



**Commission on
Human Settlements**

Distr.
GENERAL

HS/C/16/12/Add.3
27 April 1997

ORIGINAL: ENGLISH

Sixteenth session
Nairobi, 28 April - 7 May 1997
Agenda item 11

PROPOSED BUDGET OF THE UNITED NATIONS HABITAT AND HUMAN SETTLEMENT FOUNDATION

Addendum

Revised budget proposals prepared pursuant to the recommendations of the
Advisory Committee on Administrative and Budgetary Question (ACABQ)
on the proposed budget for the biennium 1998-1999

Report of the Executive Director

Summary

The Executive Director is circulating herewith his proposals for revisions to the proposed budget of the Foundation, prepared after a review of the recommendations of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) (HS/C/16/12/Add.1, annex) on the proposed budget of the United Nations Habitat and Human Settlements Foundation for the biennium 1998-1999 (HS/C/16/12). The revised budget proposals are presented for consideration and approval by the Commission.

REVISED BUDGET PROPOSALS PREPARED PURSUANT TO THE RECOMMENDATIONS OF ACABQ
ON THE PROPOSED BUDGET FOR THE BIENNIUM 1998-1999

1. It might be recalled that under rule 303.5 of the Financial Regulations and Rules of the United Nations governing the Foundation the portion of the proposed programme budget covering programme-support costs should be submitted to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for examination and comment. Upon request, additional information on different aspects of the budget proposals was provided to ACABQ but in some cases the information was considered to be insufficient. The report of ACABQ on the proposed budget (HS/C/16/12/Add.1, annex) contains references to the whole of the proposed budget as well as to other budgetary resources of the Centre.

2. The resources of the Foundation come from the earmarked and general voluntary contributions made mainly by Member States. In addition, the Centre has two other sources of income. These are the programme-support overheads generated through the implementation of technical cooperation projects and the allocations received from the regular budget of the United Nations. Table 1 on page 7 below shows the 1996 income and expenditure under the main budgetary sources of the Centre. Expenditure under the Foundation for all administrative and programme activities was 59 per cent of the total expenditure under all three budgetary sources. Out of this, expenditure under the general funds of the Foundation was 26 per cent of the total expenditure of the Centre. This factor is relevant for considering the report and recommendations of ACABQ since most of its recommendations regarding a reduction in expenditure concern the general funds of the Foundation.

3. The recommendations of the ACABQ on the proposed budget of the Foundation for the biennium 1998-1999 (HS/C/16/12) are constructive and the secretariat plans to implement them all, some immediately and some within a longer time-frame, possibly the whole of 1998-1999 biennium. As an immediate measure the levels of income and expenditure in the proposed budget have been revised downwards as recommended by ACABQ and are presented in tables 2A, 3A, 5A and 6A on pages 8, 10, 12 and 14 of the current report. The Commission is requested to consider and approve these revisions to the proposed budget.

4. The following paragraphs provide the secretariat's comments on each of the ACABQ recommendations and the proposals for implementation.

A. General

5. Improve the format of the budget report (paragraph 3 of the ACABQ report). The format of the report on the proposed budget is similar to that used for all previous budget proposals, with the exception of table 2 which now contains prior year information, as suggested by ACABQ in its earlier

/...

report. The explanations and justifications provided in support of the estimates are brief and contain the same amount of detail as in the past. In some cases, sufficient information is already available to provide the justification. Information on the implementation of the recommendations of the Board of Auditors is provided in document HS/C/16/CRP.3.

6. The above explanations notwithstanding, the format of the budget of the Foundation needs to be thoroughly revised to indicate more clearly the features which influence the utilization of Foundation's resources. These include the use of the general and earmarked resources for the different subprogrammes, the generation and use of the overheads income, the relationships between the Foundation and the other budget sources of the Centre and their proportional sharing of the administrative and programme costs, and the extent to which the Foundation supports the operations under the regular budget.

7. The secretariat plans to present future budgets in a revised and improved format taking into account the above and other relevant matters.

