



UNHCR

38th Meeting of the Standing Committee

Agenda Item 3a

Programme Budgets and Funding in 2006 and Projections for 2007

Presentation by the Controller
Colin Mitchell

Tuesday 6th March 2007

Thank you Mr. Chairman.

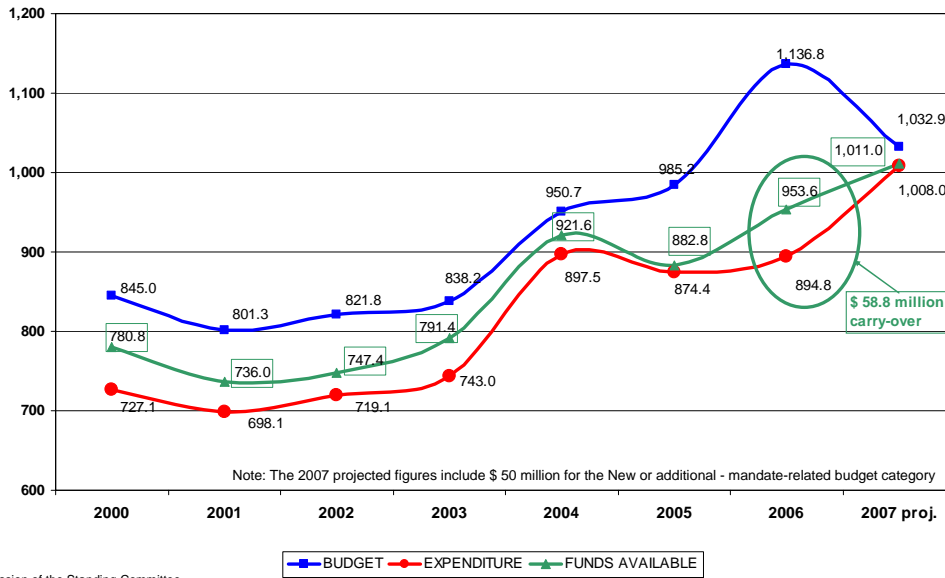
- This presentation is intended as an overview to document EC/58/SC/CRP.5. As UNHCR's financial statements for 2006 have just been closed and signed by the High Commissioner, the estimates presented in CRP.5 are now confirmed.
- The presentation includes a view of overall trends, and challenges faced during the course of 2006 and draws some conclusions as we move into 2007.

Overall Trends Annual Programme: Budgets, Funds and Expenditure



Millions of US\$

(includes UN Regular Budgets but excludes JPO funds)



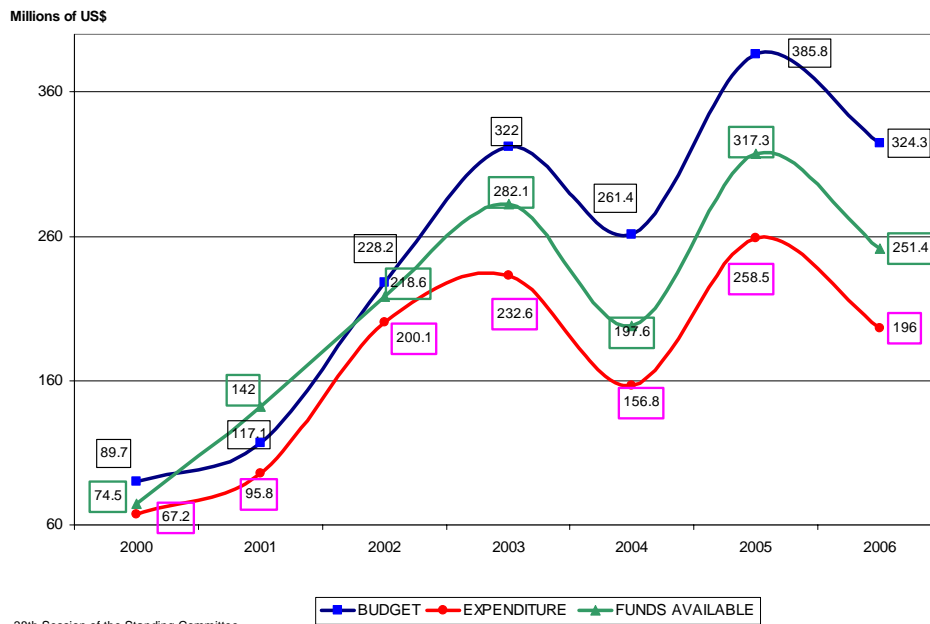
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- From this slide we can see that the gap between total funds available for the Annual Programme Budgets was \$183.2 million in 2006, compared with \$102.4 million in 2005 and \$29.1 million in 2004.

