



General Assembly

Distr.: General
8 October 2019
English
Original: English and French

**Executive Committee of the
High Commissioner's Programme
Seventieth session**
Geneva, 7-11 October 2019
Item 6 of the provisional agenda
**Consideration and adoption of the
biennial programme budget 2020-2021**

Biennial programme budget 2020-2021 of the Office of the United Nations High Commissioner for Refugees

Addendum

Report of the Advisory Committee on Administrative and Budgetary Questions¹

* As per the decision contained in paragraph 19 of A/71/12/Add.1, this document is not subject to the standard submission pattern for official documents and is excluded from simultaneous distribution.



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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 2020-2021 of the Office of the United Nations High Commissioner for Refugees (A/AC.96/1191). The Committee also had before it the financial report and audited financial statements for the year ended 31 December 2018 and the report of the Board of Auditors on the voluntary funds administered by the United Nations High Commissioner for Refugees (A/74/5/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 25 September 2019.

2. The Advisory Committee also met with the members of the Audit Operations Committee of the Board of Auditors regarding their report on UNHCR (*ibid.*). In its present report, the Advisory Committee provides its observations on some of the issues specific to UNHCR discussed in the report of the Board, where relevant, in sections II and III, and in a separate section IV below.

II. Biennial programme budget 2020-2021

Budget structure and presentation

3. The programme budget for UNHCR for the biennium 2020-2021 continues to be based on the global needs assessment (GNA) approach, first approved by the Executive Committee in October 2009 for the programme budget of 2010-2011 which takes into account the humanitarian needs of persons of concern to UNHCR (see A/AC.96/1191, para. 9 and table 1.1). Subsequent to the approval of the budget by the Executive Committee, UNHCR launches a global appeal for fundraising. During the implementation period, the High Commissioner may revise the budget with supplementary budgets, to be funded through additional appeals. The extent of the implementation of the budget depends upon availability of funds; UNHCR maintains a phased approach to the management of resources and reprioritizes and adjusts its programmes as needed (see *ibid.*, paras. 8-9 and 11).

4. The report of the High Commissioner indicates that the proposed programme budget for the biennium 2020-2021 continues to be categorized into three components: headquarters, global programmes and field (*ibid.*, para.13). In addition, provisions for operational and other specific reserves are included in the programme budget (see *ibid.*, table 1.4 and para. 36). The report further indicates that the field component will reflect changes brought about by the decentralization and regionalization process under implementation by UNHCR since September 2019 (see also paras. 17 to 18 below). As a result of this process, UNHCR regional structure will consist of seven regions: three for Africa – due to the continent’s operational complexity – and one each for the Middle East and North Africa, Asia and the Pacific, Europe and the Americas (*ibid.*, para. 14)¹. The new regional structure entails the relocation of bureaux from Headquarters to new and re-profiled regional bureaux, following which, the field component of the budget would comprise, *inter alia*, both operational activities and the new regional bureaux (see *ibid.*, paras. 14 and 23). In the report of the High Commissioner, unless otherwise specified, the 2019 budget has been recast to include the three new regions and an additional subtotal line for Africa to allow comparability (*ibid.*, para. 35). The programme budget continues to be presented under a four-pillar structure, where pillars represent the needs of particular population groups within each operation (*ibid.*, para. 15).

5. An overview of the budgets, funds available and expenditures from 2010 - when the global needs assessment approach was first introduced by UNHCR - to the end of 2018 is provided in table 1.7 of the High Commissioner’s report and is reflected below.

¹ Prior to the regionalization and decentralization, UNHCR comprised five regions: one each for Africa, Middle East and North Africa, Asia and the Pacific, Europe and the Americas.

