Agenda item 4

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

Executive Board of UN-Habitat: First session of year 2023
28-29 March 2023
Financial status as of 31 December 2022

Focused on stability
2022 across all funding segments

- **Regular budget**
  - (Human settlements)
  - (Technical cooperation)
  - (Development account)
- **Foundation non-earmarked**
- **Programme support costs**
- **Foundation earmarked (global / thematic)**
- **Technical cooperation (regional / country)**

**Revenue** = $199.3M
**Budget** = $257.8M
**Expenses** = $215.3M

*Revenue recorded in the year of signature of contribution agreement. Expenses recorded in the year of expense.*
2022 expense mix

- **Technical cooperation**: 60.0%
- **Foundation earmarked**: 27.0%
- **Foundation non-earmarked**: 0.8%
- **Programme support costs**: 4.4%
- **Regular budget**: 7.8%
- **RB Human settlements**: 6.8%
- **RB Technical cooperation**: 0.5%
- **RB Development account**: 0.5%
## 2023 to date across all funding segments as of 25 March 2023

### Normative / Core operations

<table>
<thead>
<tr>
<th>Segment</th>
<th>Revenue</th>
<th>Budget**</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular budget (Human settlements)</td>
<td>$1.7M</td>
<td>$3.3M</td>
<td>$1.7M</td>
</tr>
<tr>
<td>Regular budget (Technical cooperation)</td>
<td>$0.1M</td>
<td>$0.3M</td>
<td>$0.1M</td>
</tr>
<tr>
<td>Regular budget (Development account)</td>
<td>$0.1M</td>
<td>$0.3M</td>
<td>$0.1M</td>
</tr>
<tr>
<td>Foundation non-earmarked</td>
<td>$0.1M</td>
<td>$0.8M</td>
<td>$0.1M</td>
</tr>
<tr>
<td>Programme support costs</td>
<td>$2.5M</td>
<td>$2.5M</td>
<td>$0.7M</td>
</tr>
</tbody>
</table>

### Project operations

<table>
<thead>
<tr>
<th>Segment</th>
<th>Revenue</th>
<th>Budget**</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation earmarked (global / thematic)*</td>
<td>$9.8M</td>
<td>$10.9M</td>
<td>$4.8M</td>
</tr>
<tr>
<td>Technical cooperation (regional / country)*</td>
<td>$24.2M</td>
<td>$24.2M</td>
<td>$9.6M</td>
</tr>
</tbody>
</table>

### Total

- **Revenue** = $18.7M
- **Budget** = $41.2M
- **Expenses** = $17.1M

*Revenue recorded in the year of signature of contribution agreement. Expenses recorded in the year of expense. **Prorated
Foundation non-earmarked: 2022 was historically important

Revenue includes $3M loan

Insolvency (negative net assets)

Surplus = $6.0M (revenue > expense) first in 12 years

Net assets
Financial reserve and partial loan repayment

From the surplus, the financial reserve is fully funded at the mandated level of $3M.

An initial instalment of $500K was paid against the loan of $3M.
Financial reserve: level and purpose

11. Also recalls the provisions of decision 2020/4 relating to the level of the financial reserve in the non-earmarked Foundation budget and decides to set the minimum level of the reserve at $3 million or 20 per cent of the approved budget for the following financial period, whichever is higher;

12. Decides that the Executive Director is authorized to enter into planned commitments from the available balance of the financial reserve to compensate for short-term requirements and liquidity due to uneven cash flows in accordance with the approved work programme and budget and requests that such commitments be reported to the Executive Board;

The mandated purpose of the reserve of the non-earmarked Foundation is in line with the mandate of the Foundation to augment the regular budget for normative and core operations.

Short or medium-term unforeseen (surge) requirements would normally be covered by the reserves in technical cooperation and the earmarked Foundation, in line with the mandates of those funds.

Long-term requirements would normally be covered in the budget process.

