Urban October. It also produces the UN-Habitat annual reports, and oversees the New Urban Agenda platform, the monitoring functions related to SDG#11 and the flagship World Cities Report. The Partnerships Unit and the Donor Relations function also reside with ERSKI. Since February 2022, the Executive Director chairs the donor relations committee.

- d. The Management Administration and Compliance Service (MACS) provides both centralized and decentralized administrative services to the global program and serves as the liaison to the UN-Habitat office at United Nations Offices at Nairobi (UNON) where applicable. In Nairobi, MACS provides centralized services and human resource management supporting all hiring managers in recruitment and performance management and supports all employees in career management and other individual human resource matters. MACS prepares budgets and centrally manages all core funds while providing support to the field in management of project funds. MACS supports the administration of information communications and technology. Additionally, internal controls such as delegation of authority, risk management, asset management and procurement are under MACs. The Division has an important cadre of regional and country level administrations who are responsible for project support activities including human resource, budget, finance, procurement, and asset management. These officials in the field are locally embedded with their programmatic counterparts to ensure efficient program delivery and reports centrally to MACS to ensure impartiality and harmonized practices.

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

One Member State sought clarification regarding austerity measures in the Regional Office for Africa and those applied in the Arab States region.

In response, the Secretariat stated that austerity measures cut across all regions and the reason for austerity measures largely being in Africa is because the African region had the greatest number of posts under programme support costs (PSC) budget than project funded positions. It was stated that UN-Habitat worked through realignment of positions to functions region by region by starting with the Asia Pacific Region in 2020, followed by the Latin America and Caribbean regions in 2021 and then in the Regional Office for Africa in 2022. It was explained that the reason the Arab States region was not greatly affected by the realignment was because it was mostly project funded.

Agenda item 4 – UN-Habitat staffing report, including gender and geographical balance

Under this item, the Chair first recalled that the Executive Board in paragraph 6 of its Decision 2022/3 adopted at its 2022 first session, decided that the topic of staffing status

and the actions by UN-Habitat to address geographical and gender imbalances in the composition of its staff to be included in the provisional Agenda of its second session for the year 2022.

The briefing by the Secretariat highlighted on this item highlighted the following:

- i. The Secretariat noted that austerity measures had made it difficult to recruit effectively in terms of gender and geographical balance. The Secretariat cited the UN Women report on gender parity in United Nations, which indicated that UN-Habitat made great improvement in placement of female candidates. It was stated that at P2, P3 and P4 level, UN-Habitat had achieved gender parity and that particularly at P4 level there were more women than men. At P5 level it was stated that recent actions towards gender parity included the hiring of female candidates (i) to head UN-Habitat offices in Bonn, (ii) to support the Cairo office and (iii) to serve as Inter-Regional Advisor. At the D1 level, Member States were informed that the incoming Chief of Knowledge and Research branch under ERSKI is a female candidate. The Secretariat added the overall, there remains a majority woman in UN-Habitat.
- ii. Regarding geographic balance, the Secretariat highlighted that there is need for more representation from the Latin America and the Caribbean region. The Secretariat appealed to Member States from that region to share job vacancies shared by the Organization with their countries which could enhance the potential for UN-Habitat to recruit more effectively and inclusively.
- iii. The secretariat concluded its briefing by reiterating its commitment to consider candidates from underrepresented and unrepresented regions.

Agenda item 5 – Any other matters

The Chair informed Member States that the next meeting of the ad hoc working group was scheduled for 19 October 2022 to discuss draft decisions to be considered by the Executive Board.

The Chair adjourned the meeting at 16:20 East Africa Time.