

THE PROPOSED REDESIGN OF UNHCR'S BUDGET STRUCTURE: QUESTIONS AND ANSWERS

A. Purpose of this paper

During the Informal Consultative Meeting of 23 January 2007 at which UNHCR presented a discussion paper on a Proposal for the Redesign of UNHCR's Budget Structure, a number of substantive questions were raised by delegations. This discussion paper attempts to summarize, in a "Question and Answer" format, the main issues raised and to provide initial responses and comments for further discussion.

The 57th Session of the Executive Committee¹ requested UNHCR "to complete informal consultations by the March (2007) Standing Committee in order to finalize the criteria for the inclusion or non-inclusion of Supplementary Programme Budgets for refugee or refugee-related programmes in the Annual/Biennial Programme Budget." This paper therefore also updates UNHCR's position on this issue (see Annex) for consideration independently of, but in conjunction with, the new budget structure proposal.

B. Questions and answers on the proposed budget structure

1. **What will be the budgetary impact of the IDP programme?**

Answer: The scale of UNHCR's involvement with IDPs under the Cluster approach and other existing collaborative mechanisms is determined through an inter-agency process of assessment and planning at the country level on the one hand, and budgetary parameters set by ExCom on the other. The structural changes being proposed introduce the flexibility necessary for joint assessment and planning, while balancing this with strengthened governance through the Standing Committee. The proposed budget structure is, in itself, neutral in terms of the size the overall IDP budget.

2. **How will funding for refugees be safeguarded by the new structure?**

Answer: In the proposed budget structure, funding for the Refugee programme is separated from funding for the Stateless programme, as well as from funding for IDP and Reintegration projects. The proposed structure effectively "firewalls" refugee funding and helps ensure, to the extent this is under UNHCR's control, that IDP projects do not draw funding away from UNHCR's core mandate for protection and durable solutions for refugees. The proposed reinforcement of governance by ExCom in the form of more regular scrutiny of budgets will also ensure that the budgetary requirements for IDP programmes remain under close review and within a level with which ExCom is comfortable.

¹. See Report of the 57th session of the Executive Committee (A/AC.96/1035, para. 19 (i)).

3. What is the logic of using population categories as the basis for structuring the budget?

Answer: UNHCR's planning system has been based on populations of concern as the basic building block for country programmes since 1997. The new budget structure finally aligns the budget with UNHCR's planning approach based on populations of concern, which has been tested and refined over the last ten years. This restructuring will allow UNHCR to report at the level of populations of concern without losing its existing ability to report on operations geographically.

4. How does the new structure better support results-based management and budgeting (RBM and RBB)?

Answer: The new structure is aligned with UNHCR's planning approach based on populations of concern, and the proposed "types of intervention" correspond to the goals of UNHCR's main programmes, thus supporting a better cascading of objectives from the global to country levels. Thus, the proposed categorization updates the existing types of assistance (which currently consist of emergency, care and maintenance, local integration, voluntary repatriation and resettlement) and existing sectoral interventions with a more comprehensive categorization system. This better reflects the protection dimension of UNHCR's work and will encourage a better definition of objectives as well as a better measurement of results.

The proposed budget structure, and the introduction of UNHCR's new RBM software *Focus*, will also enable UNHCR to introduce results-based budgeting and to cost objectives at all levels from the strategic to the point of delivery. Furthermore, the proposed budget structure supports improved prioritization and resource allocation as the full range of UNHCR operations are more visible and transparent and categorized in a manner which supports improved decision making.

5. Why are IDPs and Reintegration treated differently in the new structure?

Answer: The United Nations has put in place a set of collaborative arrangements for working with IDPs and is responding to calls for greater integration of its development efforts. The institutional arrangements that underpin UNHCR's work with IDPs and Reintegration are essentially collaborative in nature and qualitatively different from those that support its refugee operations, for which, while working in partnership, UNHCR has a recognized lead role deriving from its mandate.

In view of the country-based institutional arrangements relating to IDPs and Reintegration, UNHCR needs to be able to participate in joint assessments, planning and implementation, and to mobilize funding developed and agreed at the country level - without having to wait for Headquarters-level approval cycles. In short, it needs to enter the Country Team assessment and planning processes on the same basis as the other UN actors.

Managing IDP and Reintegration through a "project funding" mechanism will facilitate this, and it will permit increased delegation of authority to propose and agree programmes and budgets at the country level. It will also allow UNHCR to grow and shrink IDP and reintegration projects in response to changing dynamics on the ground.

6. How would the new structure have an impact on earmarking?

Answer: UNHCR maintains that contributions without earmarking best respond to UNHCR's needs. Nevertheless, some 80 per cent of contributions received by UNHCR are currently earmarked, a percentage that has remained relatively constant over the last decade.

Under the proposed new budget structure, unearmarked contributions would be attributed to the Global Refugee and Stateless Programmes, and contributions from donors to IDP and/or Reintegration project would be made either generally, or to specific country projects.

7. How would the funding of Headquarters and regional operational support be managed in the new structure? Does it support all four programme sectors?

Answer: To avoid a complex apportionment of costs, and because they provide guidance and support to all four programmes, Headquarters and regional support costs will be budgeted within the Global Refugee Programme.

8. Would Supplementary Budgets (SBs) and/or project funds be subject to an overhead?

Answer: As is the case today, SBs and project funds would be subject to an overhead cost to help defray the additional Headquarters and regional support costs incurred in managing the related projects.

9. Are the proposed arrangements compatible with the Consolidated Appeals Process (CAP)?

Answer: UNHCR's programme and ExCom approval cycle is not compatible with the CAP process which begins in May and produces drafts in October and appeals in November. The flexibility introduced by the proposed new structure will facilitate UNHCR's participation in the CAP process, particularly with respect to reintegration and IDP programmes where project funding is being applied. This is important, as other agencies participating in the CAP process are unlikely to accept that UNHCR enters a collaborative assessment and planning process with a predetermined budget.

10. Would it be possible to transfer funds between programme components in the new structure?

Answer: Yes, so long as donor earmarking is respected, but not from a Programme to a Project. Projects could, however, benefit from temporary loans, as is already the case under the current structure.

11. Why would the new structure reduce carry-over of SBs?

Answer: The increased frequency of budgetary review and approval through the use of Standing Committee meetings as a means of review and approval of programmes would provide more frequent and earlier opportunities for mainstreaming SBs.

12. What would the criteria for mainstreaming be?

Answer: New situations arising in any one of the four budget components would be covered by means of an SB and, as noted above, mainstreaming of SBs would be the subject of regular review under the enhanced governance role of the Standing Committee.

Criteria for mainstreaming into the Global Refugee and Global Stateless Programmes would be the stability and predictability of the operations concerned (see Annex).

Mainstreaming into IDP and Reintegration Projects would occur as soon as the Standing Committee had reviewed the SB and made agreed adjustments to the related budgetary ceiling.

13. