

EXECUTIVE COMMITTEE OF THE
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REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND
BUDGETARY QUESTIONS ON UNHCR'S BIENNIAL PROGRAMME BUDGET
FOR 2008-2009 (REVISED)

1. In view of the late receipt of the report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ), this document is being circulated to the 43rd meeting of the Standing Committee as a conference room paper. The official document will be issued in due course as General Assembly document A/AC.96/1055/Add.1, once it has been processed for editing and translation by the United Nations official documents services.
2. As recommended by the ACABQ at its meeting on 4 September 2008, UNHCR subsequently restructured the advance version of its report containing the proposed revision of the Office's budgetary requirements for the biennium 2008-2009 (EC/59/SC/CRP.26). The final version of this report is being processed by the United Nations official documents services for issuance as General Assembly document A/AC.96/1055.

EXECUTIVE COMMITTEE OF THE
HIGH COMMISSIONER'S PROGRAMME

Fifty-ninth session

Geneva, 6 -10 October 2008

Item 5 (b) of the provisional agenda

Reports on the work of the Standing Committee

Programme budgets, management, financial control
and administrative oversight

**United Nations High Commissioner for Refugees
Programme Budget 2008-2009 (Revised)**

Report of the Advisory Committee on Administrative and Budgetary Questions

I. GENERAL

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the report entitled "Biennial Programme budget 2008-2009 (Revised) of the Office of the United Nations High Commissioner for Refugees" (A/AC.96/1055¹). The Committee also had before it the following documents:

(a) Financial report and audited financial statements for the year ended 31 December 2007 and report of the Board of Auditors on the voluntary funds administered by the United Nations High Commissioner for Refugees (A/63/5/Add.5,² advance version);

(b) Measures taken or proposed in response to the recommendations in the report of the Board of Auditors to the General Assembly on the accounts of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 2007 (A/AC.96/1054/Add.1,³ advance version).

2. During its consideration of the reports, the Advisory Committee met with the Deputy High Commissioner and other representatives of the High Commissioner, who provided additional information and clarification. The Committee also met with representatives of the Board of Auditors regarding its report on UNHCR for the year ended 31 December 2007.

¹ See EC/59/SC/CRP.26

² Containing A/AC.96/1051 and A/AC.96/1054 (see EC/59/SC/CRP.27)

³ See EC/59/SC/CRP.28

II. REVISED BIENNIAL PROGRAMME BUDGET 2008-2009

A. Annual programme budget

3. The estimated requirements for the annual programme budget have been revised from \$1,096.1 million to \$1,173.2 million for 2008 and from \$1,108.8 million to \$1,275.5 for 2009, respectively. Background for the proposed increases is provided in the revised budget document (see A/AC.96/1055⁴ paras. 128-133 and 135-139). Major factors affecting the estimates pertain to the Global Needs Assessment initiative and adjustment of exchange rates for non-US dollar currencies. The revised figures for 2008-2009 by region and organigrammes of UNHCR headquarters in Geneva and the Service Centre in Budapest are contained in annexes I to III of the present report.

4. The Advisory Committee notes that the revised annual programme budget for 2008 was approved by the 42nd meeting of the Standing Committee in June 2008 (A/AC.96/1055⁵ para.132). The proposed increase of \$166.7 million for 2009 breaks down as follows (A/AC.96/1055⁶ para. 137):

- (a) Activities identified through the Global Needs Assessment (\$63.5 million);
- (b) Newly identified needs, potential budgetary exchange rate losses and cost increases (\$50.3 million);
- (c) Potential additional staff voluntary separation costs (\$15 million);
- (d) An increase in the Operational Reserve, calculated at 10 per cent of programmed activities (\$12.9 million);
- (e) An increase in the “New or additional activities – mandate-related” Reserve (\$25 million).

B. Supplementary programme budget

5. Information with respect to supplementary programme budgets for 2008 and 2009 is provided in paragraphs 134 and 140, as well as in tables II and III of the revised budget document (A/AC.96/1055⁷). The budget for 2008 amounts to \$577.2 million, as compared to the expenditure of \$326.1 million for 2007. The requirements for 2009 are currently estimated at \$534.7 million.

