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**Executive Committee of the  
High Commissioner's Programme  
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Item 7 of the provisional agenda  
**Consideration and adoption of the  
biennial programme budget 2018-2019**

## **Biennial programme budget 2018-2019 of the Office of the United Nations High Commissioner for Refugees**

**Report by the High Commissioner**

### **Addendum**

**Report of the Advisory Committee on Administrative and  
Budgetary Questions**

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## I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the biennial programme budget 2018-2019 of the Office of the United Nations High Commissioner for Refugees (A/AC.96/1169). The Committee also had before it the financial report and audited financial statements for the year ended 31 December 2016 and the report of the Board of Auditors on the voluntary funds administered by the United Nations High Commissioner for Refugees (A/72/5/Add.6). During its consideration of the reports, the Advisory Committee met with the Deputy High Commissioner and other representatives of the Office of the High Commissioner, who provided additional information and clarification concluding with written responses received on 14 September 2017.

2. The Advisory Committee also met with the members of the Audit Operations Committee of the Board of Auditors regarding their audit report on UNHCR (A/72/5/Add.6). The Committee's comments and recommendations on the audit findings contained in the report of the Board will be presented in a separate report to the General Assembly at its seventy-second session, covering all audited entities. Section IV below contains some of the issues specific to UNHCR raised in the report of the Board and the related comments and recommendations of the Advisory Committee.

## II. Biennial programme budget 2018-2019

### *Budget structure and presentation*

3. The High Commissioner's report states that UNHCR's biennial programme budget for 2018-2019 is formulated on the basis of a comprehensive needs assessment, and that requirements are assessed in consultation with various stakeholders in the field (A/AC.96/1169, para. 6). The programme budget continues to be broken down into the following categories: field, global programmes and headquarters. The field category comprises operational activities budgeted by region and carried out in various operations around the world. Global programmes relate to technical activities that are undertaken by substantive divisions at Headquarters but that are of direct benefit to field operations globally. The headquarters category pertains to work carried out by divisions and bureaux located in Geneva, as well as in Brussels, Budapest, Copenhagen and New York, which includes the provision of policy guidance, administrative support, and managerial and programmatic assistance to field operations (A/AC.96/1169, para. 10).

4. With respect to persons of concern, table I.1 of the report shows the actual number of persons of concern in 2016 as at 31 December 2016 (67,750,000) and the projected year-end figures for 2017 (68,951,000), 2018 (66,979,000) and 2019 (66,352,000). The report indicates that a moderate decrease of slightly less than 2 million persons, or 3 per cent, is projected in 2018, while the total number of persons of concern is expected to remain stable in 2019, when compared to 2018 (A/AC.96/1169, paras. 17-20).

5. Table 14 of Annex I of the report sets out the actual expenditures and projected requirements by items of expenditure. The Advisory Committee recalls that it had previously recommended that the table of expenditures include columns showing the percentages for each item of expenditure (A/AC.96/1158/Add.1, para. 4). **The Committee welcomes the inclusion of percentages in the breakdown by items of expenditure in the presentation of projected requirements and actual expenditure in the High Commissioner's report. Taking into account the amounts reflected under the category of "Other expenses", the Committee is of the view that a more detailed breakdown of the individual items within this category would be useful in future budget submissions.**

*Past performance and current budget for 2017*

6. An overview of the budgets, funds available and expenditure from 2010 to 2016 is provided in table I.8 of the High Commissioner's report which is reproduced below.

