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**Executive Board of the United Nations
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**Discussion and possible approval of the draft work
programme of UN-Habitat and the draft budget of the
United Nations Habitat and Human Settlements
Foundation for 2024**

**Draft work programme of the United Nations Human Settlements
Programme and draft budget of the United Nations Habitat and Human
Settlements Foundation for 2024, and the programme budget
implications of the scalability model for the non-earmarked Foundation
budget of the United Nations Human Settlements Programme
Report of the Advisory Committee on Administrative and Budgetary Questions**

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Executive Director on the proposed work programme of the United Nations Human Settlements Programme and budget of the United Nations Habitat and Human Settlements Foundation for 2024 (HSP/EB.2023/12) and the programme budget implications of the scalability model of the non-earmarked foundation budget of the United Nations Human Settlements Programme (HSP/EB.2023/11/Add.1). During its consideration of the reports, the Advisory Committee met with representatives of UN-Habitat, who provided additional information and clarification, concluding with written submissions received on 6 November 2023.

II. Proposed work programme for 2024

2. The report of the Executive Director on the proposed work programme of the United Nations Human Settlements Programme (UN-Habitat) and budget of the United Nations Habitat and Human Settlements Foundation for 2024 indicates that over the course of 2024, UN-Habitat will continue to promote urbanization as a positive

* HSP/EB.2023/10.

transformative force for people and communities, reducing inequality, discrimination and poverty, and strengthening climate action. The report also indicates that the proposed programme of work would be implemented under the following four sub-programmes: i) reduced spatial inequality and poverty in communities across the urban rural continuum, ii) enhanced shared prosperity of cities and regions, iii) strengthened climate action and improved urban environment, and iv) effective urban crisis prevention and response. The report further indicates that through its flagship programmes, UN-Habitat will continue to fast-track integration between its normative and operational work, scaling up and accelerating the impact of the organization. Upon enquiry, the Advisory Committee was informed that the programme part of the Foundation budget is the same as the one presented in the proposed programme budget for 2024 under the regular budget (A/78/7 (Sect.15)).

III. Proposed budget for 2024

3. The report of the Executive Director 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 (HSP/EB.2023/12, paras. 81 and 85).

4. The report of the Executive Director indicates that technical cooperation contributions are earmarked voluntary resources from Governments and other non-government donors for the implementation of specific technical country-level activities consistent with the mandate of UN-Habitat and its programme of work and strategic plan. 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.2023/12, paras. 83-84). Upon enquiry, the Advisory Committee was informed that the indirect project costs, also known as programme support costs (PSC), earned through the implementation of earmarked voluntary contributions, are calculated by applying an agreed indirect cost recovery rate on the direct project costs, and that the PSC costs charged to projects are recognized as revenue in the PSC fund. The Committee was also informed that UN-Habitat applied a standard PSC rate of 13 per cent set by the General Assembly, in its resolution 35/217. UN-Habitat also applied special PSC rates, including 7 per cent for the European Union and 3 per cent for UN-to-UN agreements. The Committee recalls that the Board of Auditors recommended that UN-Habitat develop a policy and establish a mechanism to ensure programme support rates are in line with UN policy and exceptions are properly reviewed and approved (see A/78/5 (Add.9), para. 57). The Committee notes the decrease in programme support revenue from \$13.0 million in 2020, to \$12.3 million in 2021, and to \$10.4 million in 2023 and 2024 each. **The Advisory Committee trusts that UN-Habitat will develop the policy and establish a mechanism to ensure its programme support rates are in line with the United Nations policy, with the view to adequately recover all incremental costs incurred when implementing activities financed from extrabudgetary contributions, so that those costs are not borne by the regular budget and/or other core resources. The Committee also trusts that more detailed information will be provided to the Executive Board at the time of its consideration of the present report.**

Resource plan for 2024

5. The overall resource requirements for UN-Habitat for 2024 are projected at \$176.1 million, reflecting an increase of 8.5 per cent over the final \$162.4 million approved for 2023. This projection represents a reflection of the real delivery levels based on the 2022 actuals level. Programme activities account for \$162.5 million (92.2 per cent); \$1.0 million (0.6 per cent) is dedicated to servicing of policymaking organs; executive direction and management accounts for \$6.3 million (3.6 per cent); and programme support activities account for \$6.3 million (3.6 per cent) (HSP/EB.2023/12, para. 88 and table 10). The proposed funding of the budget for 2024 from the various sources of funding is discussed in paragraphs 93 to 101 of the report of the Executive Director.

6. Information on resource requirements by sources of funds, funding category, strategic area and priority, and category of expenditure is provided in tables 9 to 13 in the report of the Executive Director. Upon enquiry, the Advisory Committee was provided with information on the breakdown by subcategory of expenditure from 2022–2024, including expenditure as at 30 September 2023 (see table 1 below).

Table 1: Resource breakdown by subcategory of expenditure from 2022–2024

(Thousands of United States dollars)

<i>Subcategory of expenditure</i>	<i>Estimates for 2022</i>	<i>Actual 2022</i>	<i>Approved 2023</i>	<i>2023 Expenditure*</i>	<i>Change amount</i>	<i>% change</i>	<i>Estimates 2024</i>
Posts	-	16,796.4	21,048.1	12,233.1	832.2	4.0	21,880.3
Other staff costs	-	66,136.6	46,494.8	41,435.7	8,903.6	19.1	55,398.4
Hospitality	-	-	180.6	-	(180.6)	(100.0)	-
Experts	-	3.7	64.9	-	8.8	13.6	73.7
Consultants	-	938.8	352.0	1,769.6	(13.8)	(3.9)	338.2
Travel of representatives	-	47.4	5.1	-	6.1	119.6	11.2
Travel of staff	-	7,491.0	1,609.9	5,651.7	1,485.4	92.3	3,095.3
Contractual services	-	27,347.5	26,524.2	23,336.4	(608.6)	(2.3)	25,915.6
General operating expenses	-	49,655.5	13,576.1	10,916.9	1,081.7	8.0	14,657.8
Supplies and materials	-	1,257.6	1,166.5	274.3	(328.3)	(28.1)	838.2
Furniture and equipment	-	2,567.9	1,856.5	1,821.7	454.1	24.5	2,310.6
Improvement of premises	-	-	169.1	-	435.7	257.7	604.8
Grants and contributions	-	43,873.2	49,326.2	35,822.2	1,695.6	3.4	51,021.8
Other costs	-	80.1	-	8.4	0.3	-	0.3
Total	-	216,196.0	162,374.0	133,253.2	13,772.2	8.5	176,146.2

* 2023 expenditure as at 30 September 2023

7. The Advisory Committee notes from the table that a number of budget lines show significant variations between the expenditures and approved budgets for 2022 and 2023 and underscores the need to continue improving budgeting assumptions. The Committee also notes, in the current period, the over-expenditure in some categories, including travel of staff and consultants; and the slow tempo of expenditure across a number of categories, including posts and other staff costs. The Committee further notes that the level of received contributions has an impact on expenditure patterns. The Committee trusts that future reports will include detailed information, by category of expenditure, on actual expenditure and level of contributions received for the prior and current periods as compared with the proposed budget, together with detailed explanations for variances.

Regular budget resources

8. The regular budget appropriations are approved by the General Assembly and 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 the UN-Habitat mandated components of conferences; and Section 35, Development Account, related to specified development projects (HSP/EB.2023/12, para. 82). The Advisory Committee's observations and recommendations on the proposed programme budget for 2024 for UN-Habitat are contained in its report A/78/7 (Sect.15).

United Nations Habitat and Human Settlements Foundation

9. The contributions to the United Nations Habitat and Human Settlements Foundation are of two kinds, namely non-earmarked and earmarked; of which, the non-earmarked budget allocations are approved by the Executive Board, and the earmarked budget allocations are approved by the Executive Director (see also para. 3 above). The financial trend of the of the non-earmarked fund of the United Nations Habitat and Human Settlements Foundation over a six-year period from 2019 to 2024 is presented in table 18, and the resources requirements are presented in table 19 of the report of the Executive Director. Upon enquiry, the Advisory Committee was informed that UN-Habitat introduced changes to its budget estimation methodology in 2022, which allowed for a surplus for the first time in twelve years, returning the fund to solvency and fully funding its increased reserve level. The Committee was also informed that although the approved Foundation budget level was \$12 million in 2022, internal austerity measures were put in place to restrict spending to \$1.7 million against revenues of \$7.7 million, leading to a surplus of \$6.0 million. The austerity measures included reassignment of staff to activities funded by other sources of funding and a hiring freeze on posts funded by the Foundation, leading to a reduction of expenditures under employee salaries and benefits from around \$5.9 million in 2020 to around \$1.2 million in 2022. In parallel, UN-Habitat also intensified its resource mobilization

