UN-HABITAT
FOR A BETTER URBAN FUTURE

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Governance Review Process
Phase III

Task Force Team 3:
Relationship with UNON
1. Task Force Team 3-Members

- Chair: Aranzazu Banon, Diplomatic Advisor to the Executive Director, UN-Habitat

- Co-Chair: Ingrid Berlanga, Deputy Permanent Representative to UN-Habitat, Embassy of Mexico

- Sibongile Mabasa, Deputy Permanent Representative to UN –Habitat, South African High Commission

- Kaarina Airas, Deputy Permanent Representative to UN-Habitat, Embassy of Finland (Bettina Lorz/Mita Manek, Delegation of the European Union)

- Doudou Mbye, Senior Human Settlements Officer, Project Office, UN-Habitat
2. SCOPE AND METHODOLOGY OF THE WORK

SCOPE OF THE WORK

Twofold approach:

1. Review of the basic normative and legal framework.

2. Review of the functional practices focusing on the performance of functions by UN-Habitat and UNON according to procedures in place:

   Focus on four functions critical to governance in its goal to enhance efficiency, efficacy, accountability and transparency in delivering UN-Habitat’s Mandate:
   - Budget and Financial Management Service.
   - Procurement Service
   - Human Resources (recruitment and staff) Services.
   - Delegation of Authority
3. Listing of relevant findings both in the legal and practical aspects of the relationship between UN-Habitat and UNON.

4. Impact of the Organizational Review (new Management System)

5. Recommendations for possible actions to improve governance (enhanced Accountability, Transparency, Efficiency and Effectiveness)
SCOPE AND METHODOLOGY OF THE WORK

METHODOLOGY OF THE WORK

- List of questions addressed to UN-Habitat and UNON

- **Series of Briefings and Meetings** with both UNON and UN-Habitat teams and Officials responsible of Administrative and Management issues:
  - **Two Meetings with the UNON team** headed by UNON’s Director of Administrative Services.
  - **One Meeting with UN-Habitat Management and Administrative Team.**

- **Individual meetings** with UN-Habitat HR and procurement staff.
SCOPe AND METHODOLOGY OF THE WORK

➢ The Briefing Sessions and meetings served to:
   ○ **gather information** on the current standards of the relationship between UN-Habitat and UNON,
   ○ **identify areas** that need to be addressed in order to enhance accountability, efficiency and transparency within improved governance.

➢ **Only limited written statements or answers have been provided** to the TFT and those have not been accompanied by support documentation.

➢ **Report is based on verbal answers** and verbal exchange of opinions and information which is a main limitation to the depth and consistency of the analysis.
3. LISTING OF RELEVANT FINDINGS IN THE CURRENT LEGAL FRAMEWORK FROM THE PERSPECTIVE OF UN-HABITAT’S GOVERNANCE

1. UN Secretariat Regulations and Rules in relation with the Financial Structure of UN-Habitat.

- Un-Habitat’s major sources of income are:
  - **Regular Budget allocations**: approved by the GA against the assessed contributions of Member States. While this represents around 7% of the total budget of UN-Habitat it remains a significant source of funding for core staff.
  - **Foundation funds**: these are the non-earmarked voluntary contributions from Governments for which budget allocations are approved by the Governing Council and are allocated in accordance with agreed priorities.
  - **Earmarked voluntary contributions from Governments** or other donors for specific activities, as agreed with the donor included in the approved Work Programme and Budget. These can belong to two categories, either as contributions to the Foundation or at country level (Technical Cooperation). These represent around 70% of the total budget.
The FRR establish a biennial cycle for budget programmes (two year financial cycles).

UN-Habitat’s Work Programme and Budget is elaborated following content, methodology and process for approval as established in the FRR.

Total alignment and overview of UN-Habitat’s portfolio within WPB is not ensured, due to the fragmented nature of UN-Habitat’s financial structure and the unpredictability of some sources of Funding such as Technical Cooperation, which make it impossible to match the biennial financial cycle.
All sources of income of UN-Habitat are subject to UN-Secretariat Regulations and Rules.