- The funding level of the Annual Programme Budget in 2006 was 84% compared to 90% in 2005 and 97% in 2004.

Overall Trends Supplementary Programme: Budgets, Funds and Expenditure



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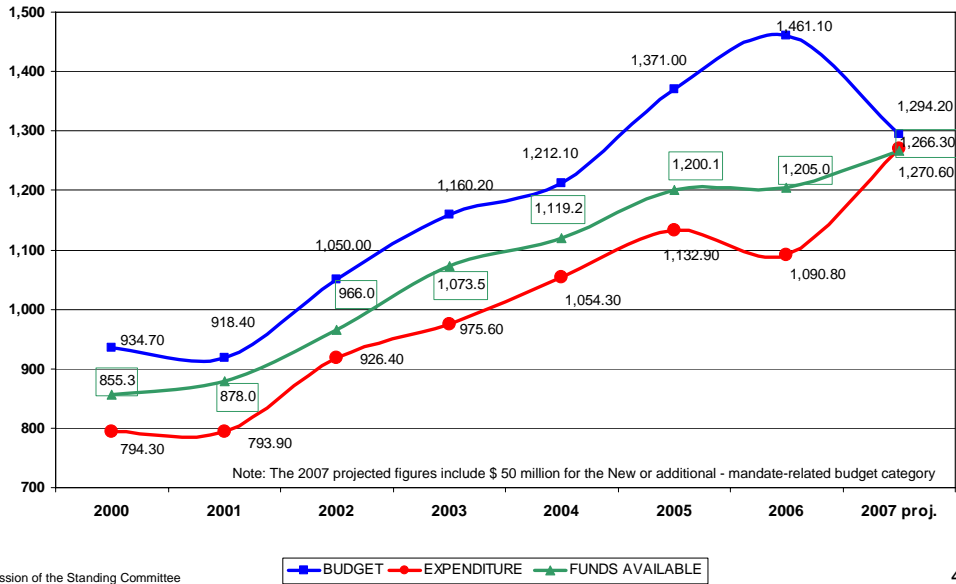
- This chart shows that funds available for the Supplementary Programme Budgets in 2006 were \$251.4 million compared to \$317.3 million in 2005, representing a funding level of 78% in 2006, and 82% in 2005.

Overall Trends Annual and Supplementary Programme Budgets



Millions of US\$

(includes UN Regular Budgets but excludes JPO funds)



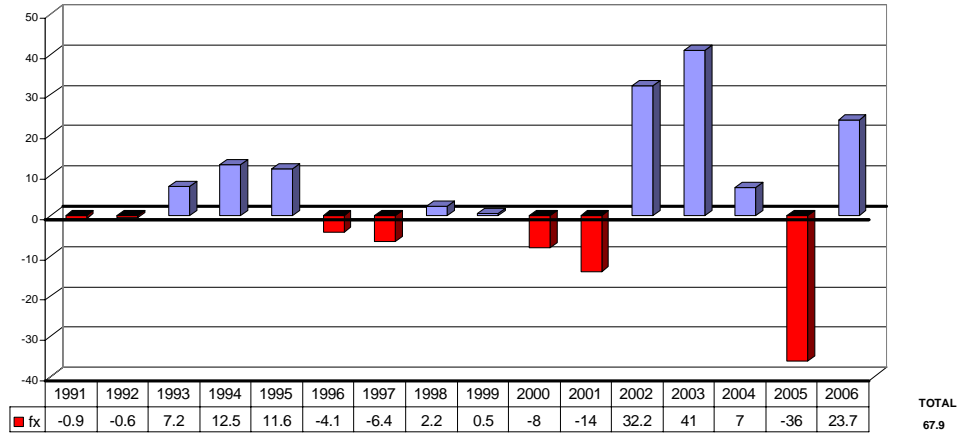
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- In 2006 total funds available for the Annual Programme and Supplementary Programme Budgets exceeded total expenditures by \$114.2 million compared to \$67.2 million in 2005 and \$64.9 million in 2004.

