

March 2016

Discussion Paper for the CPR Working Group on Work Programme and Budget

The Transformation of UN-Habitat

1. UN-Habitat's work has followed the decisions and outcomes of the Habitat Conferences since 1976. This will continue to be the case following Habitat III, and UN-Habitat's work and evolving mandate will be closely connected to the New Urban Agenda as adopted by member states.
2. Assumptions for this paper draw on the preparatory work done to date for the conference, as well as the outcomes and issues related to other major processes. This work does not in any way pre-suppose the outcome of the Habitat III conference itself, which is solely the prerogative of member states.
3. Emerging elements from the future of UN-Habitat and Habitat III conference include the following:
 - a. Cementing the role of sustainable urbanization as a **driver of sustainable development**. Agenda 2030 (Goal 11 and other relevant goals and targets).
 - b. Linking sustainable urbanization to **climate change** (COP-21). Further linking urbanization to **urban resilience** (Sendai Conference)
 - c. Recognising the need for an **integrated approach** to sustainable urbanization in human settlements of all sizes, from **rural villages** to **big metropolis**.
 - d. Recognizing the impact of rapid growth of urbanisation worldwide as a **global challenge** for sustainability, prosperity, peace and

sustainable development (3.5 billion new urban dwellers expected in four decades)

- e. Defining the New Urban Agenda as a **set of strategies** to address the challenge of the forthcoming urbanization. These strategies will need further development and concretization in every implementation exercise, in accordance with prevailing local conditions.
4. UN-Habitat will have a leading role in supporting Member States, Local Authorities and other Stakeholders in the implementation of the **New Urban Agenda** under the framework of the **UN Development Group**.
5. UN-Habitat has played in the past and will continue to play a strong role within the **UN Pillar on peace and security** through its programmes on land management and conflict prevention. UN-Habitat will also continue to play a relevant role in crisis and post-crisis response through the Inter-Agency Standing Committee on Humanitarian Coordination, responding to the substantial demand for support in urban crisis, whether natural or man-made.
6. UN-Habitat will continue to play a leading role in the coordination of the United Nation's work with Local Authorities worldwide.

UN-Habitat today

7. UN-Habitat is a **specialized UN programme** based in Nairobi, Kenya. It is the only mandated organization in the field of **sustainable urbanization and human settlements**, and with UNEP, the only global UN organization to be headquartered in the global south. It operates on a hybrid basis between its normative and technical cooperation work, in which the normative work drives the development of its work in the field. Its knowledge management and evaluations allow the normative work to be informed by the work in the field in turn, leading to a new round of programme development.
8. UN-Habitat has gone through a substantive reform of its programme in the last five years. It has adopted a **Strategic Plan (2014-19)** with the

establishment of seven substantive sub-programmes, informed by four cross cutting issues. It has increased its coordination with field operations, the five regional offices, through a matrix management model. UN-Habitat has developed its programme towards a strategic approach to urbanization based on a three-pronged approach which includes legislation, physical planning and finance.

9. UN-Habitat went through a first **management reform** exercise which led to a restructuring into three Divisions: Programme, Management and Operations, and External Relations. It invested in accountability and programme management systems, strengthened evaluation and results based management, and has strengthened its knowledge management. The current implementation of Umoja is expected to substantively increase the administrative accountability of the programme.

10. UN-Habitat has a **financial model** based on three sources of income: the **UN Regular Budget, Voluntary Contributions** to the UN-Habitat Foundation, both earmarked and non-earmarked, and **Technical Cooperation**. In the last years, following the financial crisis of 2008, the programme has seen a reduction of Regular Budget in constant dollar terms; a gradual reduction in the Voluntary Contribution to the UN-Habitat Foundation, especially non-earmarked funds; and a positive evolution of Technical Cooperation. Member states routinely call on UN-Habitat to do more normative work, but regular budgeted and un-earmarked funding has not been provided to match the demand. To adapt to this new financial scenario, UN-Habitat has been taking a number of necessary management decisions.

Considerations for UN-Habitat's future work

11. UN-Habitat's future and its added value is found in being a **competitive and specialized programme** that provides high value-added services to Member States, Local Authorities and other Stakeholders. The outcome of Habitat III and the implementation of Agenda 2030 should guide UN-Habitat's position and role in the UN system.

