

# Our financial situation: Towards sustainability

Ad hoc working group  
on programmatic, budgetary  
and administrative matters

Stephen Slawsky  
Director, Management Advisory and Compliance Service  
21 September 2022



# Key financial messages

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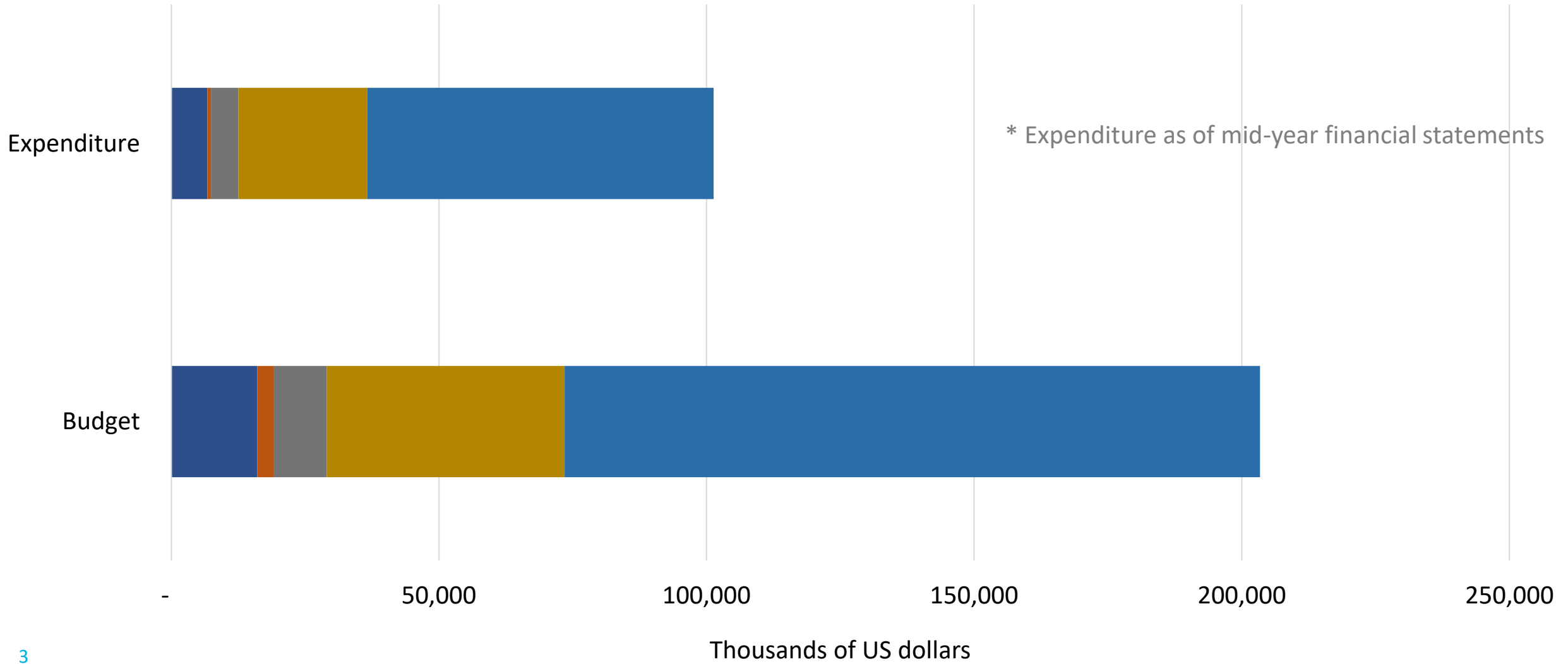
- **A robust \$200M programme across all funding sources**
- **Spending well: approx. 50% of budgets expensed by mid-year**
- **Projections in Foundation and programme support costs are within the agreed envelopes**
- **“Reset” of 2023 Foundation budget to a baseline of \$3M has been an important change of mindset**
- **Core activities are limited by the lack of core reserves**
- **Sustainable growth will be the way forward after liabilities are covered**