Overall Trends



UNHCR Currency Exchange Gains and Losses



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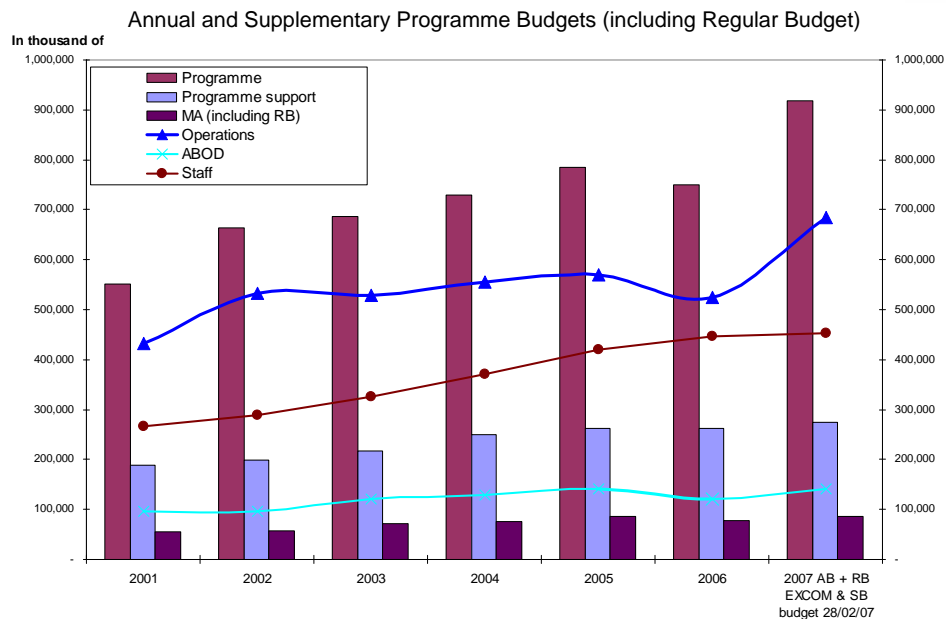
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- Regarding currency fluctuations, these were favourable to UNHCR in 2006 as indicated in the chart to the extent of a net gain of \$23.7 million resulting from the depreciation of the US dollar against most major currencies.

- This contrasts with exchange fluctuations in 2005 which were materially negative (\$36 million) and seriously constraining. While exchange fluctuations are seemingly volatile from year to year, their longer term impact on UNHCR's income and expenditures has been neutral.

Overall Trends

Programme, Programme Support, and Management and Administration Versus Operations, Staff and ABOD costs



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- The chart shows that Programme, Programme Support, and Management and Administration costs have remained proportionately consistent over time.
- However, as evident in the line graph, staff costs were increasing as a percentage of our operations. This trend has been checked in 2005-2006.
- Further efforts to reduce less flexible Headquarters staff costs, and to improve efficiency and effectiveness through outposting and further decentralization to the Field, are envisaged under the ongoing structural reform process.

Challenges 2006 - 2007



- 2006 approved Excom budget was capped
 - Additional austerity measures (\$20 million)
- Higher level of cost consciousness across UNHCR
 - More favorable financial position in 2006 compared with 2005
- Savings accrued under staff costs and administrative budgets
 - Result of restrictions on temporary assistance at HQs
 - Discontinuation of 612 posts by end-2006
- Donor confidence was strong during 2006 and funding was boosted by contributions from the Central Emergency Response Fund (CERF) : \$22.8 million in 2006.