8. Reduce administrative costs (paragraph 4 of the ACABQ report). The Foundation budget provides for administrative costs under the programme-support costs, as detailed in table 6 and explained in paragraphs 27 to 37 in document HS/C/16/12. These costs are incurred not just for the implementation of activities funded by the Foundation but for the activities of the Centre as a whole. These costs are shared with the other budgetary sources in an integrated way. The Foundation's share of these, as indicated in table 2 of the proposed budget, was reduced from \$2.35 million to \$2.113 million in the revised estimates for 1996-1997.

9. Charging of programme-support overheads for earmarked projects (paragraph 5 of the ACABQ report). UNCHS (Habitat), like most other agencies, charges administrative overheads for the implementation of projects under earmarked funds, generally at the rate of 13 per cent of the amount of project activities. In very exceptional cases, where the amount of administrative services is limited, a lower rate is agreed to. Future budget proposals will provide full information on the programme support overheads, as required in paragraph 5 of the ACABQ report.

B. Revised estimates for 1996-1997

10. Lower level of carry-overs from previous biennium (paragraph 6 of the ACABQ report). The actual amount available from the fund balance as at 1 January 1996 was lower because of the income due to the Foundation from unpaid pledges and from Habitat II.

11. Reimbursement of the advance to Habitat II (paragraph 7 of the ACABQ

/...

report). The matter of the reimbursement of the advance for Habitat II activities is addressed in chapter I of document HS/C/16/CRP.3.

12. Closure of the International Year of Shelter for the Homeless (IYSH) account (paragraph 8 of the ACABQ report). ACABQ has noted the action taken by the Executive Director to transfer the IYSH funds to the Habitat II and the Foundation accounts. This action was taken by the Executive Director in response to the recommendation of the Board of Auditors.

13. Reduce the revised estimates for income and expenditure for 1996-1997 (paragraphs 9-11 of the ACABQ report). The revised estimates as presented in table 2 of the proposed budget are based on the secretariat's expectations regarding the mobilization of earmarked and general contributions, resulting from the new fund-raising initiatives which the Centre plans to launch immediately after the current session of the Commission. The secretariat plans to present its proposals for this initiative to potential donors during the current session.

14. However, since any new fund-raising initiatives will take time to produce concrete results because of the need to synchronize these efforts with government budget-formulation cycles, the secretariat has revised downwards the estimates, taking into account the caution expressed by ACABQ on over-optimism. The revised estimates of income and expenditure for 1996-1997 are summarized in table 2A of the current report. The level of \$6.5 million in non-earmarked pledges and contributions is based on the 1994-1995 level of \$7.3 million, adjusted downwards to take into account subsequent trends. Regarding earmarked contributions, the secretariat believes that the upward revision from \$12 million to \$16 million is realistic and reflects donor interest in supporting the implementation of specific aspects of the Habitat Agenda.

C. Proposed budget for 1998-1999

15. Estimates of income and expenditure for 1998-1999 (paragraph 12 of the ACABQ report). The secretariat has expectations that, in accordance with paragraph 229 of the Habitat Agenda, and as called for in paragraph 19 of General Assembly resolution 51/177, on the implementation of the outcome of the second United Nations Conference on Human Settlements (Habitat II), the Centre would be strengthened and consequently the income of the Foundation would gradually increase in parallel with the Centre's efforts to streamline the Foundation's staffing table, as required by ACABQ and as may also be required as part of the current reform of the United Nations system.

16. However, the transitional period for implementing the reforms may not be short and the Centre's resource mobilization efforts may also take time to generate substantially higher levels of non-earmarked contributions. In view

/...

of these factors, and taking into account the caution expressed by ACABQ, the estimates for the level of non-earmarked pledges for 1998-1999 are now revised downwards from \$9.5 million to \$7.5 million.

17. The revised estimates of income and expenditure are shown in table 2A, below which replaces table 2 of the original budget. An analysis of the overall revised programme budget for 1998-1999 is shown in table 3A, which replaces table 3 of the original budget. Details of the programme and programme-support costs are shown in tables 5A and 6A, respectively, which replace tables 5 and 6 of the original budget. Tables 5B and 6B, on pages 13 and 16 below, respectively, show a comparison of the different proposed budgets for programme and programme-support costs, respectively.