Budget, funds available and expenditure 2010-2018

(in thousands of US dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
<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	7,962,857	8,220,453
Funds available	2,112,480	2,413,144	2,593,847	3,234,135	3,603,099	3,706,762	4,410,812	4,510,043	4,710,322
Expenditure	1,878,174	2,181,099	2,357,710	2,971,825	3,355,409	3,294,815	3,967,096	4,083,352	4,226,254
<i>Analysis in percentage terms</i>									
Funds available as % of budget	64%	63%	61%	61%	55%	51%	59%	57%	57%
Funding gap	36%	37%	39%	39%	45%	49%	41%	43%	43%
Expenditure as % of budget	57%	57%	55%	56%	51%	46%	53%	51%	51%
Expenditure as % of funds available	89%	90%	91%	92%	93%	89%	90%	91%	90%

6. The report of the High Commissioner indicates that on average, the final budget increased at an annual rate of 12 per cent between 2010 and 2018, while funds available and expenditure levels increased at an average rate of 11 per cent. During 2017 and 2018, the funding gap between needs and funds available remained stable at 43 per cent and funds available and expenditure increased at similar rates (see *ibid.*, para. 44).

7. The original budget for 2019, as approved by the Executive Committee in October 2017, amounted to \$7,352.3 million. In October 2018, the Executive Committee approved a revised budget of \$8,591.1 million for 2019, based on updated needs. As at 30 June 2019, the budget for 2019, estimated at \$8,635.9 million, included two supplementary budgets totalling \$107.4 million and reflected a reduction of \$62.6 million when compared with the revised budget for 2019. The two supplementary budgets were established to address unforeseen needs in Cameroon (\$35.4 million) and Venezuela (\$72 million), and the reduction in the budget was due to the revised population planning figures in Uganda in relation to the situations in Burundi, Democratic Republic of the Congo and South Sudan (see *ibid.*, para. 33). Actual expenditures for 2017, 2018 and the first half of 2019 are provided in the report of the High Commissioner (see *ibid.*, table I.8).

8. The Advisory Committee notes that in response to its previous requests, the report of the High Commissioner includes a more detailed presentation of actual and projected expenditures items of expenditures (see *ibid.*, annex 1 (table 10)). **The Advisory Committee welcomes the additional information provided in the budget presentation and requests that in future budget submissions, additional justification is provided for the projected allocation of resources.**

Proposed budget for the 2020-2021 biennium

9. The total number of persons of concern for UNHCR is projected to be 81.1 million for 2020 and 80.4 million for 2021, compared with 81.2 million projected for 2019. When compared with 2018, the total number of persons of concern is expected to increase by approximately 5.6 million people, or 7.5 per cent, by 2021 (*ibid.*, table I.1 and para. 20).

10. For 2020, the proposed budget amounts to \$8,667.7 million, reflecting an increase of \$31.8 million (0.4 per cent) when compared with 2019. The preliminary requirements for 2021 amounts to \$8,615.8 million, reflecting a decrease of \$51.8 million (1 per cent) when compared with the forecasted budget level for 2020. For both 2020 and 2021, the field component is projected to remain the largest segment of the budget, accounting for 84 per cent of the total estimated resource requirements. (see *ibid.*, table 1.4 and para. 37).

11. Table I.4 of the High Commissioner's report provides the current budget for 2019 and the proposed budgets for 2020 and 2021 by region, global programmes and headquarters. Compared with 2019, the 2020 budget for global programmes is projected to increase by \$28.4 million (or 6 per cent), reflecting investments in technical activities and for headquarters the budget is projected to decrease by \$29.7 million (or 12 per cent), reflecting the relocation of the regional bureaux to the field. For 2020, operational reserves are projected to increase by \$74.6 million (or 14 per cent), when compared with 2019, and the resources allocated for the Junior Professional Officers (JPO) programme is expected to remain

unchanged at \$12 million. The preliminary requirements for 2021 will be revised in the first half of 2020 (see *ibid.*, table 1.4 and paras. 38-40).