**Budget, funds available and expenditure 2010-2016**

|  | <i>(in thousands of US dollars)</i> |           |           |           |           |           |           |
|--|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 2010                                | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      |
| <i>Budget, funds available and expenditure</i> |                                     |           |           |           |           |           |           |
| Final budget                                   | 3,288,730                           | 3,821,708 | 4,255,607 | 5,335,374 | 6,569,754 | 7,232,409 | 7,509,703 |
| Funds available                                | 2,112,480                           | 2,413,144 | 2,593,847 | 3,234,135 | 3,603,099 | 3,706,762 | 4,410,812 |
| Expenditure                                    | 1,878,174                           | 2,181,099 | 2,357,710 | 2,971,825 | 3,355,409 | 3,294,815 | 3,967,096 |
| <i>Analysis in percentage terms</i>            |                                     |           |           |           |           |           |           |
| Funds available as % of budget                 | 64%                                 | 63%       | 61%       | 61%       | 55%       | 51%       | 59%       |
| Funding gap                                    | 36%                                 | 37%       | 39%       | 39%       | 45%       | 49%       | 41%       |
| Expenditure as % of budget                     | 57%                                 | 57%       | 55%       | 56%       | 51%       | 46%       | 53%       |
| Expenditure as % of funds available            | 89%                                 | 90%       | 91%       | 92%       | 93%       | 89%       | 90%       |

7. The final budget for 2016 amounted to \$7,509.7 million, with the total funds available in the amount of \$4,410.8 million, and expenditure in the amount of \$3,967.1 million. The Advisory Committee notes from the table that the three categories under "Budget, funds available and expenditure" reflect an upwards trend from 2010 to 2016, while the four categories under "Analysis in percentage terms" have remained within approximately the same levels from 2010 to 2016.

8. For 2017, the original approved budget amounted to \$6,408.5 million, which was revised upwards to the amount of \$7,309.7 million based on updated needs. Subsequently, six supplementary budgets were established by the High Commissioner to address unforeseen needs, leading to the current budget of \$7,763.3 million as at 30 June 2017, which represents a net increase of \$453.6 million, or approximately 6 per cent, when compared to the approved revised budget (A/AC.96/1169, para. 22).

*Proposed biennial programme budget 2018-2019*

9. Based on the comprehensive needs assessment exercise performed by the Office in the first quarter of 2017, the proposed programme budget for 2018 stands at \$7,508.4 million, and the proposed budget for 2019 amounts to \$7,352.3 million, representing a decrease as compared with the current budget of 2017 in the amount of \$7,763.3 million. The Advisory Committee notes that the proposed decrease in 2018 is attributable to the incorporation of six supplementary budgets in the 2017, and the expected decrease in the number of IDPs in 2018 (A/AC.96/1169, paras. 19, 25 and 31).

10. The report indicates that the budgetary requirements for pillar 1 (global refugee programme) continue to account for the majority of the total requirements, at 80 per cent in 2018 and 2019, with pillar 4 (global IDP projects) continuing to represent the second largest budgeted pillar, at 16 per cent for 2018 and 2019. Requirements for pillar 2 (global stateless programme) and pillar 3 (global reintegration projects), remain stable at approximately 1 per cent and 3 per cent of the total requirements, respectively (A/AC.96/1169, paras. 25 and 26).

11. Regarding UNHCR's mandate in relation to refugees and to internally displaced persons, the Advisory Committee was informed upon enquiry that UNHCR is mandated by the General Assembly as the sole agency to provide international protection to refugees and to seek permanent solutions for refugees by assisting Governments to facilitate the voluntary repatriation of refugees or their local integration within new national communities. In relation to internally displaced persons, UNHCR is guided by the policy, coordination and operational arrangements established by the Inter-Agency Standing Committee, to provide humanitarian assistance and protection to internally displaced

persons, with a coordination role and an operational delivery role in the areas of protection, camp coordination and management, and emergency shelter.

12. The report states that, as in previous years, the largest requirements for 2018-2019 would remain in the Africa region (35 per cent for 2018 and 34 per cent for 2019), while requirements for the Middle East and North Africa region would amount to 29 per cent for 2018 and 30 per cent for 2019. Requirements for the Asia and Pacific region would remain stable at approximately 7 per cent; requirements for Europe are projected to decrease by 1 per cent from 2018 to 2019; and requirements for the Americas region would continue to account for 2 per cent for both years (A/AC.96/1169, para. 28).