18. Separate administrative costs from programme costs (paragraphs 13-14 of the ACABQ report). The programme-support costs, as shown in table 6 of the proposed budget are not meant to bear any direct relationship to the programme-support overheads earned by the Foundation from the implementation of earmarked projects. The programme-support costs bear that name in order to distinguish them from the programme costs, as shown in table 5, which support staff and operating costs for the implementation of parts of the programme.

19. The ACABQ recommendation to bring the two sets of costs under one single category would simplify the budget format and the secretariat plans to implement it in consultation with the United Nations Office at Nairobi (UNON), which maintains the accounts of the Centre.

20. Streamline the staff requirements of the Foundation (paragraphs 15-16 of the ACABQ report). A review of the staff requirements of the Foundation, with the view to streamlining the personnel component of the Foundation's programme and programme-support costs budget for 1998-1999, as suggested by ACABQ will be undertaken as part of the reassessment and strengthening of the Centre. Until then, the staffing table will be maintained within the revised budgetary limits set out in tables 2A, 3A, 5A and 6A of the current report, subject to the budgeted income being realized. In order to achieve a balance between income and expenditure, some vacant posts will be kept frozen until such time as there is improvement in the financial situation.

21. Transfer project posts of a continuing nature to the Foundation staff (paragraph 17 of the ACABQ report). The observation of ACABQ that many project posts are of a continuing administrative and programme-support nature is correct. The reason for this situation is the lack of adequate provision in the regular budget and the need to limit the size of the staffing table of the Foundation due to the voluntary nature of the source of funding of the Foundation. Thus, additional staff requirements, as the need arose for specific functions, were created within projects funded from the general funds of the Foundation. Since the beginning of 1996, the employment

/...

contracts for staff on projects have been extended only for short periods due to the reduced level of general contributions to the Foundation.

22. The stipulation of ACABQ that this practice be discontinued immediately and the posts concerned be included in the staffing table of the Foundation would mean an immediate increase in the staffing table of the Foundation shown in table 4 of the proposed budget, from 12 Professional and 17 General Service posts to 22 Professional and 34 General Service posts. There would be no redundancy since there are no overlaps in the functions of the posts concerned.

23. The stipulation of ACABQ is a sound one and the secretariat plans to implement it in stages in accordance with the capacity of the general funds of the Foundation. As a first step the secretariat will stop the creation of any further posts under projects. It is expected that considerable progress can be made during the 1998-1999 biennium and the revised staffing table will be presented to the Commission in the proposed budget for 2000-2001.

24. Provision for consultancies, ad hoc expert groups, official travel, communications and rent (paragraphs 18, 19, 20, 21 and 23 of the ACABQ report). The budgets for all these items have been reduced in the revised tables for programme and programme-support costs, as shown in tables 5A and 6A in the current report.

25. Review of support to UNON (paragraphs 22-26 of the ACABQ report). ACABQ was informed that UNCHS (Habitat) currently provides support to UNON in the form of two Professional and 10 General Level posts, financed from the Centre's technical cooperation overheads income and that UNON provides the following types of services to UNCHS(Habitat): human resource management; finance and accounts; conference services; electronic services; security and staff counselling and support services such as contracts and procurement, travel and shipping, mail and pouch and building and grounds management.

26. The Foundation's capacity to provide financial support to UNON is limited by the level of general contributions. The costs for office rents and communications, although indicated in the 1996-1997 budget as support to UNON, are now met directly by the Centre. In the revised estimates in table 6A of the current report, a provision of \$300,000 is made as support to UNON, revised downwards from the \$1,281,500 in the original estimates. The balance will be provided after adequate resources are mobilized for this purpose.

27. In paragraph 26 of its report, the ACABQ invites the Commission to satisfy itself regarding services of UNON and states that it intends to revert to the subject of the UNON budget later.

D. Recommendation

/...

28. The Executive Director recommends the approval of the revised estimates for 1996-1997 and 1998-1999, as shown in tables 2A, 3A, 5A and 6A of the current report.