⁴ See EC/59/SC/CRP.26

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

C. Support budget

6. The revisions to the support budget are reflected in section VI of Part II of the revised budget (A/AC.96/1055⁸). Upon request, the Advisory Committee was provided with the following table on the trends in support costs since 2005. The Committee notes that the percentage of the support budget in relation to the overall budget shows a declining trend. On the level of posts, the Committee notes that a net increase of 15 posts has been proposed for 2008 to 5,205 from the approved 5,190, and a net decrease of 108 posts for 2009 to 4,824 from the approved 4,932.

	2005 Expenditure (AB & SB) *	2006 Expenditure (AB & SB)	2007 Expenditure (AB & SB)	2008 ExCom (AB)	2008 Revised (AB & SB)	2009 ExCom (AB)	2009 Revised (AB)
Field Support costs	193,823.8	187,804.1	213,586.0	193,645.1	226,252.2	203,314.8	219,541.4
Headquarters Support costs	69,451.5	74,036.4	75,255.7	66,702.9	69,550.4	63,390.6	57,232.2
Total Support	263,275.3	261,840.5	288,841.7	260,348.0	295,802.6	266,705.4	276,773.6
Management & Administration	85,574.1	78,575.3	88,120.7	80,143.0	85,378.8	81,186.5	89,428.8
Total	348,849.4	340,415.8	376,962.4	340,491.0	381,181.4	347,891.9	366,202.4
Total Expenditure	1,141,632.4	1,100,726.8	1,342,014.3				
Total Budget				1,096,060.0	1,750,370.7	1,108,800.0	1,275,460.6
% Support and MA of Total	30.6%	30.9%	28.1%	31.1%	21.8%	31.4%	28.7%

* Annual programme budget and supplementary programme budget.

D. Regular budget

7. The Advisory Committee notes that, for the biennium 2008-2009, UNHCR has budgeted a regular budget appropriation of \$70.2 million, while the General Assembly has appropriated an amount of \$73,069,300 for administrative expenditures of UNHCR (A/RES/62/237 A-C of 22 December 2007). In the view of the Committee, the totality of the General Assembly appropriation from the regular budget should be included in the revised biennial budget of UNHCR⁹. Upon enquiry, the Committee was informed that UNHCR had made adjustment to reflect the entire amount appropriated by the General Assembly in the proposed revised 2009 annual programme budget.

⁸ Ibid.

⁹ As recommended by the ACABQ, this amount has been adjusted to \$73.1 million as reported in para. 41 of the final edited version of document A/AC.96/1055 (see CRP.59/SC/CRP.26)

E. Reserves and staff benefits fund

8. The UNHCR operational reserve is a budgetary reserve approved by the Executive Committee under the annual programme budget to cover unforeseen needs. It is constituted at an amount equivalent to 10 per cent of the proposed programmed activities in the annual programme budget. The Advisory Committee notes from the revised budget that the Standing Committee in June 2008 approved reconstitution of operational reserve at the full 10 per cent of the programme activities of 2008, in order to create the additional budgetary space required to mitigate the impact of exchange rate losses and to preserve the flexibility to respond to changing requirements (A/AC.96/1055¹⁰ paras. 131-132). Upon enquiry, the Committee was informed that the newly reconstituted operational reserve amounted to \$98.9 million, i.e. \$91.9 million approved by the Executive Committee in October 2007 plus 10 per cent of the \$70.1 million that had been allocated from the reserve to programmed activities as at 31 May 2008.

