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**PROPOSED BUDGET OF THE UNITED NATIONS HABITAT AND HUMAN
SETTLEMENTS FOUNDATION FOR THE BIENNIUM 2002-2003**

**REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE
AND BUDGETARY QUESTIONS**

Note by the secretariat

The annex to this note contains the report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on its review of the proposed budget of the United Nations Habitat and Human Settlements Foundation for the biennium 2002-2003. The report is circulated as received.

* HS/C/18/1

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Annex

**PROPOSED BUDGET OF THE UNITED NATIONS HABITAT AND HUMAN SETTLEMENTS
FOUNDATION FOR THE BIENNIUM 2002-2003**

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee has considered the proposed budget of the United Nations Habitat and Human Settlements Foundation (HABITAT) for the biennium 2002-2003 (HS/C/18/9). During its consideration of the item, the Advisory Committee met with representatives of the Executive Director of Habitat.
2. The Advisory Committee notes that the report on the proposed budget of the United Nations Habitat and Human Settlements Foundation for the biennium 2002-2003 was prepared in line with the harmonized budget format of UNDP, UNICEF and UNFPA. The Committee notes that table II provides information on the revised budget for 2000-2001 and formed the basis for the 2002-2003 proposals.
3. The Advisory Committee notes from paragraph 9 of the budget document that while considerable progress has been made in the current biennium in stabilising the financial situation of the Centre, difficulties remain. The Committee also notes from paragraph 11 of the budget document that there is an urgent need to put in place a more effective mechanism to ensure proper accountability of UNON to UNCHS for the cost and quality of services provided by UNON. On the basis of information contained in the budget document and information provided to the Committee by representatives of the Executive Director, it appears that progress is being made, but, as indicated in paragraph 11 of the report of the Board of Auditors (A/55/5/Add.8) more needs to be done.
4. As indicated in table I of the budget document, the estimated income of Habitat for 2002-2003 includes \$16,156,900 from the United Nations regular budget, representing an increase of \$1,468,800 or 10 per cent when compared with appropriations for 2000-2001. Approval of this amount is contingent upon submission by the Secretary-General of the United Nations proposed programme budget for 2002-2003 to the General Assembly. The inclusion of this amount in the budget document is therefore indicative only.
5. As shown in table IV of the budget document, the proposed budget for 2002-2003 for the Foundation amounts to \$23,998,900 consisting of \$19,409,000 under programme, \$1,964,300 under programme support and \$2,625,600 for management and administration. .
6. The Advisory Committee is concerned that projections of resources for 2002-2003 for both general and special purpose funds are optimistic. As indicated in paragraph 64 of the budget document, income figures for 2000-2001 include contributions projected at \$8 million for general-purpose funds, at \$11.3 million for special-purpose funds and \$0.9 million for interest income. The Committee notes from paragraph 65 of the budget document that by the end of September 2000, contributions to the general purpose fund totalled \$2.4 million and pledges given but not yet received totalled \$0.2 million, leaving \$1.2 million to be committed in order to reach the projected figure of \$3.8 million. The Committee also notes from paragraph 67 of the budget document that special purpose contributions by the end of September 2000, totalled \$3.8 million, with a further \$0.9 million committed from two governments for payment before the end of the year, leaving \$0.9 million to be contributed out of the projected figure of \$5.65 million. The Committee trusts that the Executive Director will redouble Habitat's fund-raising efforts.
7. A total of 31 posts are proposed for 2002-2003 (13 Professional and 18 local level posts) under programme, 3 posts (2 Professional and 1 local level post) under programme support and 4 posts (2 Professional and 2 local level posts) are proposed under management and administration (paragraph 78 and table X, HS/C/18/9). This reflects an increase of 6 posts from 2000-2001. Annex II to the budget document provides the assumptions applied to the 2002-2003 proposals, including vacancy rates, inflation and exchange rates.

8. With regard to vacancy rates, the Advisory Committee notes from paragraph 1 of annex II to the budget document that vacancy rates of 6.5 per cent for Professional staff and 2.5 per cent for General Service staff are assumed in costs for 2002-2003. Upon enquiry, the Committee was informed that virtually all of Habitat's current posts are filled at present, although a number have temporary incumbents. The Committee was also informed that ongoing vacancies were due to the absence of an Executive Director i.e. the recruitment of senior managers which in turn affected the appointment at the P-5 level and below as well as inadequate core funding to support the programme.

9. The Committee is aware of the continuing difficulty in recruitment for positions at Nairobi. The Committee trusts that OHRM will address this problem as a priority.

10. In view of the financial situation referred in paragraph 6 above, and taking into account what is stated at the end of paragraph 8 above, the Advisory Committee recommends a cautious approach with regard to new posts which should only be established and filled once sufficient income is assured.

11. As indicated in paragraphs 17(2), (3) and (4) and tables I and II of the budget document, the revised projection for technical co-operation funding for 2000-2001 envisages direct expenditure of \$120 million plus programme support costs of 3 per cent for the Centre's Settlement Rehabilitation Programme in Northern Iraq financed under the "Oil for Food" agreement between the United Nations and the Government of Iraq. Upon enquiry, the Committee was informed that the 3 per cent charged to this project for programme support costs were sufficient. Nevertheless, adequacy of this rate should be confirmed and approved by the Commission.

12. The Advisory Committee notes from paragraph 51 of the budget document that pending a decision on the formalisation of the Committee of Permanent Representatives as a subsidiary body of the Commission on Human Settlements, a provisional amount of \$156,000 has been included under Policy Making Organs. As indicated in table V of the budget document, this amount would be incurred by the United Nations regular budget. It would be paid to UNON for conference services related to the sessions and working groups of the Committee of Permanent Representatives. It is the intention of the Advisory Committee to consider this matter in the context of its consideration of the United Nations proposed programme budget for 2002-2003.