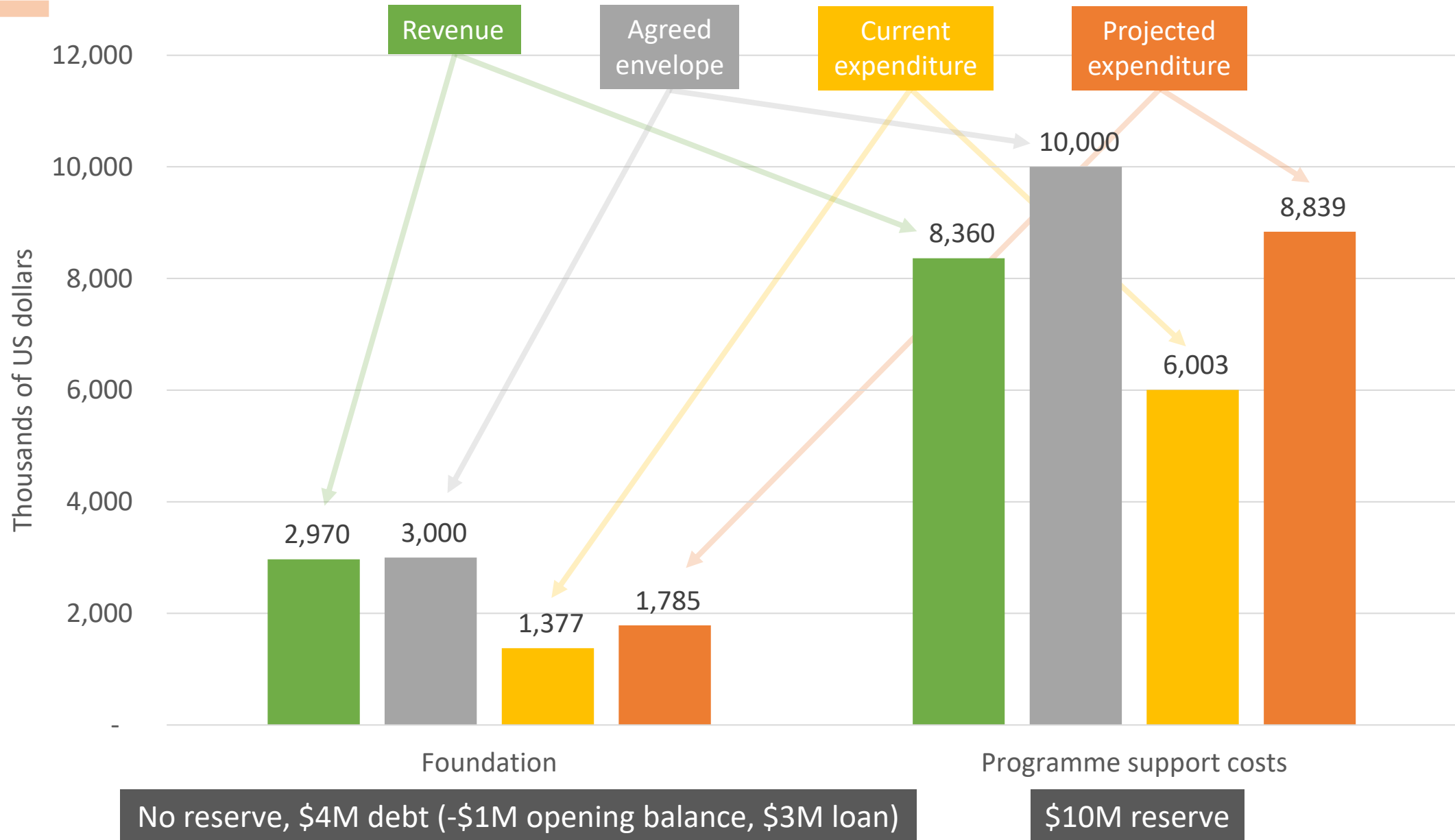
# All funding sources in 2022



■ REGB ■ FNDN ■ PRGS ■ FNDE ■ TECH



# Foundation and PSC in 2022 as of 30 August



# Austerity measures

- ✓ **13 actions**
- ✓ Financially retroactive to 1 January where possible

- ✓ **14 eligible staff**
- ✓ Not yet activated

Reassign to  
RB

Reassign to  
projects

Early  
retirements  
and agreed  
terminations

Hiring freeze

- ✓ **13 actions**
- ✓ Including two relocations

- ✓ **13 selections suspended**
- ✓ **All vacant posts blocked**
- ✓ In force for all core-funded and PSC positions

# From the Board of Auditors

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“ 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.**