• In the light of very real fundability concerns, the 2006 approved Excom budget was capped at the beginning of the year, and additional austerity measures amounting to some \$20 million, were implemented during the year as described in CRP.5.

• As a result of rigorous and cautious financial management, a higher level of cost consciousness was engendered across UNHCR Headquarters and the Field. Consequently a markedly more favorable financial position was achieved during 2006 in comparison with year-end 2005.

• Important savings accrued under staff costs and administrative budgets (ABODs) as a result of restrictions on temporary assistance at HQs, and the progressive discontinuation of 612 posts by end-2006 at HQs/Global (19) and in the Field (593).

• Donor confidence was strong during 2006 and funding was boosted by contributions from the Central Emergency Response Fund (CERF), representing a new source of income totaling \$22.8 million in 2006.

Challenges 2006 – 2007



- Improved carry over under the annual programme of \$58.8 million
 - 2006 : no borrowing required from the WCGF
 - 2005 : \$8.5 million carry over after borrowing of \$12.2 m from WCGF
- Managing the risk of possible exchange losses
- 2006 capped budget : base-line for establishing a fundable 2007 budget
 - budget does not adequately address all essential refugee needs
 - It is intended that \$15 million will be allocated from the 2007 Operational Reserve and funded by the 2006 carry over to meet these special needs
 - areas of health, nutrition and SGVB in refugee camps

• Consequently a significantly improved carry over under the Annual Programme of \$58.8 million was achieved with no borrowing required from the Working Capital and Guarantee Fund (WCGF), compared to an \$8.5 million carry over in 2005 after a borrowing of \$12.2 million from WCGF.

• Conscious of the volatility of currency exchange markets and the significant risk that unanticipated exchange movements can have on income and operations, management will continue to closely monitor, and mitigate to the extent possible, the risk of negative exchange impact.

• UNHCR will maintain a foreign exchange buffer to contain and manage the risk of possible exchange losses impacting on programmed activities for refugees

• As the 2006 capped budget was the base-line for establishing a fundable 2007 budget, the budget does not adequately address all essential refugee needs, some of which are only recently detectable through improved monitoring mechanisms.

• It is intended that \$15 million will be allocated from the 2007 Operational Reserve and funded by the 2006 carry over to meet these special needs in the areas of health, nutrition and SGVB in refugee camps in targeted countries.

• Mr. Chairman, these special needs will be further elaborated on by the Director of DOS under agenda items 3 (b) and 6 (f).

Some Conclusions. . .



- Gap between budgets and funding needs addressing
- The structural and systemic weaknesses are being addressed under the structural reform process
- Prioritise more rigorously in a results-based manner to meet the essential needs of refugees and persons of concern
- Continue efforts to reduce less flexible Headquarters staff costs
- Outposting and further regionalization, decentralization to the Field, to improve efficiency and effectiveness at lesser cost

Mr. Chairman, in conclusion, our main focus as we proceed into 2007 must include the following initiatives:

- We must continue to address the gap between budgets and funding in close collaboration with donors so as to ensure that donor prioritisation is as closely aligned as possible with UNHCR's strategic objectives and priorities.
- The structural and systemic weaknesses that impair best fiscal management practices and limit empowerment and delegation of authority have to be addressed, and are being addressed under the structural reform process.
- We must prioritise more rigorously in a results-based manner to more adequately meet the essential life sustaining needs of refugees and persons of concern.
- We must continue efforts to reduce less flexible Headquarters staff costs.
- Through outposting and further regionalization and decentralization to the Field, we must improve our efficiency and effectiveness at lesser cost, permitting more to be spent of refugees.
- We must review our partnership related operational strategies to ensure that we are optimizing the use of implementing partners as a means of retaining flexibility and to contain the cost of direct implementation.