The UN RR establish a system of delegation of authority on functions such as the utilization of funds, financial management, procurement and recruitment but irrespective from the source of financing.

The UN Secretariat in New York is the instance that issues Delegated authority. Understanding how the system of delegation of authority works between UNON and UN- Habitat is key to assess accountability in within the current system.
LISTING OF RELEVANT FINDINGS IN THE CURRENT LEGAL FRAMEWORK FROM THE PERSPECTIVE OF UN-HABITAT’S GOVERNANCE

2. UN Secretariat Regulations and Rules and the Mandate of UN-Habitat:

- UN Secretariat Regulations and Rules in general, but more specifically current interpretation and application of the rules and procedures, do not fully respond to the nature of UN-Habitat’s work, in the sense that most activities are based abroad and UNON is not best positioned to provide timely services outside Nairobi.

- This poses a challenge for a Programme like UN-Habitat which combines normative and operational activities within the scope of its Mandate.

- Amongst UN Secretariat’s Programmes: (CTED); (OHCHR); (UNHCR); (UNCTAD); (UNEP); (UNODC); (UNRWA) UN-HABITAT is has both, a normative/operational Mandate. In this sense, it can only be compared to a hybrid entity, such as UN-Women.
LISTING OF RELEVANT FINDINGS IN THE CURRENT LEGAL FRAMEWORK FROM THE PERSPECTIVE OF UN-HABITAT’S GOVERNANCE

3. UNON’s Mandate and Organization

- According to UNON’s Mandate, the Office was created to achieve economies of scale and to strengthen the United Nations presence in Nairobi (in January 1996).
- First step was the establishment of a common administration for UNEP and the then UN Commission on Human Settlements.
- The Director of UNEP was then also the Director of UNON.
- As set out in the ST/SGB/2000 one of the functions of UNON is to “provide administrative and other support services to UNEP and UN-Habitat”, but the outreach and scope of these services is not specified.”
- Due to lack of definition and clear competence boundaries in UNON’s Mandate, the scope of the functions carried out by UNON, mainly relies on guidelines on the Delegation of Authority, as given by the UN Secretariat in New York.
LISTING OF RELEVANT FINDINGS IN THE CURRENT LEGAL FRAMEWORK FROM THE PERSPECTIVE OF UN-HABITAT’S GOVERNANCE

- Report of Office of Internal Oversight Services after inspection in November 2001 stated that “…at the time of the inspection there appeared to be confusion as to the practical functional responsibilities and reporting lines of UNON.” This confusion, partly originated because of unclear delegation of authority.

- The report of the inspection recommended clear guidelines on delegation of authority as well as the finalization of service level agreements in order to shed more clarity of differentiated functions between UN Habitat and UNON.

- The report also noted that UNON as service provider should have quality assurance system to assess client satisfaction.

- This lack of clarity, detected more than a decade ago seems to have pervaded in the system, largely due to lack of a proper working relationship based on fluent communication.

- The fact that Service Level Agreements were not successfully concluded is also an indication of the situation.
To this date, guidelines on Delegation of Authority are not clear.
UNON performs a double function: as custodian of UN Secretariat’s Regulations and Rules and as service provider to UN-Habitat.
The balance between these two functions needs to be readdressed.
There is no current mechanism to monitor the timely delivery of services from UNON to UN-Habitat.
UNON is responsible for service delivery but not accountable.
The need arises also from major qualitative changes in UN-Habitat since UNON was created (UN-Habitat became a full-fledged Programme in 2001), and from the increasing relevance of UN-Habitat’s Portfolio, both in the normative and in its operational dimension.
4. ANALYSIS OF THE PRACTICAL FUNCTIONING OF THE SYSTEM IN THE RELATIONSHIP BETWEEN UN-HABITAT AND UNON.