Table 1

1996 Income and expenditure of UNCHS (Habitat) ^{1/}
(United States dollars)

	Foundation ^{2/}	Programme support ^{3/}	Regular budget ^{4/}	Total
Reserves and fund balance as at 1 January	5,634,652	(26,133)	0	5,608,519
Income from contributions and others				
Earmarked	8,375,876		6,597,600	
Non-earmarked	2,497,459			
Technical cooperation overheads or other sources	143,695	3,324,272		
Total fund balance and income	16,651,682	3,298,139	6,597,600	26,547,421
Expenditures				
Non-earmarked funds:	5,489,340	3,417,691	5,171,559	14,078,590
Programme, programme support and projects				
Earmarked projects	6,774,312		0	6,774,312
Total programme and project expenditures	12,263,652	3,417,691	5,171,559	20,852,902
Fund balance as at 31 December	4,388,030	(119,552)	1,426,041	5,694,519

^{1/} Habitat II expenditures are not included.

^{2/} The matter concerning an unpaid balance of \$3.3m, from a \$5m project under the United Nations Central Emergency Revolving Fund is under discussion with the United Nations Emergency Relief Coordinator. Further details are provided in paragraphs 12-13 of HS/C/16/12/Add.2.

^{3/} The technical cooperation activities involve programme and project operations globally of approximately \$56m in 1996-1997. The income shown is merely the programme support overheads.

/...

4/ Regular budget funds are provided from United Nations Headquarters for specified purposes.

/...

Table 2A

Projected resource availability and its utilization in the biennium 1998-1999
(United States dollars)

ITEM	ESTIMATES				
	1994-1995		1996-1997		1998-1999
	Initial (HS/C/14/9)	Revised (HS/C/15/8)	Initial (HS/C/15/8)	Revised (HS/C/16/12/Add.3)	Proposed budget (HS/C/16/12/Add.3)
A. Income					
Carry-over from previous biennium (including reserve fund)	2,861,700	7,652,000	2,083,500	3,743,135	1,820,035
Contributions and pledges					
General funds	9,900,000	7,100,000	12,000,000	6,500,000	7,500,000
Earmarked projects	8,300,000	11,500,000	12,000,000	16,000,000	20,000,000
Income from investments	300,000	166,000	10,000	10,000	10,000
Miscellaneous income	80,000	45,000	50,000	50,000	50,000
Savings from prior years unliquidated obligations	300,000	534,000	200,000	400,000	300,000
Total	21,741,700	26,997,000	26,346,500	26,703,135	29,680,035

/...

ITEM	ESTIMATES				
	1994-1995		1996-1997		1998-1999
	Initial (HS/C/14/9)	Revised (HS/C/15/8)	Initial (HS/C/15/8)	Revised (HS/C/16/12/Add.3)	Proposed budget (HS/C/16/12/Add.3)
B. Expenditures/commitments					
(i) General expenditure					
Programme costs	4,476,700	4,561,900	5,923,300	4,251,600	3,948,600
Programme support costs	2,365,600	2,809,100	1,131,300	511,500	1,488,800
Support to UNON (office rent and communications)	-	-	1,219,300	920,000	
General support to UNON					300,000
Subtotal (i)	6,842,300	7,371,000	8,273,900	5,683,100	5,737,400
(ii) Project commitments					
General funds	4,700,000	3,647,500	3,843,100	3,200,000	2,000,400
Earmarked contributions	8,300,000	13,895,000	12,000,000	16,000,000	20,000,000
Subtotal (ii)	13,000,000	17,542,500	15,843,100	19,200,000	22,000,400
Total: (i) and (ii)	19,842,300	24,913,500	24,117,000	24,883,100	27,737,800
C. Reserve fund	600,000	600,000	600,000	600,000	600,000
D. Unencumbered balance at end of biennium	1,299,400	1,483,500	1,626,500	1,220,035	1,342,235
Total: B, C AND D	21,741,700	26,997,000	26,343,500	26,703,135	29,680,035

Table 3A

Analysis of the overall proposed programme budget for the

/...