efforts. The Committee was further informed that this progress will be sustained by setting realistic budget levels that align with the spending capacity of the Foundation fund, as demonstrated in 2023 where the budget level was set at \$3.0 million, in line with realistic budgeting practices that treat the budget as a spending plan. **The Advisory Committee notes the efforts by UN-Habitat to return the Foundation fund to solvency and the first surplus in twelve years. The Committee recommends that UN-Habitat continue to strengthen its efforts on resource mobilization and outreach activities with a view to increasing non-earmarked and the “soft-earmarked” contributions to the Foundation.**

Reserve

10. Upon enquiry, the Advisory Committee was informed that the Executive Board, in its Decision 2022/5, set the minimum level of the reserve at \$3 million or 20 per cent of the approved budget for the following financial period, whichever was higher. For 2024, the reserves will be \$3.0 million, as 20 per cent of the proposed budget of \$4.0 million (\$800,000) is lower than the minimum required reserve level of \$3.0 million. The Committee was also informed that the reserve level of \$3 million is effectively in line with the baseline budget level of the Foundation, and in the event the Foundation were to lose its financial viability, then the level of the reserve would be adequate to cover the liabilities. The Committee was further informed that such a level was justified by the fact that all requirements funded by the Foundation are posts and their associated costs, and by the fact that there was relatively high volatility in revenue in the Foundation.

Post requirements

11. The Executive Director proposes a total of 157 posts in 2024, comprising of 82 posts under the regular budget, 19 posts under the foundation non-earmarked funds and 56 posts under the programme support fund (HSP/EB.2023/12, para. 103). The estimated distribution of posts by source of funds for 2024 compared to the 2023 levels is contained in table 16 and the estimated distribution of posts by strategic priority is contained in table 17 of the report. Upon enquiry, the Advisory Committee was informed that the 56 posts under the programme support fund were fully funded by that fund.

12. Upon enquiry, the Advisory Committee was provided with summary data of staff and non-staff employed during the last five years (see table 2 below). The Committee was informed that the non-staff figures include personnel administered by the United Nations Office for Project Services (UNOPS) and the United Nations Development Programme (UNDP), which remain a critical component of the workforce for project-based work in the field. The Committee was informed that the contract negotiations between the United Nations Secretariat and UNOPS are expected to reduce the cost of personnel due to economies of scale and otherwise have no impact on operations.

Table 2: Staff and non-staff employed during the last five years

<i>Year</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Staff	318	302	322	359	356
Non-staff	2,218	1,710	2,849	2,676	2,830

IV. Programme budget implications of the scalability model for the non-earmarked Foundation budget of the United Nations Human Settlements Programme

13. The report of the Executive Director on the programme budget implications of the scalability model for the non-earmarked Foundation budget of the United Nations Human Settlements Programme (HSP/EB.2023/11/Add.1) indicates that the report was prepared pursuant to the request of the Executive Board, in its Decision 2023/1, that the Executive Director report back on the fully costed scalability model for the non-earmarked budget of the United Nations Habitat and Human Settlements Foundation. The Executive Director indicates that the scalability model responds to the question of how the Programme will scale up its capacity upon approval of a higher level of budgetary resources.

14. Upon enquiry, the Advisory Committee was informed that the scalability model was a budgeting innovation that serves as a budget blueprint for future budget proposals, with a validity that is in line with the strategic plan until the end of 2025; after which the model would be updated in line with the subsequent strategic plan, which is expected

to take effect in 2026. The Committee was also informed that the scalability model was a commitment by the Executive Director to scale up future proposed budgets of UN-Habitat according to the blueprint of each package of the model (see paras. 16-17 below), subject to the estimated spending capacity of the United Nations Habitat and Human Settlements Foundation funded from non-earmarked contributions, and within this interpretation, the scalability model is akin to a pre-mandate programme budget implication. The Committee was further informed that the scalability model makes no change in governance or authority, whereby the Executive Director retains the authority to propose budgets, and the Executive Board retains the authority to approve budgets, specifically the budget of the non-earmarked Foundation. The Committee was informed that the ceiling of \$12 million was set by the Executive Board, in its Decision 2022/5, as the aspiration of the budget level of the non-earmarked Foundation.