9. The “New or Additional Activities – Mandate-Related” Reserve was established by the Executive Committee in 2006 to provide UNHCR with the budgetary capacity to accommodate unbudgeted activities which are consistent with activities and strategies in the approved biennial programme budget and the mandate of UNHCR. The reserve is constituted at \$50 million for each financial year, or at a higher level if so decided by the Executive Committee. The Executive Committee authorized UNHCR to increase the 2007 appropriation level to \$75 million and approved the same level for 2008. For 2009, the Executive Committee approved an initial appropriation of \$50 million. UNHCR is requesting the Executive Committee to authorize the increase of the 2009 appropriation to \$75 million (A/AC.96/1055¹¹ paras.42-45). The Advisory Committee notes that from the reserve, a total of \$53.2 million was transferred to programmed activities in 2007, and that \$53.7 million has been transferred as at 30 June 2008. The Advisory Committee reiterates that the Executive Committee should take into consideration the expenditure pattern of preceding years in setting the level of the reserve (A/AC.96/1040/Add.1, para.12). On the basis of the recent pattern of utilization of the reserve, the Committee has doubts about the capacity of UNHCR to utilize the reserve fully at the proposed level of \$75 million in 2009.

10. As indicated in paragraphs 75 to 81 of A/AC.96/1055,¹² UNHCR established the Staff Benefits Fund in 2007 to cover financial activities related to end-of-service and post-retirement liabilities which remain unfunded. Further discussion of this issue is contained in paragraph 23 below.

III. BUDGET REVISION PROCESS AND PRESENTATION

11. As noted in paragraph 4 above, the revised programme budget for 2008 was approved by the Standing Committee in June 2008, before it was presented to the Advisory Committee for

¹⁰ See EC/59/SC/CRP.26

¹¹ See EC/59/SC/CRP.26

¹² See EC/59/SC/CRP.26

review in September 2008. The Committee understands that this is the first revision to the first biennial programme budget following the change from an annual programme budget cycle. In the Committee's view, it is necessary for UNHCR to rationalize the process of revision of the biennial budget so as to ensure proper and timely budgetary review, including by the Advisory Committee.

12. With respect to presentation, the Advisory Committee notes that the revised budget document reproduces much of the information contained in the original budget proposal, without indicating precisely what is new or revised and requires a decision. Further, some of the information is presented in a fragmented manner in different parts of the revised budget or in different documents. For example, issues related to the support budget are covered in F under section VI of part I and in section III of part II of the revised budget.¹³ Results-based management and the related software, *Focus*, are covered under three different sections in paragraphs 63, 66 to 71 and 116. UNHCR's responses to recommendations by the Board of Auditors are reflected in part in the revised budget document and in part in UNHCR's response to the recommendations of the Board of Auditors (see A/AC.96/1054/Add.1¹⁴).

13. The Advisory Committee recommends that future budget revisions focus on changes made or required following approval of a biennial budget by the Executive Committee. The Committee is also of the view that the document containing UNHCR's response to the Board of Auditors should be as comprehensive and inclusive as possible with the related issues cross-referenced in the revised budget.

IV. UNHCR FUNDING AND GLOBAL NEEDS ASSESSMENT

14. The Advisory Committee recalls that the gap between the budget and funds available for UNHCR widened in 2005 and 2006, becoming a recurrent theme of the annual programme (A/AC.96/1026/Add.1). In this connection, the Advisory Committee recalls that the General Assembly, in its resolution 62/223, noted the concerns of the Board of Auditors about the general financial situation of UNHCR. The Advisory Committee notes from paragraph 4 of the revised budget that the situation has improved somewhat, with expenditure under the annual programme budget increasing by \$111.2 million in 2007, as compared to that of 2006, reflecting a relatively higher level of available funds.

15. Paragraphs 12 to 27 of the revised budget provide information with respect to the Global Needs Assessment initiative, launched by UNHCR in 2008 to improve the quality of needs assessments and to support UNHCR advocacy and fund raising efforts. All UNHCR field offices participated, with eight pilot countries taking a more targeted approach. The global unmet needs for 2009 are estimated at \$910.8 million, as compared to the approved budget of \$735.6 million for the same year. For the eight pilot countries, of the unmet needs of \$95.4 million, an amount

¹³ As recommended by the ACABQ, references to issues related to the support budget have been amalgamated into section VI of Part II of the final edited version of document A/AC.96/1055 (see CRP.59/SC/CRP.26)

¹⁴ See EC/59/SC/CRP.28

of \$63.5 million is presented in the revised 2009 budget to seek additional funding. The Committee notes from the document that, for the planning of the 2010-2011 biennial budget, all UNHCR country operations would be required to follow this methodology. It is indicated in the revised budget that full funding of the Annual Programme Budget remains UNHCR's highest priority and that activities identified through the initiative will only be implemented when additional funding is received