United Nations programme budget

12. In its resolution 72/266, the General Assembly approved the change from a biennial to an annual budget period on a trial basis, beginning with the programme budget for 2020. The resources proposed for UNHCR for 2020 amounts to \$42.8 million. In its related report on the proposed programme budget of the United Nations, the Advisory Committee noted that the proposal of the Secretary-General reflected a net decrease of \$1,081,900, or 2.5 per cent, compared with the appropriation for 2019 (see A/74/7, para. VI.16-VI.17). The Committee recommended the approval of the proposals of the Secretary-General for post and non-post resources for 2020 (see *ibid.*, para. VI.23). The General Assembly will consider the report of the Advisory Committee in the main part of its seventy-fourth session.

Workforce of UNHCR

13. The report of the High Commissioner indicates that the workforce of UNHCR consists of staff and non-staff personnel. 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. Non-staff personnel consist of United Nations Volunteers (UNVs), deployees² and consultants (A/AC.96/1191, paras. 103 and 112).

14. As indicated in the report of the High Commissioner, as at 30 June 2019, there were 13,916 posts in UNHCR. The estimated staffing level reflects a total of 14,549 posts for 2020, a net increase of 633, or approximately 5 per cent compared with 2019. Preliminary requirements for 2021 indicate a further net increase of 102 posts culminating in a total of 14,651 posts. As a result of the decentralization and regionalization process and increased operational needs, by 2021, 90 per cent of all posts are expected to be in the field, an increase of 2 per cent compared to 2019. By 2021, the share of Headquarters posts would decrease to 6 per cent of total posts compared to 8 per cent in 2019. The relative share of posts assigned to global programmes would remain at 4 per cent (see *ibid.*, paras. 106-107).

15. In the non-staff personnel category, as at 30 June 2019, there were 636 UN Volunteers, all in the field, out of which, 76 per cent were in deployed in Africa. In addition, a total of 140 consultants were recruited to provide short-term expertise in areas such as evaluation, innovation, strategy and marketing (*ibid.*, para. 112).

Staff-in-between-assignments

16. The report of the High Commissioner indicates that, both as at 30 June 2018 and 30 June 2019, 22 staff members between P-2 and D-1 grades had completed their assignments but had not been reassigned (*ibid.*, para. 110). Upon enquiry, the Advisory Committee was informed by the Board of Auditors that the number of staff-in-between-assignments as at 30 December 2018, and 20 September 2019, were 29 and 38 respectively and that by the end of 2019, a total of 12 SIBAs were expected to separate from UNHCR under a voluntary separation programme. **The Advisory Committee expects that UNHCR will provide an explanation to the Executive Committee of the High Commissioner's programme concerning this matter including the steps taken to keep the number of staff-in-between-assignments to a minimum.**

III. Key initiatives

Decentralization and regionalization

17. As indicated in paragraph 4 above, a decentralization and regionalization process was under implementation in UNHCR. The UNHCR's decentralized model was developed as part of a broader organizational transformation with a view to improving delivery of protection and solutions to persons of concern and involved: (i) the relocation of bureaux from

² Anyone deployed or seconded to UNHCR from a partner agency, government or other external entity.

Headquarters to new and re-profiled regional bureaux in their respective regions; (ii) the consolidation of a number of existing regional structures into the regional bureaux; and (iii) strengthening several country operations, including through the establishment of multi-country offices (*ibid.*, paras. 14 and 23).

18. In its report, the Board of Auditors indicates that the change process provides prospects for better decision-making regarding resource allocation and setting objectives, which could lead to strengthened protection for persons of concern to UNHCR. Nevertheless, the Board also notes that the decentralization process also bears risks as it will result in additional workload at the bureaux level, which would require additional capacities and expertise as well as enhanced coordination with headquarters entities. The Board notes that the change process needs to be accompanied by necessary safeguards and implemented in a methodical way (A/74/5/Add. 6, chap. II, paras. 61-64). **The Advisory Committee concurs with the Board's recommendation that UNHCR ensure well-coordinated accountabilities, authorities and reporting lines for managers in the newly created regional and headquarters structures and that the reporting lines, accountabilities and authorities should be integrated into the current structures of UNHCR and provide for the necessary coordination and monitoring at headquarters (A/74/5/Add.6, chap. II, para. 64)**