biennium 1998-1999 (thousands of United States dollars)

Main objects of expenditure	Authorized level of expenditures in 1996-1997	Maintenance of programme at revised 1997 rates	Revised level of expenditure for 1996-1997	Resource growth at revised 1997 rates	Inflation		Total increase	Estimated level of expenditure for 1998-1999
					1998	1999		
Consultants	290.3	(40.3)	250.0	0.0	12.5	13.8	(14.0)	276.3
Ad hoc expert groups	58.1	(8.1)	50.0	0.0	2.5	2.8	(2.8)	55.3
Temporary posts	3,419.9	(1,258.4)	2,161.5	(265.9)	0	0	(1,524.3)	1,895.6
Common staff costs	1,984.5	(570.4)	1,414.1	(173.0)	0	0	(743.4)	1,241.1
Official travel	476.1	(86.1)	390.0	0.0	19.5	21.4	(45.2)	430.9
External printing	511.0	(311.0)	200.0	0.0	10.0	11.0	(290.0)	221.0
General operating expenses	2113	(21.3)	190.0	0.0	9.5	10.5	(1.3)	210.0
Rental and maintenance of premises	360.0 ^{5/}	(40.0)	320.0	0.0	0.0	0.0	(40.0)	320.0
Communications	859.3 ^{5/}	(259.3)	600.0	0.0	30.0	33.0	(196.3)	663.0
Hospitality	10.5	(0.5)	10.0	0.0	0.5	0.6	0.6	11.1
Office supplies and materials	92.9	4.6	97.5	4.9	5.1	5.6	20.2	113.1
Subtotal	8,273.9	(2,590.8)	5,683.1	(434.0)	89.6	98.7	(2,836.5)	5,437.4

^{5/} Included in support to UNON.

Main objects of expenditure	Authorized level of expenditures in 1996-1997	Maintenance of programme at revised 1997 rates	Revised level of expenditure for 1996-1997	Resource growth at revised 1997 rates	Inflation		Total increase	Estimated level of expenditure for 1998-1999
					1998	1999		
Support to UNON								
(a) Rental and maintenance of premises	360.0							
(b) Communications	859.3							
(c) General support							300.0	300.0
Total	8,273.9	(2,590.8)	5,683.1	(434.0)	89.6	98.7	(2,536.5)	5,737.4

Table 5A

Analysis of programme costs of the proposed budget for the
biennium 1998-1999 (thousands of United States dollars)

Main objects of expenditure	Authorized level of expenditures in 1996-1997	Maintenance of programme at revised 1997 rates	Revised level of expenditure for 1996-1997	Resource growth at revised 1997 rates	Inflation		Total increase	Estimated level of expenditure for 1998-1999
					1998	1999		
Consultants	290.3	(40.3)	250.0	0.0	12.5	13.8	(14.0)	276.3
Ad hoc expert groups	58.1	(8.1)	50.0	0.0	2.5	2.8	(2.8)	55.3
Temporary posts	2,821.4	(872.4)	1949.0	(252.2)	0	0	(1,124.6)	1,696.8
Common staff costs	1,636.4	(361.3)	1,275.1	(164.2)	0	0	(525.5)	1,110.9
Official travel	301.9	(61.9)	240.0	0.0	12.0	13.2	(36.7)	265.2
External printing	511.0	(311.0)	200.0	0.0	10.0	11.0	(290.0)	221.0
General operating expenses	211.3	(21.3)	190.0	0.0	9.5	10.5	(1.3)	210.0
Office supplies	92.9	4.6	97.5	4.9	5.1	5.6	20.2	113.1
Total	5,923.3	(1,671.7)	4,251.6	(411.5)	51.6	56.9	(1,974.7)	3,948.6

Table 5B

Analysis of programme costs of the proposed budget for the
biennium 1998-1999 (thousands of United States dollars)