13. It is indicated that the 2017 budget incorporates six supplementary budgets established for emergencies that occurred or deteriorated in the course of 2017 and, in some cases, after the needs for the 2018 proposed budget were assessed in early 2017. The report states that these financial implications are not entirely reflected in the proposed budget for 2018 (A/AC.96/1169, para. 31). In this context, the Advisory Committee notes that the budgets for 2014, 2015, 2016 and 2017 were revised upwards after the initial budget approval, which were then further increased due to the incorporation of supplementary budgets.

#### *United Nations programme budget 2018-2019*

14. Paragraph 105 of the High Commissioner's report states that for the biennium 2018-2019, the estimated resources under the regular budget amount to \$84.6 million before recosting, which would fund the posts of the High Commissioner and the Deputy High Commissioner, a grant for the financing of 218 management and administration posts at Headquarters, and a proportion of related non-post requirements at Headquarters. The Advisory Committee's detailed comments and recommendations on the resources proposed under the regular budget for UNHCR for the biennium 2018-2019 are contained in section 25 of its report A/72/7. **The Committee recalls its recommendation that the General Assembly request the Secretary-General to conduct, without delay, the review of the level of regular budget funding, as requested by the Assembly in paragraph 85 of resolution 70/247, with the results thereof to be presented no later than in the context of the proposed programme budget for the biennium 2020-2021 (A/72/7, para. VI.29).**

#### *Post requirements*

15. With respect to post requirements, the report indicates that UNHCR's staff consists of: i) staff on regular posts of both long- and short-term duration, including those working under temporary arrangements; and ii) Junior Professional Officers. Regular posts consist of three categories: programme (only in the field); programme support (in headquarters and the field); and management and administration (in headquarters only). As at 30 June 2017, the total number of posts was 12,518. The proposed staffing structure for 2018 comprises a total of 11,621 posts, representing an overall reduction of 897 posts, or 7 per cent. In 2019, proposed staffing would amount to a total of 11,479 posts (A/AC.96/1169, paras. 112 to 115 and table IV.1).

16. The report states that the net reduction of 897 posts is distributed as follows: (i) Africa (766 posts), mainly as a result of an internal structural and staffing review of the major operations in the region; (ii) Europe (130 posts), primarily due to the stabilization of the operations in Greece and Turkey; (iii) the Middle East and North Africa (28 posts); (iv) Asia and the Pacific (16 posts); (v) headquarters (38 posts); and (vi) global programmes (1 post), partially offset by an increase of 82 posts in the Americas region to strengthen UNHCR's presence and response in some key border areas and to help coordinate the protection and comprehensive solutions strategy in that region (A/AC.96/1169, para. 116).

*Staff in between assignments*

17. In relation to staff in between assignments (SIBAs), which refers to those staff members who have completed their assignment and who have not yet been reassigned, the report states that there were 33 SIBAs between the P-2 and D-1 grades as at 30 June 2017, which represents an increase of nine individuals compared to the situation as at 30 June 2016 (24 individuals), of which eight have been in between assignments for less than 6 months (A/AC.96/1169, para. 120 and table IV.3). The Committee recalls that there were 30 SIBAs as 30 June 2015 (A/AC.96/1158/Add.1, para. 15). Upon enquiry, the Advisory Committee was provided with the table below showing the budget and actual expenditure related to SIBAs.

**SIBA Costs (US\$ million)**

|                                       | 2016 | 2017 |
|---------------------------------------|------|------|
| Budget                                | 11.3 | 11.3 |
| Interim expenditure (as at 30 June)   | 6.1  | 5.8  |
| Final Expenditure (as at 31 December) | 10.8 | n.a. |

18. The Committee was also informed upon enquiry that in August 2017, UNHCR issued a new Recruitment and Assignments Policy which includes a specific process for handling unassigned staff, including measures such as separation from service or placement on Special Leave Without Pay for staff members who have spent substantial periods of time in between assignments. The Committee was further informed that the policy is expected to have a positive impact in 2018 on this issue.