V. STRUCTURAL AND MANAGEMENT CHANGE PROCESS

16. The Advisory Committee was briefed on the UNHCR structural and management change process in the context of its consideration of the UNHCR 2008-2009 biennial programme budget proposal (A/AC.96/1040). The subsequent report of the Committee on the proposed biennial budget contained the Committee's comments and recommendations on the change process (A/AC.96/1040/Add.1 paras.19-25). During its review of the proposed revision to the biennial budget, the Committee was informed that UNHCR expected to complete the change process by the end of 2008 or early 2009. Among the changes made, the Committee notes, in particular, that all UNHCR country operations have translated their 2009 revised operations plans into *Focus*, the new software application to support results-based management. Further, *Focus* would be used for the planning and resource allocation process for the 2010-2011 biennial budget (A/AC.96/1055¹⁵ paras. 70-71).

17. In addition, the Committee was briefed on UNHCR initiatives to improve its performance management system and to strengthen training activities for staff. The Committee was informed that a consultancy firm specializing in human resources and performance management systems had been hired to work with UNHCR to review and redesign the competency framework and performance appraisal system. An electronic performance appraisal system was being developed and training for the new system was planned. The new appraisal system would be made available in the first quarter of 2009.

18. The Advisory Committee notes the reform efforts by UNHCR and recommends that UNHCR report on the progress made and impact of the change process and other initiatives in the context of the next biennial programme budget.

VI. SECURITY

19. In its report of 25 September 2007, the Advisory Committee shared the concern of the Board of Auditors that, overall for UNHCR, Minimum Operating Safety Standards (MOSS) compliance was 68 per cent for all offices (A/AC.96/1040/Add.1. paras.33-35). In the revised biennial budget, UNHCR reports that progress has been made in this respect, with more than 95 per cent of all UNHCR offices MOSS compliant as at the end of 2007 (A/AC.96/1055¹⁶ paras.

¹⁵ See EC/59/SC/CRP.26

¹⁶ Ibid.

92-96). UNHCR indicates that the non-compliance in 2007 could be attributed primarily to the opening of new offices that had not yet achieved MOSS compliance and to the nature of security standards, which, when changed for a country or region, could render an office non-compliant until the new measures are implemented. As indicated in the revised budget, following the bombing of the United Nations offices in Algiers, UNHCR undertook a global assessment of its offices to determine vulnerability and subsequent mitigating measures. UNHCR may issue a separate appeal for funding once the analysis is completed. The Advisory Committee is aware of the delicate balance that UNHCR faces in weighing security concerns against its operational requirements.

VII. RECOMMENDATIONS OF THE BOARD OF AUDITORS

20. The Board issued a modified audit opinion with three emphases of matter in respect of the UNHCR's financial statements for the year ended 31 December 2007.¹⁷ The Advisory Committee notes from the report of the Board that these emphases of matter relate to: (a) the reiterated concern of the Board about the insufficiency of audit certificates to substantiate the expenditures occurred by implementing partners, while noting the progress made; (b) the persistently deficient asset management; and (c) the negative balance of the reserves and funds at the end of 2007 resulting from the recording of the end-of-service liabilities, especially of after-service insurance liabilities. The main recommendations of the Board are highlighted in paragraph 8 of its report. The UNHCR responses to the recommendations are contained in document A/AC.96/1054/Add.1.¹⁸ The Advisory Committee stresses the necessity for UNHCR to promptly implement the recommendations of the Board of Auditors.

A. Audit certificates

21. It is reported by the Board that as at 25 June 2008, UNHCR received 352 audit certificates, representing \$150.5 million, or 49 per cent of the total amounts due for 2007, as compared to 24 certificates, representing \$8 million, or 3 per cent received as at 22 June 2007 for the 2006 financial period. This improvement resulted from the introduction in 2007 of a reduced timetable for audit certification from implementing partners following the liquidation of subprojects. The Board observes that UNHCR is making progress in this regard and recommends that it pursue its effort to further improve the rate of receipt of audit certificates for expenditures incurred by implementing partners (A/AC.96/1054¹⁹ paras.119-130). Upon enquiry, the Committee was informed that, despite the difficulties faced in gathering audit certificates in the field, specific measures were being taken to improve the timeliness and quality of audit certificates, including the development and provision of guidelines, indicators and a standardized template for audit certificates to field offices by the end of the third quarter of 2008.

