



UN HABITAT Executive Board
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Programme

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Executive Board of the United Nations
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Discussion and possible approval of the draft work
programme of UN-Habitat and the draft budget of the
United Nations Habitat and Human Settlements
Foundation for 2023

The scalability model for the non-earmarked budget of the United Nations Habitat and Human Settlements Foundation

Report of the Executive Director

I. Introduction

1. The present report sets forth the guiding principles of a scalability model for UN-Habitat to systematically identify priorities in staffing in order to fulfil strategic objectives while respecting the availability of funds.

II. Background

2. UN-Habitat funding is received through four funding sources: the regular budget; the non-earmarked budget of the United Nations Habitat and Human Settlements Foundation; the earmarked budget of the Foundation (also known as Foundation special purpose), for global programmes or regional projects; and the technical cooperation budget, for subregional and country-specific projects. An internal subsegment of funding, programme support costs, is derived entirely from the earmarked Foundation budget and from the technical cooperation budget to fund the indirect activities required to implement programmes and projects.

3. Among the funding sources that UN-Habitat defines as core funding, regular budget resources are designated to fund normative and intergovernmental functions, while Foundation non-earmarked resources are used to fund normative and core operational functions. The scalability model is specific to the non-earmarked Foundation budget.

III. Impetus

4. This report has been prepared pursuant to the request of the Executive Board, set out in paragraph 5 of decision 2022/1, that the Executive Director report to the Executive Board on the scalability model prepared by the secretariat for the non-earmarked Foundation budget,¹ in accordance with the recommendation of the Executive Director to the Executive Board for the non-earmarked

* HSP/EB.2022/14.

¹ HSP/EB.2022/13.

Foundation budget level in 2023 to be at a baseline of \$3 million, which is to be scaled up to a level of \$12 million should adequate funds be received.²

5. That recommendation was made taking into account the financial capability of the non-earmarked Foundation budget and the proper treatment of the budget as a spending plan, in line with the way in which budgets are formulated for the other funding sources of UN-Habitat.

6. Furthermore, the recommendation is in line with the recent recommendation 2 of the Joint Inspection Unit that the Executive Board approve a realistic budget for the Foundation non-earmarked fund based on the actual revenue levels, against a backdrop of a depleted fund reserve.³

7. In addition, the Board of Auditors recently expressed concern regarding the insolvency and liquidity risk for the non-earmarked Foundation budget, focusing on negative net assets in 2020 and 2021.⁴

IV. Baseline

8. The recommended baseline of \$3 million largely aligns with the annual revenue received in recent years, with the average annual revenue received during 2017–2021 totalling \$4.36 million. However, the net assets position of the non-earmarked Foundation fund of negative \$1.1 million as at 31 December 2021 is noted. It is also noted that the non-earmarked Foundation fund carries the liability to pay back a loan made in 2017 of \$3 million from the programme support cost fund.

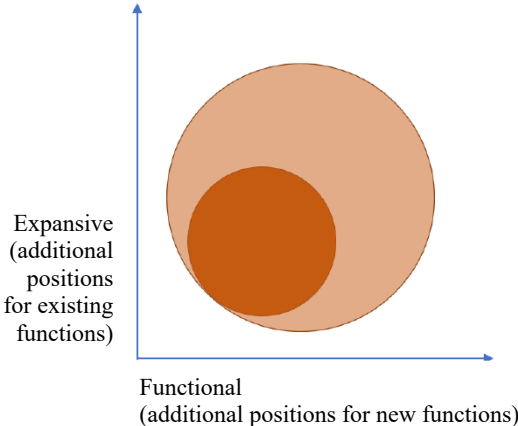
9. The importance of a conservative spending plan is further reinforced by the need for the non-earmarked Foundation fund to rebuild its reserve, which is currently fully depleted. The purpose of the reserve is to ensure that the fund can sustain unplanned expenditures, such as staff entitlements and after-service liabilities, as well as planned expenditures if the revenue unexpectedly decreases or is disrupted.

10. The budget planning assumption is that prior to scaling up the non-earmarked Foundation fund first returns to solvency, with positive net assets; repays the loan; and establishes a reasonable reserve to cover unplanned expenditures or unplanned reductions in revenue.

V. Scaling up

11. When organizations can afford to increase in size, scaling up can take different forms depending on their strategic objectives. One aspect is functional, namely the addition of new positions to execute new functions, that is to say, in this case, to carry out activities that are not currently funded by the non-earmarked Foundation fund. Another aspect is expansive: the addition of new positions to execute existing functions, that is to say, in this case, to carry out a higher volume of the existing activities that are already being funded by the non-earmarked Foundation fund, including in additional geographical locations. Each aspect may grow independently or jointly.

Sustainable scaling up



² [Ibid.](#), para. 3.
³ [JIU/REP/2022/1](#).
⁴ A/77/5/Add.9, paras. 17–19.

VI. Methodology

12. In consultation with the Executive Board, including its working groups, the secretariat will identify priorities regarding posts to be funded by the non-earmarked Foundation fund based on the organization's strategic objectives. These priorities will relate both to the functional and the expansive aspects.
13. In recognition of the financial situation, the Joint Inspection Unit has commended the efforts of the secretariat to pursue its mandate within limited resources and recommended that the Executive Director not consider new activities supported by the Foundation non-earmarked fund until adequate contributions for that fund are received.⁵
14. Scaling up will be managed through the budget process for the non-earmarked Foundation fund, in the context of which posts are established, converted, reclassified, reorganized, upgraded, downgraded or abolished.
15. Comparative reference can be made to the prioritization process in other United Nations entities, where strategic priorities are reflected in the maintenance of the organizational structure via the budget process and dependent on the availability of funding.
16. As a prerequisite, the secretariat will complete a rationalization analysis of all the posts across all sources of funding to ensure the proper use of each source of funding with respect to the functions of each post. Appropriate realignment of funding and function will be implemented within the authority of each source of funding.

⁵ [JIU/REP/2022/1](#), para. 113.