ESTIMATES					
Main objects of expenditure	1996 - 1997			1998 - 1999	
	Initial (HS/C/15/8)	Revised (HS/C/16/12)	Revised (HS/C/16/12/Add.3)	Initial (HS/C/16/12)	Revised (HS/C/16/12/Add.3)
Consultants	290.3	250.0	250.0	276.3	276.3
Ad hoc expert groups	58.1	50.0	50.0	55.3	55.3
Temporary posts	2,821.4	2,125.2	1,949.0	1,989.2	1,696.8
Common staff costs	1,636.4	1,390.3	1,275.1	1,302.2	1,110.9
Official travel	301.9	270.0	240.0	298.4	265.2
External printing	511.0	200.0	200.0	221.0	221.0
General operating expenses	211.3	232.4	190.0	282.9	210.0
Office supplies	92.9	97.5	97.5	113.1	113.1
Total	5,923.3	4,615.4	4,251.6	4,538.4	3,948.6

/...

Table 6A

Analysis of programme-support costs of the proposed budget for the
biennium 1998-1999 (thousands of United States dollars)

Main objects of expenditure	Authorized level of expenditures in 1996-1997	Maintenance of programme at revised 1997 rates	Revised level of expenditure for 1996-1997	Resource growth at revised 1997 rates	Inflation		Total increase	Estimated level of expenditure for 1998-1999
					1998	1999		
Temporary posts	598.5	(386.0)	212.5	(13.7)	0	0	(399.7)	198.8
Common staff costs	348.1	(209.1)	139.0	(8.8)	0	0	(217.9)	130.2
Official travel	174.2	(24.2)	150.0	0.0	7.5	8.2	(8.5)	165.7
Hospitality	10.5	(0.5)	10.0	0.0	0.5	0.6	0.6	11.1
Rental and maintenance of premises	360.0 ^{5/}	(40.0)	320.0	0.0	0.0	0.0	(40.0)	320.0
Communications	859.3 ^{5/}	(259.3)	600.0	0.0	30.0	33.0	(196.3)	663
Subtotal	2,350.6	(919.1)	1,431.5	(22.5)	38.0	41.8	(861.8)	1,488.8

^{5/} Included in support to UNON.

Main objects of expenditure	Authorized level of expenditures in 1996-1997	Maintenance of programme at revised 1997 rates	Revised level of expenditure for 1996-1997	Resource growth at revised 1997 rates	Inflation		Total increase	Estimated level of expenditure for 1998-1999
					1998	1999		
Support to UNON:								
(a) Rental and maintenance of premises	360.0							
(b) Communications	859.3							
(c) Other support	-						300.0	300.0
Total:	2,350.6	(919.1)	1,431.5	(22.5)	38.0	41.8	(561.8)	1,788.8

Table 6B

Analysis of programme-support costs of the proposed budget for the
biennium 1998-1999 (thousands of United States dollars)

ESTIMATES					
Main objects of expenditure	1996 - 1997			1998 - 1999	
	Initial (HS/C/15/8)	Revised (HS/C/16/12)	Revised (HS/C/16/12/Add.3)	Initial (HS/C/16/12)	Revised (HS/C/16/12/Add.3)
Temporary posts	598.5	435.9	212.5	411.5	198.8
Common staff costs	348.1	285.1	139.0	269.3	130.2
Official travel	174.2	172.0	150.0	201.1	165.7
Hospitality	10.5	10.0	10.0	11.1	11.1
Rental and maintenance of premises	360.0 ^{5/}	360.0	320.0	360.0	320.0
Communications	859.3 ^{5/}	850.0	600.0	939.3	663.0
Subtotal	2,350.6	2,113.0	1,431.5	2,192.3	1,488.8

^{5/} Included in support to UNON.

ESTIMATES					
Main objects of expenditure	1996 - 1997			1998 - 1999	
	Initial (HS/C/15/8)	Revised (HS/C/16/12)	Revised (HS/C/16/12/Add.3)	Initial (HS/C/16/12)	Revised (HS/C/16/12/Add.3)
Temporary posts	598.5	435.9	212.5	411.5	198.8
Support to UNON:	360.0				
(a) Rental and maintenance of premises					
(b) Communications	859.3				
(c) Other support	-			1,281.5	300.0
Total	2,350.6	2,113.0	1,431.5	3,473.8	1,788.8
