

Our financial situation: Towards sustainability

Ad hoc working group
on programmatic, budgetary
and administrative matters

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12 October 2022

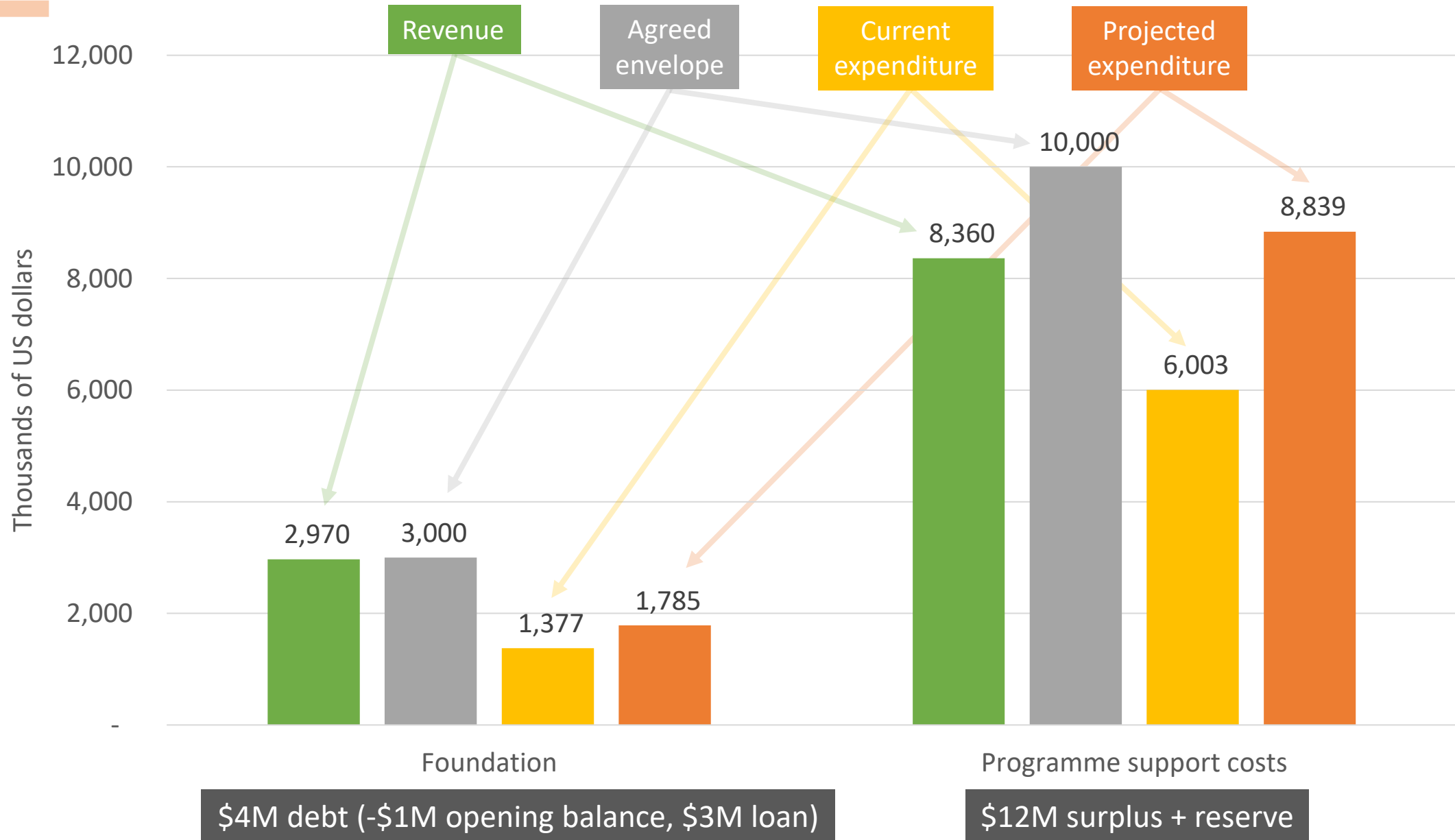


Topics

1. Recap from two weeks prior
2. Recall the responsibilities of the Executive Board and the Secretariat for the foundation
3. Potential elements of future decision language



Foundation and PSC in 2022 as of 30 August



From the Board of Auditors

“ 19. The Board also conducted the ratio analysis for the Foundation 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.