# Roadmap for sustainable growth

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- **Impact is universal**
- **Limitations remain until receipt of adequate additional funding**
- **Additional regular budget, if approved, will help ease the situation**
- **Easing might not be immediate: fundraising and recruitment are both time-intensive activities**
- **Until the situation is sufficiently eased, the challenge is how to do the right things with less**
- **Blueprint of a scalability model**



# Scalability model: Guiding principles

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# When to start scaling up

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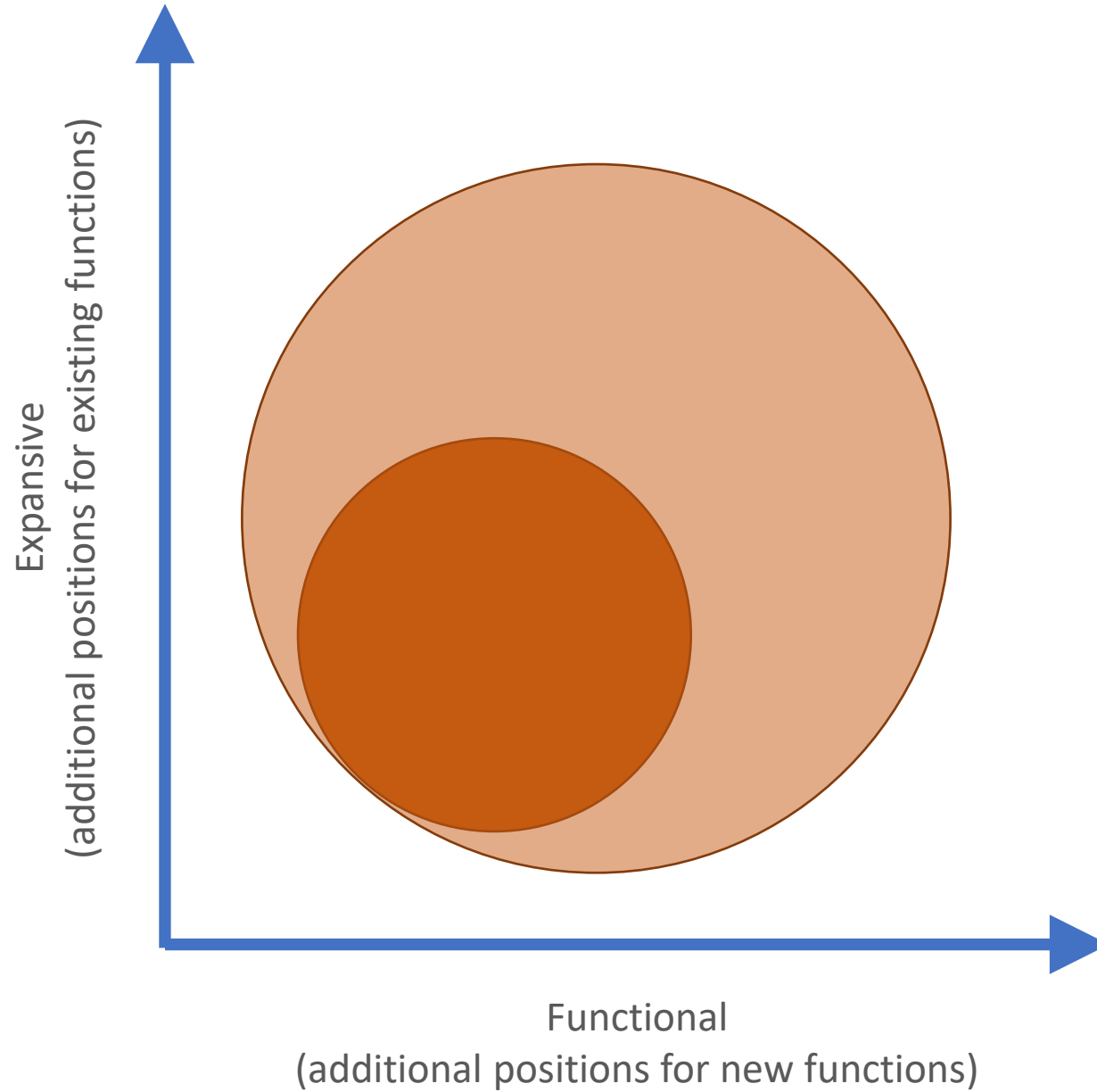
1. Solvency (-\$1M)
2. Payback of loan (-\$3M)
3. Establishment of a reasonable reserve (\$1M ► \$10M)