BUDGET AND FINANCE MANAGEMENT SERVICE

- UN FRR delegate on the Under-Secretary of Management authority in Banking, Procurement, and utilization of funds.
- UN FRR distinguish between Certifying and Approving Officers. Certifying functions are currently performed by UN-Habitat, whereas Approving functions are performed by UNON.
- The UN FRR, Annex for UN-Habitat’s Foundation establishes (since 2006) a delegation of authority from the Secretary General to the Executive Director of UN-Habitat to administer the Foundation budget and to utilize its Funds.
- It is currently the ED together with the Governing Council who assign these funds to programs, subprograms and activities, but financial management (approving functions on payments are basically with UNON).
On the other hand, though a **Special Annex to the FRR was approved in 2006**, in order to regulate the Administration of UN-Habitat’s Foundation, this Annex, according to UNON has become outdated and is no longer applied to a full extent.

Presently, **UNON performs Approving functions irrespective of the source of financing** (whether it is Regular Budget, Foundation or Technical cooperation). There is a very limited exception for Offices Away From Headquarters (OAHS).

**There is lack of clarity regarding which body is in charge of approving functions on payments.** Offices Away from Headquarters have limited Delegation of Authority to exercise such functions, and UN-Habitat sees this as a problem to carry out their mandate, particularly in the aftermath of a disaster.
HUMAN RESOURCES (RECRUITMENT AND STAFF SERVICES)

- **UN Staff Regulations** are universally applied in the UN System; general rules are also widely applied in a homogeneous way throughout the UN system.
- The **UN Secretariat**, however, has set up a very complex and regulated system including burdensome administrative procedures to make these rules operational.
- Among the operational tools, the **INSPIRA system** for vacancies application is unanimously regarded as particularly complicated and inefficient in its functioning.
- **UN-Habitat** relies on **UNON** for the recruitment process; UNON’s Recruitment services have delegated authority to recruit for UN-Habitat.
- Recruitment procedures have to follow the set of operational rules approved by the UN Secretariat and are lengthy and burdensome:
Regular posts are announced for 60 days (when they are based in Nairobi)

Project positions are announced for 30 days if they are outside Nairobi, and even 15 days exceptionally when there are no candidates. This includes emergency cases.

Experts/consultants: In order to achieve more efficiency, UN-Habitat has set up its own Consultant Roaster, different from Inspira. This was even proposed as a pilot for Inspira. An expert from UNHQ will come to see how this roaster works.

Some bottlenecks identified in the Recruitment Process are the following:

1. Professional posts must be translated to French (this entails a very long process since DGACM –UNON´s conference services-takes too long in delivering the translation).
2. Screening of candidates by UN-Habitat can take very long
3. Interview panel also takes very long to make a decision.
Another problem is perception of Nairobi as duty station associated to insecurity, safety risks and difficulties for UN staff spouses to find jobs and remain professionally active.

As part of the UN Secretariat, UN-Habitat faces a disadvantage in its ability to deliver in a timely and responsive manner, particularly in its operational activities, and projects on the field, if compared with other UN Agencies or Programmes that are not bound to Secretariat Rules and Regulations and have more flexible, less burdensome recruitment administrative and operational procedures.

UN-Habitat Offices Away from Headquarters, sometimes outsource recruitment for projects in the field to UNDP. UNDP has a particular modality, the so called “general services contracts”
(According to UN-Habitat’s sources, recruitment processes can take up to 178 days).

UN Regulations and Rules, as well as procedures for recruitment are designed to ensure transparency in the process and the outcome rather than efficiency and quick response capacity.

There is general consensus between UN-Habitat’s staff and UNON staff that over lengthy procedures can be substantially shortened by eliminating current bottlenecks through simplification of unnecessary and cumbersome administrative procedures and through enhanced communication and planning.

Joint elaboration of a timely Recruitment Plan was suggested by UNON.
ANALYSIS OF THE PRACTICAL FUNCTIONING OF THE SYSTEM IN THE RELATIONSHIP BETWEEN UN-HABITAT AND UNON.

PROCUREMENT SERVICES

➢ The Director of Administrative Services at UNON has delegated authority from the Secretariat in New York on procurement, and so has the Executive Director of UN-Habitat.