¹⁷ See A/AC.96/1051 and EC/59/SC/CRP.27

¹⁸ See EC/59/SC/CRP.28

¹⁹ See EC/59/SC/CRP.27

B. Asset management

22. With respect to non-expendable property, UNHCR agrees with the Board's recommendation that UNHCR should allocate adequate resources to complete the clean-up of its assets database (A/AC.96/1054²⁰ para.81). Consequently, UNHCR has decided to outpost and to strengthen the Asset Management Unit to Budapest, by transferring a P-4 and a G-6 from Geneva and creating 3 new posts, 1 P-3 and 2 G-6. However, on expendable property, the Advisory Committee notes the different interpretations by the Board and by UNHCR of the requirement under the United Nations System Accounting Standards regarding disclosure in financial statements of expendable property unused at the end of a financial year (A/AC.96/1054²¹ paras. 85-89 and A/AC.96/1054/Add.1²² para. 17). In the view of UNHCR, further development in this area is linked to the preparation for the International Public Service Accounting Standards (IPSAS).

C. After-service liabilities

23. Disclosure, for the first time, of end-of-service and post-retirement liabilities in the financial statements as expenses, without appropriate funding, has resulted in a deficit of \$382 million (A/AC.96/1054²³ paras. 37-45). Of the total liabilities of \$367.5 million, after-service health insurance accounted for \$308 million. The Board recommends that UNHCR urgently set up specific funding to balance the impact of accrued after-service liabilities, notably health insurance. The Advisory Committee notes that UNHCR intends to be guided by the approach that the United Nations will take to address the funding mechanism of these liabilities. The Committee encourages the Board to follow up on this issue.

D. Human resources management

24. The Board points out that since 2003 actual staffing at UNHCR has continued to exceed authorized posts and that there were increased budgetary costs of staff in between assignments in 2007 (SIBAs) (A/AC.96/1054²⁴ paras. 96-97 and 103-110). The Advisory Committee notes that UNHCR has agreed with the Board's recommendations for addressing these issues. Upon enquiry, the Committee was informed that UNHCR intends to take measures to reduce the number of staff to conform with the number of posts. The Committee observes that an additional reduction of 108 posts is being proposed in the revised budget for 2009, as compared to the approved biennial budget. This would necessitate even greater staff reductions. UNHCR is therefore planning a comparative review exercise and the encouragement of career transitions, particularly through voluntary separation, for which an increase of \$15 million is being proposed in the revised budget for 2009.

²⁰ Ibid.

²¹ Ibid.

²² See EC/59/SC/CRP.28

²³ See EC/59/SC/CRP.27

²⁴ Ibid.

25. Upon enquiry, the Committee was informed that the following actions, inter alia, were being planned by UNHCR: (a) a comparative review of international professional staff in early 2009, the scope of which would depend on the extent of the misalignment between posts and staff; (b) while keeping the scope of the review to a minimum to mitigate its impact on the organization and on staff, the appointment of SIBAs to posts would remain a priority; and (c) priority would also be given to appointing staff to posts at their own levels. Furthermore, special measures would be introduced which would require staff who are without a position to accept appointment to a suitable post, even if they have not applied. The Committee was also informed that one key element in efforts to reduce the number of SIBAs would be to encourage career transitions through voluntary separation and employment outside UNHCR. In this respect, UNHCR has reinforced individual counselling of staff members regarding their applications for posts and career planning. Upon enquiry, the Committee was informed that UNHCR regularly circulated information to staff on posts within the United Nations system.

