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Advisory Committee on
Administrative and Budgetary Questions

10 August 2021

Dear Ms. Maimunah Mohd Sharif,

I have the pleasure of sending you herewith the report of the Advisory Committee on Administrative and Budgetary Questions on the proposed work programme and budget of UN-Habitat and the Human Settlements Foundation for 2022.

I should be grateful if you could arrange for the Committee's report to be placed before the Executive Board at its upcoming session, as a complete and separate document. I would appreciate it if a printed version of the document could be provided to the Advisory Committee at the earliest possible opportunity.

Yours sincerely,



Abdallah Bachar Bong
Chairman

Ms. Maimunah Mohd Sharif
Executive Director
United Nations Habitat and Human Settlements Foundation
Nairobi, Kenya

Encl.

United Nations Human Settlements Programme and Foundation Proposed work programme and budget for the year 2022

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the report of the Executive Director on the proposed work programme and budget for the year 2022 of the United Nations Human Settlements Programme (UN-Habitat) and the Human Settlements Foundation (HSP/EB.2021/4). During its consideration of the report, the Advisory Committee received additional information and clarification from UN-Habitat, concluding with written responses dated 7 July 2021.

II. Proposed work programme for 2022

2. The Executive Director states that UN-Habitat's strategy for delivering the programme plan in 2022 continues to be driven by the strategic plan for the period 2020–2023, which has proven robust in responding to COVID-19. Its recently developed organizational structure is aimed at delivering the four interconnected subprogrammes of the Strategic Plan 2020-2023: (a) reduced spatial inequality and poverty in communities across the urban-rural continuum; (b) enhanced shared prosperity of cities and regions; (c) strengthened climate action and improved urban environment; and (d) effective urban crisis prevention and response (HSP/EB.2021/4, para. 5).

III. Proposed budget for 2022

3. The report indicates that the financial framework of UN-Habitat comprises three broad sources of funding: (i) the United Nations regular budget allocations, which are approved by the General Assembly; (ii) United Nations Habitat and Human Settlements Foundation contributions, from which non-earmarked budget allocations are approved by the Executive Board, and earmarked budget allocations are approved by the Executive Director; and (iii) technical cooperation contributions, from which the budget allocations are also approved by the Executive Director. For management purposes, the Foundation non-earmarked account and the regular budget are the “core resources” of UN-Habitat. Programme support revenue is earned from the implementation of the earmarked funds which is a percentage of total expenditures on direct programme costs (HSP/EB.2021/4, paras. 131 and 133).

4. The overall resource requirements for UN-Habitat for the year 2022 are projected at \$255,463,600, reflecting an increase of 12.0 per cent, or \$27,285,100, over the \$228,178,500 estimated for the year 2021. The overall budget comprises \$11,978,600 under Foundation non-earmarked funds; \$13,289,000 under the regular budget; \$69,122,000 under Foundation earmarked; \$149,845,500 under Technical Cooperation; and \$11,228,500 under programme support (HSP/EB.2021/4, para. 138 and table 11). Table 17 of the report sets out the proposed 2022 budget by category of expenditure and strategic priority.

5. Table 15 of the report shows the evolution of the resources by category of expenditure, from 2020 to 2022. The Advisory Committee notes that the proposed 2022 budget represents an increase of \$27,285,100, or 12.0 per cent, as compared with the 2021 budget, and further notes that a significant increase is proposed under other staff costs. **The Advisory Committee trusts that more information on the proposed increase will be provided to the Executive Board at the time of its consideration of the proposed 2022 budget. The Committee also trusts that future reports will include detailed explanations for variances by category of expenditure, and a comparison with actual expenditure (see also para. 7 below).**

6. In view of the expected level of expenditure in the year 2022, a general financial reserve of \$2.4 million is recommended, which is equivalent to 20 per cent of the Foundation non-earmarked budget of \$12.0 million. The recommended amount is based on the historical timing of Foundation unearmarked fund payments (HSP/EB.2021/4, para. 158).

7. Upon enquiry, the Advisory Committee was provided with the table below on the expenditure as at June 2021, as well as information on 2020 expenditure, 2021 approved resources and 2022 proposal, by category of expenditure. **The Advisory Committee recommends that future reports of the Executive Director include such comparative data by category of expenditure as a matter of routine.**

Table
Resources by category of expenditure, 2020-2021
(thousands of USD)