15. The Advisory Committee recalls that in report HSP/EB.2023/2/Add.1, the Executive Director indicated that 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. The Executive Director also indicated that the scalability model was in line with the recommendation arising from the Joint Inspection Unit’s review of management and administration in the United Nations Human Settlements Programme (JIU/REP/2022/1), that the Executive Board should approve a realistic budget for the Foundation non-earmarked fund, to which Member States should consider making sufficient contributions so that UN-Habitat can carry out its critical normative work in accordance with its mandate and in a consistent and sustainable manner (paras. 5-6).

16. Upon enquiry, the Advisory Committee was provided with additional information on the key features of the scalability model, indicating the model’s incremental budget levels in eight sequential packages, and the contents of each package distributed across seven pillars (see figure 1 below). The proposed budget for 2023 was \$4 million, with a scalable value of \$8 million, and totalling \$12 million, which is the ceiling of the model. The scalability model also proposes 51 posts and 12 international United Nations Volunteers, for a total of 63 new posts and positions. The proposed budget for 2024 would integrate the following posts and regularize unfunded requirements: the Deputy Executive Director (Assistant Secretary-General) post, historically funded by the Foundation; the Regional Representative for Latin America and the Caribbean (D-1) post which was not approved for 2023 in contrast to all other Regional Representative posts; the Senior Legal Officer (P-5) post, being an upgrade to the existing P-4 post; and the New Urban Agenda reporting team (comprising of one P-3, one P-2 and two G-S posts). The non-post operational requirements are also incorporated in the model, which would provide for the common and core service costs charged by the United Nations Office in Nairobi (UNON).