26. Upon enquiry, the Committee was informed that by mid-2009, the plan is to have no international staff at UNHCR without appointment. Further, UNHCR would then reform the posting process to ensure that all eligible staff members would be appointed to posts before the conclusion of their current assignments. The Advisory Committee notes the approach being taken by UNHCR on this issue and looks forward to a progress report in the context of the next biennial budget proposal. The Committee notes, in particular, the increased emphasis on career counselling, which, in its opinion, is critically important for a field-based organization such as UNHCR.

E. Relocation to Budapest

27. The Committee agrees with the Board about the need for an evaluation of the relocation to Budapest to assess the results in terms of overall savings and efficiency of the new organization (A//AC.96/1054²⁵ para. 101). The Committee was informed that the relocation and outposting process had gone well and that, because of the decline in the US dollar, UNHCR would have been in a worse financial situation had it not done the outposting. Upon enquiry, the Committee was informed that UNHCR had decided to outpost a number of posts in the Programme Budget Service to Budapest, which, with other changes, would result in a net increase of six posts in the Global Service Centre (from 166 posts as of mid-2008 to 172 as of 1 January 2009). Further, relocation of additional functions from Geneva to Budapest in the first half of 2009 was being considered. UNHCR would update its projects on the expected savings and conduct a complete cost-benefit analysis once decisions on the additional move were made in late 2008. Upon enquiry, the Advisory Committee was informed that 172 posts were envisaged for Budapest, while 155 posts were discontinued in Geneva. The Committee recommends that UNHCR

²⁵

Ibid.

provide an explanation to the Executive Committee of the relationship between the creation of posts in Budapest and the reduction of posts at headquarters in Geneva (see annexes II and III below).

F. Previous recommendations

28. The status of implementation of the recommendations issued by the Board for the year ended 31 December 2006 is indicated in the annex and explained in paragraphs 10 to 17 of the Board's report. Of the total of 38 previous recommendations, it is reported that 11 were fully implemented (29 per cent), 24 partially implemented (63 per cent) and 3 not implemented (8 per cent). Out of the 24 partially and 3 unimplemented recommendations, 1 (4 per cent) relates to 2003, 1 (4 per cent) to 2004, 11 (41 per cent) to 2005, and 14 (51 per cent) to 2006, including the 3 unimplemented recommendations related to the management of bank accounts.