“ 24. The Board is of the view that **core resources are key to operational activities,** lack of which will have negative impacts on UN-Habitat’s capability of providing sufficient support to its normative and operational work to fulfil its obligations and strategic goals.

From the Joint Inspection Unit

“ 64. Given the large gaps between the approved budgets and the actual contributions over the years, the secretariat updates 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. It has taken steps to closely align expenditure with income received. While noting those efforts in recent years, the Inspectors believe that the Executive Director should further pursue more realistic budgeting based on the actual revenue levels of recent years with further cost rationalization.

Recommendation 2

The Executive Board of UN-Habitat 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.

...continued

“ 113. The Inspectors commend the efforts of the secretariat to pursue its mandate within the existing limited resources. Until the current funding situation improves, **scaling down seems inevitable.** The Inspectors make the following recommendation to prevent further deterioration of the financial situation of UN-Habitat.

Recommendation 4

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.**

Roles and responsibilities

“ 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];



(c) The Executive Director is instructed to prepare a plan and programme of operations for the Foundation, for approval by the Governing Council at its third session, which reflect the primary operative objectives of subparagraph (a) above;

A/RES/56/206
26 February 2002

Roles and responsibilities

“ Welcomes the work of the Open-ended Working Group established by the Chair of the Committee of Permanent Representatives to the United Nations Human Settlements Programme (UN-Habitat), pursuant to General Assembly resolution 72/226, as well as its report,

...and *endorses* its findings and recommendations on **changing the governance structure** of UN-Habitat;

A/RES/73/239
17 January 2019

Roles and responsibilities

“ The Open-ended Working Group identified the need for a **dedicated executive body** to increase the oversight by Member States of UN-Habitat operations and to strengthen its accountability, transparency, efficiency and effectiveness...

It would take the form of an **executive board** to comprise 36 members... [to] undertake the following:



A/73/726
4 February 2019

Roles and responsibilities


- “ (a) Oversee the implementation of the normative and operational activities of UN-Habitat;
- (b) Ensure accountability, transparency, efficiency and effectiveness;
- (c) Approve and oversee the implementation of the annual programme of work and budget and of the resource mobilization strategy, in accordance with the strategic plans and the political guidelines provided by the UN-Habitat Assembly;
- (d) Adopt decisions, under its mandate, on, among other things, programmatic, operational and budgetary issues for the adequate and effective implementation of the resolutions and other decisions adopted by the UN-Habitat Assembly;
- (e) Guide and support efforts to finance UN-Habitat;
- (f) Oversee the compliance of UN-Habitat with evaluations and support auditing functions;
- (g) Collaborate with the executive boards of other United Nations agencies, in accordance with the Secretary-General’s management reforms.

A/73/726
4 February 2019

Prior decision

“ *Decides* that the final approved budget for the following financial period is the basis upon which the **Financial Reserve** is applied in the current financial period year-end financial statements;

Decides that the **financial reserve percentage will be set at 20 per cent** of the approved budget for the following financial period.



HSP/EB.2020/29
9 November 2020

From solvency to sustainability

1. **Emergence** from insolvency
2. **Operationalise** the reserve
3. **Repay** the loan



Operational reserve management

1. Short-term **unplanned events** (additional expenses)
2. Short-term **liquidity issues** and contingencies (reduced income)
3. Long-term **liabilities** (staff benefits)
4. Long-term **capital investment** needs (asset planning)



5. Floor and ceiling levels vs target level
6. Fixed vs dynamic
7. Authority to **establish** a reserve
8. Authority to **use** a reserve

Currently only dynamic (20%) but without policy on usage

Recommend consideration of \$3M (staff benefits) + 20% (income volatility)

Plus limits on usage for the above purposes



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