19. The Advisory Committee notes from the report of the Board of Auditors, on the status of implementation of recommendations up to the year ended 31 December 2015, that UNHCR will look into establishing indicators related to the number of staff in between assignments or beyond their assignment lengths, to be used in measuring the overall performance of the talent management and mobility processes. Alternatively, discussions are underway to avoid such situations at all or to keep the number to a minimum (A/72/5/Add.6, Annex, page 79).

**20. The Advisory Committee notes that the number of SIBAs has increased from 2016 to 2017, although it is also noted that eight of the SIBAs have been in between assignments for less than 6 months. The Advisory Committee acknowledges the issuance of the new Recruitment and Assignment Policy and reiterates that UNHCR should continue its efforts to reduce the number of SIBAs, and should report on the same in its next budget submission, including on strategies to avoid this situation.**

### III. Key Initiatives

21. Section V of the High Commissioner's report sets out the key initiatives of UNHCR, including the comprehensive refugee response framework; private sector partnerships; institutionalization of cash-based interventions; results-based management; and the change management process.

*Private sector partnerships*

22. Regarding private sector partnerships, the report states that in the uncertain funding situation that UNHCR is currently facing, funding from the private sector is increasingly important to reduce the funding gap and ensure financial stability. UNHCR is in the process of developing a new long-term "Private sector partnerships strategy" which aims to raise \$1 billion from the private sector annually by 2026, with three core actions: (i) increase

income with a focus on unearmarked funding; (ii) garner public support for the refugee cause at an unprecedented scale; and (iii) broaden partnerships beyond financial relationships to leverage the power and resources of the private sector in favour of persons of concern to UNHCR (A/AC.96/1169, para. 124). In this regard, the Advisory Committee recalls its previous recommendations regarding the broadening and diversification of UNHCR's donor base (A/AC.96/1147/Add.1, para. 27 and A/AC.96/1158/Add.1, para. 17). **The Committee notes the new private sector partnerships strategy and trusts that the strategy will result in additional contributions from a broader donor base.**

#### *Institutional changes*

23. With respect to the change management process, the report states that UNHCR is making a series of institutional changes in the context of a headquarters review initiated by the High Commissioner in the second half of 2016. As a starting point, an organizational assessment was undertaken by an external consultant who made a number of recommendations, most of which have been endorsed by the High Commissioner. The change management process is expected to span two years. Upon enquiry, the Advisory Committee was informed that, while the institutional changes are still being mapped out and prioritized, these changes are aimed at redefining and validating the structure and mix of functions provided at Headquarters, to ensure that these are connected to the organization's priorities and that they are geared to support UNHCR's field operations.

24. In relation to the external consultant's recommendations, the Committee was informed that these focused on enhancing and streamlining headquarters support to field operations as follows: (i) mapping out a more strategic and systematic approach to the identification, development and management of initiatives which are initiated at headquarters; (ii) improving the alignment of divisions primarily responsible for providing operational support to the field; (iii) combining key capacities in the area of partnerships in order to invigorate UNHCR's engagement with strategic partners; (iv) simplifying certain headquarters processes, particularly the development and issuance of new policies; and (v) undertaking a review to ensure that human resources capacities are fully aligned with the organization's needs.