Results-based management and Risk management

19. UNHCR introduced results-based management (RBM) in 2009 with the implementation of a comprehensive results framework and a RBM tool, *Focus*. A new approach in implementing RBM is sought by UNCHR through its RBM renewal project, under which, the anticipated changes of the new approach and operations management model will be disseminated in 2020. A new RBM tool will be available in early 2021 for operations planning in the following years (see A/AC.96/1191, para. 25). The Board of Auditors notes with concern that the revision of results-based management has been ongoing for a long time and expects UNHCR to finalize the new results framework and implement it in the operational management cycle effective from the financial year 2021. (see A/74/5/Add.6, chap. II, para. 76)

20. As indicated in the report of the High Commissioner, UNHCR has adopted a risk management approach across all transformation pillars, looking at risks and opportunities in a comprehensive and proactive manner (see A/AC.96/1191, paras. 31-32). The Board of Auditors notes several areas for improvement for the corporate risk registers maintained by UNHCR, including different treatment of similar risks across country operations in comparable contexts and inconsistent handling of risk prioritization across operations. The Board further notes that Regional bureaux under the new structure will assist country operations in contextualizing strategic directions and organizational priorities and will ensure overall strategic, operational and administrative coherence within the region. To address region-wide risks in a coherent and efficient manner, the Board encourages UNHCR to ensure an aggregation of risks from the country to the regional level, where appropriate. **The Advisory Committee considers that a strengthened risk management function would be critical in the context of the decentralization and regionalization process. The Committee concurs with the Board's recommendations that UNHCR further enhance the corporate risk registers and review regional risk registers to ensure that they aggregate risks from the operations in the region to allow for coherent risk management in the regional context (see A/74/5/Add. 6, chap. II, paras. 85-88).**

IV. Report of the Board of Auditors

21. The Board of Auditors has audited UNHCR's financial statements for the year ending 31 December 2018 and issued an unqualified audit opinion, stating that the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by UNHCR as at 31 December 2018, and its financial performance and cash flows for the year, in accordance with IPSAS. The Board also confirms that UNHCR finances remain sound. UNHCR continues to have high ratios of assets to liabilities, especially the ratio of current assets to current liabilities (see *ibid.*, table II.2). From 2017 to 2018, voluntary

contributions increased by \$108.8 million to \$4,260.8 million. The expenses increased by \$231.6 million and amounted to \$4,082.5 million. (ibid., summary).

22. In its report for 2018, the Board has made a number of observations and recommendations including those pertaining to the transfer of assets; internal controls; global fleet management; and Information technology, cybersecurity and data protection.

Transfer of assets

23. The Board notes cases in which UNHCR purchased new assets and transferred these directly to partners and governments. The assets were either recorded as an addition under property, plant and equipment followed by immediate disposal or directly expensed as supplies and consumables. The Board further notes that the transfer procedures lacked the requisite elements required under the relevant financial rules and regulations. The Board is also of the view that transfers of assets needed to be recorded in a consistent manner (see ibid., paras. 47-49). Upon enquiry, the Advisory Committee was informed by the Board that UNHCR could not provide information on the approximate number or value of assets transferred immediately after purchase. **The Advisory Committee concurs with the Board's recommendation that UNHCR establish a consistent accounting process and guidance for items that are procured for direct transfer of ownership to other entities especially for cases that do not refer to the implementation of a specific programme (ibid., para. 50).**

Internal controls

24. The Board notes that opportunities exist for UNHCR to further strengthen its internal control system, especially in areas such as the provision of cash assistance to beneficiaries, establishing clear policy guidance on the use of individual contractors and putting in place robust oversight of implementing partners. The Board also makes reference to an audit of a country operation by the office of Internal Oversight Services (OIOS), which identified weaknesses in internal controls including, the risks of duplicate payments and release of funding instalments to implementing partners despite pre-identified performance issues (see ibid., paras. 101-268). **The Advisory Committee considers that implementing strong internal control mechanisms is a prerequisite for fostering a robust culture of accountability and expects UNHCR to take the necessary steps recommended by the Board of Auditors.**

