Executive Board of the United Nations 
Human Settlements Programme 
Third session of 2023 
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Item 9 of the provisional agenda*

Draft terms of reference of the urban action funding window 
towards the need to achieve the implementation of United Nations Habitat Assembly resolutions in a balanced manner

Draft terms of reference of the urban action funding window

Report of the Executive Director

I. Introduction

In its resolution 2/10 of 9 June 2023¹, the United Nations Habitat Assembly decided “to establish an urban action funding window within the United Nations Habitat and Human Settlements Foundation to attract and manage funds from donors to fund the implementation of resolutions adopted by the United Nations Habitat Assembly that lack adequate financing; such funds may be raised from, among other sources, non-earmarked contributions designated for this purpose, as well as unspent balances of earmarked project contributions, with the permission of the donor.”

The resolution further requests “the Executive Director, in consultation with the Executive Board, to develop the terms of reference of the funding window, noting the need to achieve the implementation of United Nations Habitat Assembly resolutions in a balanced manner.”

Finally, the resolution encourages “Member States with unspent earmarked contribution balances to consider redirecting those balances for the implementation of resolutions adopted by the United Nations Habitat Assembly.”

Following consultation with the ad hoc working group on programmatic, budgetary and administrative matters, the present report is submitted for consideration and endorsement.

II. Name and structure

The urban action funding window, henceforth in this document “the funding window”, is within the United Nations Habitat and Human Settlements Foundation, also known as the non-earmarked Foundation, henceforth in this document “the Foundation”.

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¹ HSP/HA.2/Res.10
III. Purpose

The purpose of the funding window is to fund the implementation of resolutions adopted by the United Nations Habitat Assembly that lack adequate financing, noting the need to implement resolutions in a balanced manner. The purpose is specific to resolutions of the United Nations Habitat Assembly.

To maintain distinction with the Foundation, whose purpose is to augment the regular budget for normative and core functions of a recurrent nature, the funding window fills requirements that are non-recurrent, or projectized, responsive to underfunded non-recurrent requirements to implement resolutions. While the scalability model of the Foundation incorporates certain core and recurrent requirements from resolutions, the funding window will fund requirements from resolutions that are non-recurrent and projectized.

IV. Sources of funding

Sources of funding will include donors with unspent earmarked contribution balances, also known as project balances. Only current and future project balances will be considered. Such balances are unplanned, noting that earmarked contributions are always planned to be fully spent, without a remaining balance. However, when implementing projects, balances may arise due to requirements whose actual direct costs are lower than the planned costs; due to faster implementation than planned; due to earned interest; or due to foreign exchange gains.

Conversely, as information, projects can also incur unplanned deficits due to requirements whose actual direct costs are more than planned; due to slower implementation than planned; or due to foreign exchange loss.

Projects are not planned to have either gains or losses, but either may occur, as budgets are based on assumptions that are different than the reality of implementing a project. Upon financial closure of a project, the account of a project may have both gains and losses. In the case of a net gain or surplus, i.e., unspent funds, the disposition of such balances is governed by the contribution agreement with the donor. In the case of a net loss, i.e., deficit, UN-Habitat is responsible to cover that loss.

The funding window may also receive funds from other sources, including contributions that are designated for this purpose. When funds are designated for the funding window, such funds are non-earmarked with respect to how such funds will be spent for the implementation of resolutions adopted by the United Nations Habitat Assembly that lack adequate financing.

V. Resource mobilization

The contribution agreement template will be revised to provide the consideration for unspent funds to be contributed to the funding window. When the donor accepts such terms, any project balance upon project closure will be automatically transferred to the funding window. If the donor does not agree to this option when executing the original agreement, the donor will be consulted upon closure of the project. Outreach and publicity activities will support in making the case to donors.

Upon closure of currently open projects, donors will be consulted on the contribution of project balances to the funding window.

VI. Governance on the allocation of funds

The resolution established the funding window within the Foundation with a defined purpose and defined funding sources. The resolution did not request such funds to be directly contributed to the Foundation.

The interpretation of this decision is that the funding window has a treatment that is distinct from that of the Foundation, while remaining within the Foundation. As such, the budget, revenue, expenditures, and net assets of the funding window will be distinct from that of the Foundation. However, because the funding window is within the Foundation, the existing governance of the Foundation by the
The Executive Board will extend to the funding window, unless the Executive Board decides to delegate authority to a committee or to the Executive Director.

The Executive Board has authority on the allocation of funds from the funding window. As appropriate, proposed allocations will be on the provisional agenda of sessions of the Executive Board. The Executive Board may request or receive advice from the ad hoc working group on programmatic, budgetary and administrative matters.

Allocation proposals will be in defined amounts for defined activities to implement resolutions of the United Nations Habitat Assembly, with reference to the programme budget implications of each resolution, to the amount of funding already mobilized, and to any other considerations.

VII. Spending

Following a decision by the Executive Board on the allocation of funds, the Executive Director will proceed to make financial commitments in accordance with the decision. Financial commitments will not be subject to programme support costs.

VIII. Financial reporting

Given that the funding window is within the Foundation, the funding window will follow the same reporting requirements as the Foundation, presented as a distinct funding segment in regular financial reports to the Executive Board and in the audited financial statements.

IX. Revisions

Any revision to these terms of reference will be in consultation with the Executive Board.