HSP/EB.2022/22: Decisions adopted by the Executive Board at its second session of 2022
Decision 2022/5
Financial milestones

- Realistic budgets, treated as spending plans
- Controlled spending within agreed envelopes
- Maintained all personnel
- Stabilised core finances
- First additional regular budget proposed and approved in 20 years
- First surplus in 12 years
- First fully funded financial reserve
- First instalment to repay the loan
- First programme budget implication process via ACABQ
Draft supplementary budget for 2023

For consideration
Supplementary budget process

- November 2022: Executive Board decision + technical note
- January 2023: ACABQ hearing
- February 2023: ACABQ report
- March 2023: AHWG on PBA discussion
- March 2023: Executive Board decision
HSP/EB.2022/22: Decisions adopted by the Executive Board at its second session of 2022
Decision 2022/6

16. **Welcomes** the update by the Executive Director on the high-level meeting of the General Assembly to assess progress in the implementation of the New Urban Agenda, held on 28 April 2022, and **takes note** of the summary by the President of the General Assembly of that high-level meeting, including the annex of declared actions and commitments on housing, climate action, localization of the Sustainable Development Goals, and urban crisis recovery to accelerate the implementation of the New Urban Agenda;

17. **Requests** the Executive Director **to provide an update** on programmes and initiatives on the implementation of the New Urban Agenda, including with regard to the submission of national reports, **at each session of the Executive Board**;
Relevant rules

Rule 12.5 of the Rules of Procedure of the Executive Board (HSP/HA.1/HLS.3):

Before the Executive Board approves any proposal involving expenditure in excess of the approved budget, the Board secretariat shall provide the Board with a written estimate of the cost of implementing the proposal.


The Executive Director is responsible for preparing and presenting to the Governing Council [now United Nations Habitat Assembly, as delegated to the Executive Board] a statement of Foundation programme budget implications ... with the comments of the Advisory Committee on Administrative and Budgetary Questions.
Draft supplementary budget for 2023: Option 1

Four staff, two substantial reports per year, national reporting helpdesk

2 x 5,000 words

<table>
<thead>
<tr>
<th>Subprogramme</th>
<th>Budget category</th>
<th>Grade/Desc.</th>
<th>Count</th>
<th>Location</th>
<th>Duration (years)</th>
<th>Total annual resources</th>
<th>Existing resources</th>
<th>Net annual total</th>
<th>Prorated for 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP1, SP2, SP3 and SP4 (25% to each subprogramme)</td>
<td>Staff costs</td>
<td>P-3</td>
<td>1</td>
<td>Nairobi</td>
<td>1</td>
<td>185,300</td>
<td>-</td>
<td>185,300</td>
<td>92,650</td>
</tr>
<tr>
<td></td>
<td></td>
<td>P-2</td>
<td>1</td>
<td>Nairobi</td>
<td>1</td>
<td>154,900</td>
<td>-</td>
<td>154,900</td>
<td>77,450</td>
</tr>
<tr>
<td></td>
<td></td>
<td>G-7</td>
<td>1</td>
<td>Nairobi</td>
<td>1</td>
<td>39,800</td>
<td>-</td>
<td>39,800</td>
<td>19,900</td>
</tr>
<tr>
<td></td>
<td></td>
<td>G-6</td>
<td>1</td>
<td>Nairobi</td>
<td>1</td>
<td>39,800</td>
<td>-</td>
<td>39,800</td>
<td>19,900</td>
</tr>
<tr>
<td></td>
<td>Sub-total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>419,800</td>
<td>-</td>
<td>419,800</td>
<td>209,900</td>
</tr>
<tr>
<td></td>
<td>Non-staff costs</td>
<td>Document production</td>
<td></td>
<td></td>
<td></td>
<td>150,000</td>
<td>-</td>
<td>150,000</td>
<td>75,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other operating costs</td>
<td></td>
<td></td>
<td></td>
<td>37,400</td>
<td>-</td>
<td>37,400</td>
<td>18,700</td>
</tr>
<tr>
<td></td>
<td>Sub-total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>187,400</td>
<td>-</td>
<td>187,400</td>
<td>93,700</td>
</tr>
<tr>
<td></td>
<td>Grand Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>607,200</td>
<td>-</td>
<td>607,200</td>
<td>303,600</td>
</tr>
</tbody>
</table>
Draft supplementary budget for 2023: Option 2