➢ Scope of delegation of authority to each of them seems to be unclear due to different interpretations on Secretariat’s rules applicable to UN Habitat and UNON.

➢ This has led to confusion and to differing criteria as to how and by whom procurement functions should be performed.

➢ According to current practice, all procurement services are provided to UN-Habitat by UNON, except for Procurement carried out by UN Habitat Offices away from Headquarters (OAHS), who have received limited delegated authority to procure in a range between 50,000 and 150,000 USD on extra budgetary resources, for projects on the field.

➢ Currently, procurement procedures are lengthy and burdensome and it might take up to 18 to 34 weeks, depending on the type of procurement.
ANALYSIS OF THE PRACTICAL FUNCTIONING OF THE SYSTEM IN THE RELATIONSHIP BETWEEN UN-HABITAT AND UNON.

- Main source of concern for UN-Habitat is the inability of UNON to procure in a timely manner and ensure efficient programme delivery, particularly outside Nairobi, in operations on the field and in post disaster and post conflict activities.
- This pushes UN-Habitat to turn to other Agencies, mainly UNDP and UNOPS to satisfy procurement needs.
- Accountability and transparency of the current procurement system are not granted. UNON does not carry out any procurement report annually.
- Procurement reports of UNDP are not reviewed by the General Assembly. Member States have no information on procurement of goods and services to UN-Habitat.
- UNON acknowledges some reasons that would explain the situation: lack of planning in advance, including forecast of recurrent needs, increasing work burden, and insufficient human resources.
- The need to apply the UN Manual on Procurement entails the compliance with many requirements.
Nevertheless, UNON is of the opinion that much more effectiveness might be achieved through improved communication and coordination between UNON and UN-Habitat.

The fact that there is no statutory reporting on procurement services makes it difficult to track quality and adequacy of procurement services undertaken by UNON on behalf of UN-Habitat.

Lack of efficiency and weak accountability seem to be the main weaknesses in the current functioning of the system.

There is no mechanism or tool to measure compliance with timely and effective service delivery.

In spite of this shortcoming, UN-Habitat is accountable to the donors and to Member States for efficient programme delivery.
5. IMPACT OF THE ORGANIZATIONAL REVIEW

Organizational Review and Financial Accountability and Transparency

➢ Un-Habitat is currently undergoing a process of reviewing its organization, thus responding to a demand frequently raised by the Committee of Permanent Representatives and the Governing Council.

➢ Main purpose of the review is to increase UN-Habitat’s Accountability, Transparency, Efficiency and productivity.

➢ The Executive Director of UN-Habitat has engaged in this process in extensive consultations with the CPR as well as with UN-Secretariat in New York.

➢ Key elements to reach financial accountability are two modern and tested management tools:

➢ Project Based Management System (PBMS)
➢ Project Accrual Accountability System (PAAS)
The introductory phase of accrual accountability has allowed a better understanding of the 5.4 MUSD deficit of 2010 and it has prompted to take adequate measures and decisions to correct the situation in 2011, such as the freezing of posts and the implementation of a firm program of cost-containment, well appreciated by stakeholders.

As stated above, PMS and PAAS are not just accounting systems that keep record of economic facts, but they are also modern management tools and efficient instruments to grant accountability and transparency, based on and “online system”.

The recording based system currently shared by UN-Habitat and UNON is not sufficient to address transparency and accountability issues, as has been stated by different donors.
IMPACT OF THE ORGANIZATIONAL REVIEW

- The implementation of the new system will bear consequences for the current system of certifying and approving functions.

- The new programme— in line with the modern and generally accepted principles of accountability permits only to outsource technical support of accountability but not the authority.

- Approving functions fall under the authority that is accountable for programme delivery.
6. RECOMMENDATIONS ON PROPOSED ACTIONS

1. Implementation of a clear system of Delegation of Authority that responds to rational criteria and addresses the need to enhance Accountability and Transparency of the system as well as increased Effectiveness in UN-Habitat’s Programme Delivery.