The reserve is to ensure that the fund can sustain unplanned expenditures such as staff entitlements and after-service liabilities, and that the fund can sustain planned expenditures if the revenue unexpectedly decreases or is disrupted.

 Approval of additional regular budget for 2023 will expedite this process



# Dimensions of scaling up



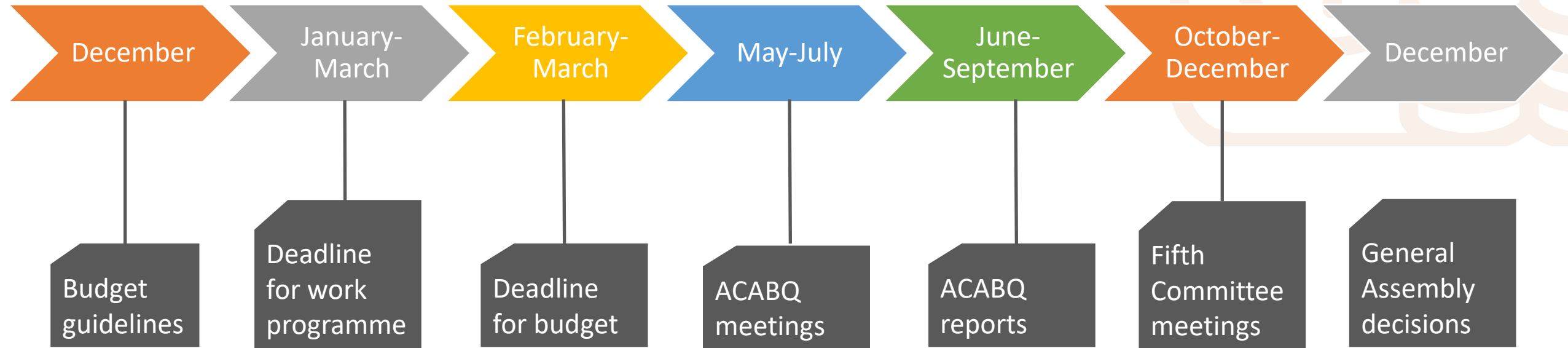
# Methodology of scaling up

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1. Prioritize based on **strategic objectives**, both functional and expansive
2. Manage through the **budget process**, in which positions are established, converted, reclassified, reorganized, upgraded, downgraded or abolished
3. Review other UN organizations as **benchmarks**
4. Complete a **rationalization analysis** of all positions across all sources of funding to ensure proper use of each source of funding with respect to the functions of each position



# Budget milestones



UN Secretariat Milestones

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