<i>Category</i>	<i>Actual 2020</i>	<i>Actual (Jan-Jun 2021)</i>	<i>Approved 2021</i>	<i>Change amount</i>	<i>Percentage change</i>	<i>Estimates 2022</i>
Post	12,913.5	8,508.0	14,625.5	989.1	6.8	15,614.6
Other staff costs	52,961.9	25,571.3	66,415.4	13,593.2	20.5	80,008.6
Hospitality	137.0	-	-	-	-	-
Consultants and experts	-	-	298.5	(143.4)	(48.0)	155.1
Travel of staff	1,205.1	578.9	9,193.7	2,117.9	23.0	11,311.6
Contractual services	18,835.7	12,903.9	23,796.3	3,711.5	15.6	27,507.8
General operating expenses	12,703.2	6,840.9	14,629.4	1,713.6	11.7	16,343.0

Supplies and materials	1,539.8	1,381.0	3,570.0	316.3	8.9	3,886.3
Furniture and equipment	191.0	774.3	4,092.4	408.1	10.0	4,500.5
Grants and contributions	48,347.3	20,816.0	79,061.5	3,785.6	4.8	82,847.1
Subtotal	148,834.5	77,374.3	215,682.7	26,491.9	12.3	242,174.6

8. The Executive Director states that over a period of many years, contributions from Member States to the Foundation non-earmarked fund have fallen far short of the budget approved by Member States. Following these experiences from the biennium 2012–2013 onwards, the UN-Habitat approved budget was adjusted downwards to \$26.0 million in the 2018-2019 biennium, when the total amount received was \$8.7 million (33.3 per cent). The total budget for the year 2020 amounted to \$18.9 million of which a total of \$4.4 million was received (HSP/EB.2021/4, para. 137). **The Advisory Committee encourages UN-Habitat to strengthen its efforts on resource mobilization and outreach activities with a view to increasing non-earmarked contributions to the Foundation.**

9. Regular budget appropriations fall into two main categories: Section 15 (human settlements) and Section 23 (regular programme of technical cooperation). Other regular budget resources allocated to UN-Habitat through other agencies include: Section 2 (department of conference services) which are allocations in support of UN-Habitat mandated components of conferences; and Section 35 (development account related to specified development projects (HSP/EB.2021/4, para. 132). The Advisory Committee’s observations and recommendations on the proposed programme budget for 2022 for UN-Habitat are contained in its first report (A/76/7, Sect.15).

Posts

10. A total of 205 posts is proposed for 2022, comprising 75 posts from regular budget, 69 posts from foundation unearmarked and 61 posts from programme support fund (HSP/EB.2021/4, para. 151). Estimated distribution of posts by source of funds and strategic priority is contained in tables 20 and 21 of the report respectively. Table 20 shows that the proposed level of staffing represents an increase of 22 posts compared with 183 posts in 2021, comprising 11 posts under Foundation non-earmarked and 11 posts under programme support.

11. Upon enquiry, the Advisory Committee was informed that the UN-Habitat 2021 financial austerity plan based on projected revenue of \$3.0 million of the \$10.0 million required the Executive Director to freeze 44 of the Foundation non-earmarked positions, which has been partially offset by additional funding of 12 positions from the Programme Support Cost fund, bringing the number of frozen posts to 32 (4 P-4, 16 P-3,

2 P-2/P-1, and 10 LL). **The Advisory Committee trusts that an update on non-earmarked and frozen posts will be provided in the next report.**

IV. Other matters

Impact of the COVID-19 pandemic

12. The report indicates that during 2020, the COVID-19 pandemic had an impact on the planned deliverables and activities of UN-Habitat, including adjusting support of national and local authorities as well as local communities by shifting from face-to-face meetings and technical advisory mission support to virtual and/or hybrid meetings. Some activities related to technical cooperation projects were delayed or postponed due to severe international travel restrictions as a result of COVID-19, and the change in approach of planned deliverables and activities also had an impact on the expected results for 2020 (HSP/EB.2021/4, para. 19).

13. Upon enquiry, the Advisory Committee was informed that UN-Habitat is accelerating the digitalization of its tools to facilitate access by national and local governments and other urban stakeholders and to scale capacity-building opportunities, as well as drafting a digital capacity building guide and strategy, as part of the implementation of the UN-Habitat Capacity Building Strategy. UN-Habitat indicates that while Member States have engaged in the virtual meetings, they continue to express strong desire to negotiate, vote and make decisions at meetings in person. Additionally, it is stated that virtual meetings require additional costs for interpretation and software plus training. On air travel, UN-Habitat will continue building on virtual engagement to minimize the environment footprint and save travel related funds whenever possible. It is indicated that the proposed 2022 budget for UN-Habitat is under assumption that in 2022 operations shall be gradually back to normal and travel restrictions would be relaxed, hence it would be feasible for the travel plans that require in-person representation to take place.

Presentation

14. Annexes I and II of the report of the Executive Director provide information on the implementation of the recommendations of Advisory Committee and the Board of Auditors, respectively. **The Advisory Committee welcomes the continued inclusion of the information in the report of the Executive Director and trusts that the related information will continue to be provided in future reports.**