Annex I

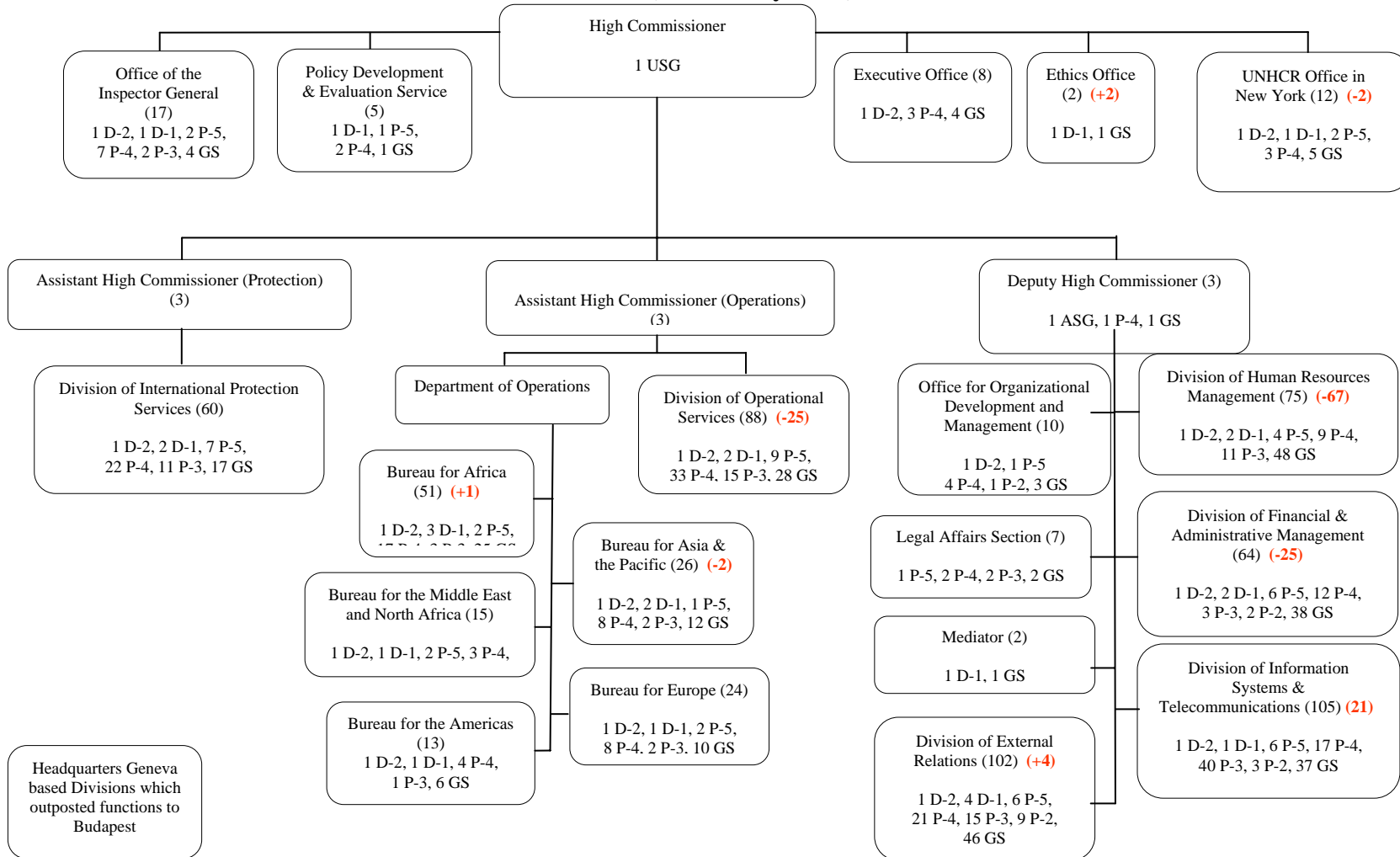
Annual Programme Expenditure in 2007 and Revised Biennial Programme Budget for 2008-2009
(In millions of US Dollars)

By Region and Headquarters	2007 Expenditure	2008 Initial	Operational Reserve*	2008 Revised	2009 Initial	2009 Revised
West Africa	79.0	65.5	1.8	67.3	48.4	48.9
East and the Horn of Africa	117.7	111.7	7.6	119.3	131.2	129.7
Central Africa and the Great Lakes	161.1	188.3	12.4	200.7	208.9	226.4
Southern Africa	42.0	34.9	1.1	36.0	30.3	40.9
Sub-total Africa	399.8	400.5	22.8	423.3	418.8	445.9
Middle East and North Africa	34.1	33.3	2.6	35.9	34.8	50.1
Asia and the Pacific	185.4	153.8	23.2	176.9	160.8	164.9
Europe	106.6	91.0	2.4	93.4	92.9	126.3
The Americas	25.8	25.5	0.9	26.4	28.3	34.1
Global Programmes	94.8	67.9	15.7	83.6	73.3	114.1
Headquarters	159.8	147.2	2.6	149.7	144.6	146.7
Sub-total Programmed Activities	1,006.3	919.1	70.1	989.2	953.5	1,082.2
Operational Reserve**	-	91.9		98.9	95.3	108.2
Total Programmed Activities and Operational Reserve	1,006.3	1,011.1		1,088.2	1,048.8	1,190.5
New or additional activities – mandate-related Reserve	-	75.0		75.0	50.0	75.0
Junior Professional Officers	9.6	10.0		10.0	10.0	10.0
Grand Total	1,015.9	1,096.1		1,173.2	1,108.8	1,275.5

* Allocations made up to 31 May 2008.

** Programmed activities x 10%.

Annex II
United Nations High Commissioner for Refugees – Structure of the Office in Geneva, Switzerland
(as at 1 July 2008)



Figures in bold in brackets denote changes vs. the 2008 initially approved ExCom budget (which did not include outposting)

Annex III

**Office of the United Nations High Commissioner for
Refugees
Structure of the Global Service Centre in Budapest, Hungary
(as at 1 July 2008)**