12. UN-Habitat aims at a financial scenario with an **increased** share of the **UN Regular Budget** to guarantee a basic normative programme and management structure; an increased portfolio of normative work funded by **Voluntary Contributions** to complement the core normative work, and a substantial increase in **Technical Cooperation**. UN-Habitat aims at a yearly turnover of a **1 billion USD in 2020** (up from a current 200 million USD). Its objective would be to increase five-fold: both in regular budget (from 10 to 50 million), and in voluntary contributions and technical cooperation (from the current 190 million to 950 million).

13. To achieve this objective, a **Business Transformation Process** is required as the current business model is inadequate for delivering the programme.

Business Transformation Process

14. The Business Transformation Process of UN-Habitat is required in order to achieve viability of the above mentioned transformation. **The current Business Model is not adequate** for Technical Cooperation or for the current needs of the UN-Habitat Foundation, as procedures and rules and regulations are not fit for this purpose. Other UN Funds and Programmes with a similar portfolio are managed under field operations modalities (UNDP, UNFPA, UNHCR, UNICEF, UN Women, UNAIDS, and others.)

15. Changes in the last few years, and even now with the implementation of Umoja, have seen the business processes most used by UN-Habitat to deliver its programmes in the field in Technical Cooperation either freeze or move backwards in efficiency and effectiveness. (A **business process** is a collection of linked tasks that find their end in the delivery of a service or product to a client.)

16. Greater efficiency, effectiveness, speed in delivery and transparency are imperative for the new model in order to attend to the demands of Member States, Local Authorities and other Stakeholders. The business transformation of UN-Habitat is a vital exercise within its larger context as a specialized programme focusing on sustainable urbanization. **Business transformation is about making fundamental changes in how business is conducted in order to**

help cope with a shift in environment. This will be undertaken within the Umoja and IPSAS financial scenario.

17. The first efficiency to be gained with such a field operations modality is the **avoidance of sub-contracting** in field operations. Currently, UN-Habitat is obliged to subcontract field operations to other UN funds and programmes (UNDP and UNOPS and others). This requirement implies unnecessary delays and the **payment of rates and other dues** to these funds for administration services, which in fact is often a **duplication of costs**.

18. The current system of management and accountability undermines project management. It is very difficult for managers to control budgets and other resources, deliver services at the right place and right time, and ensure substantive results. A properly functioning system is required to maintain full accountability and effective delivery of services for the project manager.

19. UN-Habitat needs a reestablishment of the field or project modality of staffing, similar to the old 200 series staff contract or equivalent. This modality, not currently available in the Secretariat, allows for **temporary contracts** for 2 to 4 years of technical staff for specific projects, without the overall personnel costs of the Secretariat posts. Similar models are used by the other UN Funds and Programmes in the field with the objective of increased efficiency and celerity.

20. **UN-Habitat also needs agility in procurement**, increasing authority to procure in the range of US\$ one million for a fully-fledged country office and three million for regional level (comparable to UNDP and UNICEF). Delegated authority for grant management should be given at commensurate levels.

21. A business model that is already well developed in the UN Secretariat is the **Grant Modality**. Organizations operating in this model are fully integrated in the UN Secretariat, they receive the yearly regular budget as a grant and they manage voluntary contributions and technical cooperation under the field operations modality. They will normally use an **integrated budget model** that far more satisfactorily integrates core needs, normative costs and technical cooperation spending. This model allows for the accountability and

transparency required at the Secretariat level but also the **efficiency and effectiveness** demanded by a large **field operations portfolio**.

22. This model, if properly implemented, could deliver a UN-Habitat programme at the level **of US\$ 1 billion** consisting of around **300 core staff** and **2500 field staff** (currently core staff is 220 and field staff is 1000).

23. A revised **Governance System** could be developed by member states given the substantive increase on technical cooperation and the needs of the 'new' UN-Habitat, as well as the possible separate need for global governance of the New Urban Agenda.

24. **The resolution of Habitat III** could take into consideration this **Business Transformation Process** and propose the direction and the pace of the **way forward for UN Habitat**.