- The first rational criterion is the differentiation between accountability and responsibility.
- Definition of Accountability (Wikipedia)
- “As a term related to governance "A is accountable to B when A is obliged to inform B about A’s actions and decisions, to justify them, and to suffer punishment in the case of eventual misconduct". [5]
- Accountability cannot exist without proper accounting practices; in other words, an absence of accounting means an absence of accountability.”
RECOMMENDATIONS ON PROPOSED ACTIONS

- Definition of Responsibility (Wikipedia and various dictionaries)

- Within the context of the performance of public functions according to some University studies responsibility refers to the assignment of a task.

- Compliance with responsibility means fulfilling tasks assigned.

- Compliance with accountability means justify and explain actions and decisions.
RECOMMENDATIONS ON PROPOSED ACTIONS

- These definitions are useful to approach the binary Accountability/Responsibility division in the framework of the relationship between UN-Habitat and UNON:
  - It is UN-Habitat as a full-fledged Programme, who is accountable to donors and to Member States for effective delivery of its Mandate.
  - UNON, as an entity of Administrative nature, is responsible for provision of administrative support services.
  - Based on clear guidelines on Delegation of Authority, UN-Habitat and UNON should be able to establish clear roles and responsibilities in the performance of functions attributed to each of them.
  - One option in order to solve the matter would be delegating authority to the accountable instance.
  - A clear system of Delegation of Authority should be accompanied by the necessary training of staff empowered by delegation of authority, so they can duly perform their duties and be fully accountable for their performance.
2. Establishment of an effective Institutional Communication Mechanism that ensures joint planning and proper coordination at all levels between Un-Habitat and UNON as Administrative Service Provider

- Need to engage constructively in a new working relationship.
- More fluent and constant communication at different levels, political and technical can be achieved through revitalization of both, the Executive Services Management Board and more importantly regular meetings of the Client Advisory Board.
- UNON’s proposal to share timely and analyze jointly the administrative dimension of UN-Habitat’s Strategic Planning and of the Work Programme and Budget could enable UNON to prepare in advance for improved service provision.
3. The establishment of a clear client-service model

- UNON was created as an Administrative Support Structure to cater administrative services to UNEP and UN-Habitat.
- To the extent to which UNON is responsible to apply UN-Secretariat Regulations and Rules when performing its administrative functions, it becomes the custodian of the correct application of the Rules and Procedures.
- It exercises control functions.
- As service provider, though it is responsible for the provision of quality, timely and effective services to UN-Habitat and UNEP.
- In the current system, the control function and the function as service provider do not appear to be well balanced, and clear client-service model needs to be established.
RECOMMENDATIONS ON PROPOSED ACTIONS

- A proposal for consideration would be to clearly separate the performance of both functions within UNON (controllers do not manage and managers do not control) and reinforce control systems “ex post” rather than prior. This system could enhance speed of service delivery.

- Under the current organizational review, UN-Habitat is engaged transformation process of management system and practices that is aimed at achieving a more horizontal structure and at eliminating bureaucratic layers on administrative procedures that create bottlenecks.
4. Proposals to enhance Transparency in the Financial Governance of UN-Habitat

- To foster participation of the CPR in the elaboration of the Work Programme and Budget

- To analyze in connection with Findings of the other Task Force Teams of the Governance Review Process governance options that grant the Governing Bodies of UN-Habitat full oversight of UN-Habitat’s portfolio.

- To encourage a **new OIOS inspection** in order to tackle issues that need further clarification.
RECOMMENDATIONS ON PROPOSED ACTIONS

5. Submission of present Recommendations to the Mission of the Department of Management of the UN Secretariat (New York) and to the Executive Director of UN-Habitat.

- An official **Mission from the Department of Management of the UN Secretariat in New York will take place** from the 16th to the 27th of April 2012 in order to assess the performance of administrative functions between UNON and both Programmes, UN-Habitat and UNEP. **Recommendations in this report will be submitted to this Mission for its consideration**.
Thank you for your attention!