



**Executive Board of the United Nations
Human Settlements Programme
First session of 2023**

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Item 4 of the provisional agenda*

**Financial status of UN-Habitat, including an update on
the financial reserve and the updated scalability model
for the non-earmarked budget of the Habitat and
Human Settlements Foundation**

Scalability model for the non-earmarked Foundation budget

Report of the Executive Director

I. Introduction

1. The present report provides an update on the scalability model for UN-Habitat to systematically identify priorities in staffing that fulfil strategic objectives while respecting the availability of funds, following on from the previous report on the scalability model.¹
2. The present report has been developed pursuant to the request² from the Executive Board of UN-Habitat to present an updated scalability model and coincides with the approval³ of a budget level of \$3 million for 2023 by the Executive Board.

II. Background

3. 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 and regional projects; and the technical cooperation budget, for subregional and country-specific projects. An internal subsegment of funding, programme support costs, is derived from the earmarked Foundation budget and from the technical cooperation budget to fund the indirect activities required to implement programmes and projects.
4. Among the funding sources that UN-Habitat defines as core funding, regular budget resources are designated to fund mandated normative and intergovernmental functions, while Foundation non-earmarked resources are used to supplement the regular budget by funding additional normative, intergovernmental and core operational functions. The scalability model is specific to the non-earmarked Foundation budget.

* HSP/EB.2023/1.

¹ HSP/EB.2022/4/Add.1.

² Decision 2022/5, para. 14.

³ Ibid., para. 10.

5. The scalability model takes 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. This model is in line with the recommendation⁴ of the Joint Inspection Unit that the Executive Board approve a realistic budget for the non-earmarked Foundation fund based on actual revenue levels to align expenditure with income received, and that Member States give clear guidance on programme and resource allocation priorities.

III. Baseline

7. The budget planning assumption is that prior to scaling up, debts and liabilities are managed: the non-earmarked Foundation fund returns to solvency with positive net assets; the reserve level decided⁵ by the Executive Board is fully funded; and progress payments are made to pay back the loan of \$3 million.

8. The approved budget level for 2023 of \$3 million remains the baseline. In 2024, the proposed budget level will be increased, taking into account the appointment of the Deputy Executive Director of UN-Habitat in 2023, funded from the non-earmarked Foundation budget, as well as the request⁶ by the Executive Board to be regularly updated on the implementation of the New Urban Agenda,⁷ which entails a programme budget implication.

9. The approved conversion⁸ of posts from the non-earmarked Foundation budget to the regular budget will not have a direct impact on the non-earmarked Foundation budget level but will instead allow for other posts or activities to be funded from the non-earmarked Foundation budget.

IV. Methodology

10. In consultation with the Executive Board, including its working groups, the secretariat will identify priorities regarding posts to be funded from the non-earmarked Foundation budget based on strategic objectives.

11. Scaling up will be managed through the budget process for the non-earmarked Foundation fund, in the context of which positions are established, converted, reclassified, reorganized, upgraded, downgraded or abolished.

12. Comparative reference may 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.

13. As a prerequisite, the secretariat will complete a rationalization analysis of all 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.

V. Priorities

14. In subsequent budget proposals, the following priorities will be considered for integration in a systematic and conservative manner, in line with available funds:

(a) For programme development, including for flagship programmes, additional core resources are required for programme design, incorporating social and environmental issues, coordination and reporting functions.

(b) To support Member States and regional institutions in the adoption of urban data systems, additional resources are critical to the role of UN-Habitat as a custodian of Sustainable Development Goal indicators, including progress reports that bring together the results of stakeholders for reporting to the high-level political forum on sustainable development.

⁴ JIU/REP/2022/1, paras. 64 and 65.

⁵ Decision 2022/5, para. 11.

⁶ Decision 2022/6, para. 17.

⁷ General Assembly resolution 71/256, annex.

⁸ A/RES/77/262, para. 47.

(c) To realize the regional architecture of UN-Habitat for improved cooperation with the resident coordinator system and with United Nations country teams, priorities include funding for regional representatives and essential regional support functions.

(d) For knowledge management and knowledge sharing, core funding will enable the resumption of regular global and regional publications on emerging trends derived from urbanization data.

(e) In operational support, core functions prioritized for additional funding include oversight, internal controls, audit response and enterprise risk management.

(f) Normative priorities include the establishment of human settlement norms and the monitoring of their adoption process by countries and cities. Stronger normative efforts can be made for the strategic priorities of adequate housing for all, cities' contributions to climate solutions, localizing the Sustainable Development Goals, and urban crisis response.

(g) To increase the impact of normative work, prioritized functions include communications, advocacy, outreach, and partnerships.