Global fleet management

25. The Board refers to the launch of the global fleet management project by UNHCR at the beginning of 2014 with an expected completion by the end of 2018. The global fleet management project focused on several strategic aspects: a global fleet management rental scheme, a global insurance scheme, maintenance and repair, fuel management, and related areas. An external company contracted by UNHCR conducted an evaluation of the global fleet management project in 2018, which in the Board's view, did not lead to clear conclusions with respect to the project's overall efficiency and effectiveness. Nevertheless, the Board considers the evaluation report to be an important step as it identified improvements and existing organizational and structural weaknesses and agrees with the recommendations of the evaluation report on how to improve processes and outcome of the project (see ibid., paras. 270-298). **The Advisory Committee trusts that further details on the outcome of the global fleet management project will be provided in the next budget report of UNHCR. The Committee is also of the view that sharing the results of this project could benefit other field-based entities of the UN common system in managing their vehicle fleets.**

Information technology, cybersecurity and data protection

26. The Board observes weaknesses in the area of information technology and cybersecurity. For example, the Board notes that due to decentralization and increased autonomy of UNHCR field operations, individual local applications have continued to evolve, which adversely affect information security and cost-effectiveness. The Board also notes that two assessments in 2017 and 2019 confirmed that information security capabilities

needed to be enhanced in UNHCR. The Board further notes that the Chief Information Security Officer of UNHCR was not equipped with instruments such as a mandatory information security policy to enforce organization-wide information security and had neither a reporting line to top management, nor the authority to request the implementation of information security measures within UNHCR. (ibid., paras. 330-386). **The Advisory Committee trusts that UNHCR will implement measures to ensure information security and to strengthen the authority of the Chief Information Security Officer.**

Previous recommendations

27. The Board's report indicates that of the 67 outstanding recommendations from prior years, 35 (52 per cent) had been implemented, and 32 (48 per cent) were under implementation (ibid., para. 6 and table II.1). Full details on the status of implementation of prior years' recommendations are included in the annex to chapter II of the Board's report. Upon enquiry, the Advisory Committee was informed by the Board that of the 32 recommendations under implementation, 27 relate to 2017 and that some of the recommendations, requiring sustained action over a period, take longer to implement.

V. Other matters

Collaboration between UNHCR and the World Bank

28. The Advisory Committee was informed upon enquiry that, in 2018, the High Commissioner of UNHCR and the President of the World Bank signed a framework for cooperation to formalize and develop cooperation between the two organizations. The World Bank Group and UNHCR together established a Joint Data Center on forced displacement to improve statistics on refugees, other displaced people and host communities. The Center is supported by UNHCR as the reference institution for refugee data and by the World Bank's analytical capacities and, as a result, serves as a reliable resource for enabling well-informed and sustainable responses to forced displacement.

Global warehouse in Copenhagen

29. The Advisory Committee recalls that the Board of Auditors in its audit of UNHCR in 2017, identified potential efficiency gains with regard to the global warehouse located in Copenhagen and noted that an external review undertaken in 2014 proposed, among other things, that the shipments for UNHCR operations in Africa should not originate from the warehouse in Copenhagen. The Committee further recalls that at that time, the Board noted that a separate third-party review of UNHCR's warehouse locations was ongoing (see A/AC.96/1180/Add.1, para. 19). Upon enquiry, the Committee was informed that the most recent external review compared UNHCR's warehouse in Copenhagen to three alternative locations in Southern Europe and that senior management of UNHCR continues to keep this matter under review. **The Advisory Committee looks forward to receiving updated information on the review of the global warehouse in the next budget report of UNHCR.**