#### *Global service centres in Budapest and Copenhagen*

25. In its previous report, the Advisory Committee requested an update on the global service centre locations in Budapest and Copenhagen, which has been provided in Annex II of the High Commissioner's report. It is estimated that, as at 30 June 2017, the cost of the 567 positions in Budapest and Copenhagen stood at \$49 million, which is expected to remain broadly the same in the biennium 2018-2019. The report states that if the same posts were located in Geneva, the cost would have been approximately \$92 million, a difference of \$43 million (representing an 88 per cent difference with Budapest and 12 per cent with Copenhagen). The functions that have been transferred to Budapest are self-sufficient and predominantly relate to the processing of transactions mainly in the areas of finance, human resources and procurement, while those transferred to Copenhagen are more specialized and may further evolve. With respect to lessons learned, it is stated that the accountability and quality of service provision remains centralized under the relevant parent division in Geneva, which represents a key achievement in the improvement of service delivery. In addition, the decision to transfer human resources has enabled UNHCR to redefine, redesign, streamline and automate certain processes. **While the Advisory Committee recognizes the cost savings achieved so far from the use of the global service centre locations in Budapest and Copenhagen, it is of the view that more detailed information on the efficiencies gained and the improvements to service delivery should be provided in the next budget submission.**

#### IV. Report of the Board of Auditors

26. The Board of Auditors has audited UNHCR's financial statements for the year ending 31 December 2016 and issued an unqualified audit opinion that the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by UNHCR as at 31 December 2016, and its financial performance and cash flows for the year, in accordance with IPSAS. The Board also confirms that UNHCR finances remain sound and that the analysis of the main financial ratios shows that UNHCR remains in a strong financial position. The Board issued ten main recommendations (A/72/5/Add.6).

27. Annex I of the report of the Board of Auditors contains a list of the open prior year recommendations of the Board. Upon enquiry, the Advisory Committee was informed by the Board of the key open prior year recommendations that relate to cost-effectiveness: (i) paragraph 104 of Board's report on UNHCR's financial statements for the financial year ended 31 December 2015 (A/71/5/Add.6, chap. II, para. 104); (ii) paragraph 106 of Board's report on UNHCR's financial statements for the financial year ended 31 December 2015 (A/71/5/Add.6, chap. II, para. 106); (iii) paragraph 68 of Board's report on UNHCR's financial statements for the financial year ended 31 December 2014 (A/70/5/Add.6, chap. II, para. 68); (iv) paragraph 82 of Board's report on UNHCR's financial statements for the financial year ended 31 December 2014 (A/70/5/Add.6, chap. II, para. 82); and (v) paragraph 83 of Board's report on UNHCR's financial statements for the financial year ended 31 December 2014 (A/70/5/Add.6, chap. II, para. 83). **The Advisory Committee trusts that UNHCR will ensure the expeditious implementation of the open prior year recommendations of the Board of Auditors.**

##### *After-service health insurance liabilities*

28. In its report, the Board of Auditors states that since 2012, UNHCR has been funding after-service health insurance liabilities by charging 3 per cent of the net base salary of all Professional and relevant General Service staff. The accumulated funding balance as at 31 December 2016 was \$59.9 million, for which UNHCR currently applies an investment strategy with a maximum term of investment of up to one year. The Board recommends that UNHCR consider the possibility of long-term investments to cover risk-adequate financing of after-service health insurance liabilities. The report states that UNHCR has agreed to review and assess the investment risk measurement for after-service health insurance reserves, with the objective of devising an investment strategy to match liability profiles based on actuarial evaluation with strategic asset allocations (A/72/5/Add.6, paras. 55 to 60).

29. Upon enquiry, the Advisory Committee was informed by the Board that UNHCR intends to carry out an Asset Liability Modelling (ALM) study in the last quarter of 2017, the objective of which would be to identify and assess present and future financial liabilities of UNHCR, in order to be able to structure an appropriate asset portfolio to meet the corresponding needs as and when they arise. The Committee was also informed that, based on the outcome of the ALM study, UNHCR would consider if there is a need to revise UNHCR Financial Rules to enable longer-term investments. Pending a decision on the need to revise the rules, UNHCR may seek an exception to the current rules through a specific decision of the High Commissioner, in accordance with the Financial Regulations and Rules of the United Nations. **The Advisory Committee concurs with the Board's recommendation regarding long-term investments to cover risk-adequate financing of after-service health insurance liabilities, and recommends that updated information in this regard be included in the next budget submission of UNHCR.**