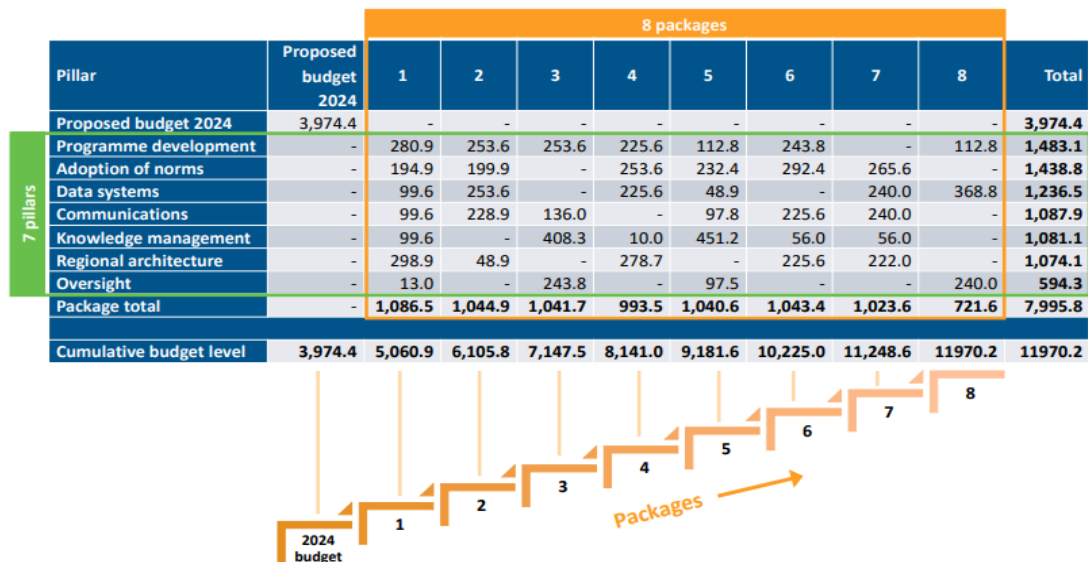


Figure 1: the scalability model

17. Upon enquiry, the Advisory Committee was informed that when proposing future budgets, the Executive Director commits to adhering to the incremental packages in the scalability model, making the model a blueprint for future budget proposals, if the Foundation has the spending capacity for such a budget level. A package would be integrated into the proposed budget only if the Foundation has the estimated spending capacity at that level, but if the spending capacity is below that level of the package, it would not be integrated into the proposed budget. The Committee was also informed that the scalability model does not permit partial packages; in other words, the Foundation will need to be able to afford the entire package for it to be integrated into the proposed budget, and that the cumulative budget levels associated with each package are the available future proposed budget levels of the Foundation. The Committee was further informed that the feasibility of the scalability model was directly linked to the spending capacity of the Foundation, which is guided by its net asset position. The Foundation funding is presently sufficient for the proposed budget for 2024, however, the net assets do not presently cover any packages in the scalability model.

18. **Based on the information provided, the Advisory Committee notes that the scalability model, as presented, appears to be a significant expansion plan in terms of human resources rather than a model, which should be based on a methodological foundation providing predictable mechanism for matching capacities to needs, while demonstrating capacity gaps in the existing structure. The Committee is of the view that the proposal needs further refinement including: (i) clear links between new positions proposed and the mandates and deliverables with the verifiable demonstration why the mandated activities cannot be met within the existing capacities; (ii) clarification of financial assumptions for post and non-post requirements; (iii) specific explanation of the particular grading composition proposed; (iv) conceptual linkages and interdependence between different packages, including the relation between the seven thematic pillars and the four subprogrammes of UN-Habitat in terms of envisaged distribution of resources; (v) the timeline for the implementation of each package within the current strategic plan until 2025 and the impact of potential changes to the next strategic plan from 2026 might have on the proposal; and, (vi) a realistic funding strategy for the proposal. The Committee trusts that the relevant clarifications will be provided to the Executive Board.**

V. Other matters

Recommendations of the Board of Auditors

19. Regarding the status of implementation of the recommendations of the Board of Auditors, the Advisory Committee notes that some recommendations had been implemented, however, forty-four recommendations remained under implementation. Upon enquiry, the Advisory Committee was provided with information on the implementation of the recommendations regarding the shortcomings identified by the Board, in particular, on financial management and strengthening the budget process. **The Advisory Committee emphasizes the importance of implementing the recommendations of the Board of Auditors in full and in a timely manner. The Committee trusts that the outstanding recommendations of the Board of Auditors will be implemented expeditiously.**

Equitable geographic representation

20. Upon enquiry, the Advisory Committee was provided with information on the staff composition by region and category of personnel as of 6 November 2023. Of the total 307 staff, the regional representation was as follows: African Group 145 (47 per cent), Asia Pacific Group 52 (17 per cent), Eastern Europe Group 13 (4 per cent), Latin America and the Caribbean Group 16 (5 per cent), and Western Europe and Other Group 81 (26 per cent). Of the 174 staff in the professional and above category, the regional representation was as follows: African Group 36 (21 per cent), Asia Pacific Group 39 (22 per cent), Eastern Europe Group 10 (6 per cent), Latin America and the Caribbean Group 11 (6 per cent), and Western Europe and Other Group 78 (45 per cent). **While noting that the extrabudgetary posts are not subject to geographical distribution, the Advisory Committee trusts that UN-Habitat will continue to improve the recruitment of its personnel on a more equitable geographic representation as much as possible.**

Gender balance

21. Upon enquiry, the Advisory Committee was provided with information on the staff composition by gender and category of personnel as of 6 November 2023. Of the total 307 staff, 52 per cent were female and 48 per cent were male. Of the 174 professional and above staff, 47 per cent were female and 53 per cent were male. The Committee

notes that at the P-5 level, women represented 23 per cent while at the D-1 level, women represented 22 per cent of the incumbent staff. **The Advisory Committee, while noting the overall gender balance among UN-Habitat staff, trusts that UN-Habitat will undertake more efforts to achieve better gender balance at senior levels.**

VI. Conclusion

22. Subject to its comments and observations above, the Advisory Committee has no objections to the draft work programme of UN-Habitat and the draft budget of the United Nations Habitat and Human Settlements Foundation for 2024.