Three staff, one shorter report per year, national reporting helpdesk

2,500 words

<table>
<thead>
<tr>
<th>Subprogramme</th>
<th>Budget category</th>
<th>Grade/Desc.</th>
<th>Count</th>
<th>Location</th>
<th>Duration (years)</th>
<th>Total annual resources</th>
<th>Existing resources</th>
<th>Net annual total</th>
<th>Prorated for 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP1, SP2, SP3 and SP4 (25% to each subprogramme)</td>
<td>Staff costs</td>
<td>P-3</td>
<td>1</td>
<td>Nairobi</td>
<td>1</td>
<td>185,300</td>
<td>-</td>
<td>185,300</td>
<td>92,650</td>
</tr>
<tr>
<td></td>
<td></td>
<td>P-2</td>
<td>1</td>
<td>Nairobi</td>
<td>1</td>
<td>154,900</td>
<td>-</td>
<td>154,900</td>
<td>77,450</td>
</tr>
<tr>
<td></td>
<td></td>
<td>G-7</td>
<td>1</td>
<td>Nairobi</td>
<td>1</td>
<td>39,800</td>
<td>-</td>
<td>39,800</td>
<td>19,900</td>
</tr>
<tr>
<td></td>
<td>Sub-total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>340,200</td>
<td>-</td>
<td>340,200</td>
<td>190,000</td>
</tr>
<tr>
<td></td>
<td>Non-staff costs</td>
<td>Document production</td>
<td></td>
<td></td>
<td></td>
<td>37,500</td>
<td>-</td>
<td>37,500</td>
<td>37,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other operating costs</td>
<td></td>
<td></td>
<td></td>
<td>28,300</td>
<td>-</td>
<td>28,300</td>
<td>14,150</td>
</tr>
<tr>
<td></td>
<td>Sub-total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>65,800</td>
<td>-</td>
<td>65,800</td>
<td>51,650</td>
</tr>
<tr>
<td></td>
<td>Grand Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>406,000</td>
<td>-</td>
<td>406,000</td>
<td>241,650</td>
</tr>
</tbody>
</table>
Two staff, one summary report per year

<table>
<thead>
<tr>
<th>Subprogramme</th>
<th>Budget category</th>
<th>Grade/Desc.</th>
<th>Count</th>
<th>Location</th>
<th>Duration (years)</th>
<th>Total annual resources</th>
<th>Existing resources</th>
<th>Net annual total</th>
<th>Prorated for 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP1, SP2, SP3 and SP4 (25% to each subprogramme)</td>
<td>Staff costs</td>
<td>P-3</td>
<td>1</td>
<td>Nairobi</td>
<td>1</td>
<td>185,300</td>
<td>-</td>
<td>185,300</td>
<td>92,650</td>
</tr>
<tr>
<td>SP1, SP2, SP3 and SP4 (25% to each subprogramme)</td>
<td>Staff costs</td>
<td>G-7</td>
<td>1</td>
<td>Nairobi</td>
<td>1</td>
<td>39,800</td>
<td>-</td>
<td>39,800</td>
<td>19,900</td>
</tr>
<tr>
<td></td>
<td>Sub-total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>225,100</td>
<td>-</td>
<td>225,100</td>
<td>112,550</td>
</tr>
<tr>
<td></td>
<td>Non-staff costs</td>
<td>Document production</td>
<td>22,500</td>
<td>-</td>
<td>22,500</td>
<td>22,500</td>
<td>-</td>
<td>22,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-staff costs</td>
<td>Other operating costs</td>
<td>18,700</td>
<td>-</td>
<td>18,700</td>
<td>18,700</td>
<td>-</td>
<td>18,700</td>
<td>9,350</td>
</tr>
<tr>
<td></td>
<td>Sub-total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>41,200</td>
<td>-</td>
<td>41,200</td>
<td>31,850</td>
</tr>
<tr>
<td></td>
<td>Grand Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>266,300</td>
<td>-</td>
<td>266,300</td>
<td>144,400</td>
</tr>
</tbody>
</table>
Scalability model: principles and priorities

Qualitative
Scalability principles: how to carefully manage growth

★ Prioritize based on **strategic objectives**, both functional and expansive

★ Manage through the **budget process**, in which positions are established, converted, reclassified, reorganized, upgraded, downgraded or abolished

★ Continuously review other UN organizations as **benchmarks**.

★ Continue the **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
Scalability priorities

★ Develop programmes, including flagships: design, coordination, and reporting

★ Support Member States in the adoption of urban data systems, including SDG indicators

★ Stabilize the regional architecture, including cooperation with the Resident Coordinator system

★ Foster knowledge management and sharing

★ Support global operations with oversight, internal controls, audit response and enterprise risk management

★ Expand normative outcomes by monitoring and supporting the adoption of norms by Member States, including adequate housing, climate solutions, localization of SDGs, and urban crisis response

★ Strengthen normative impact through communication, advocacy, outreach and partnerships
Thank you!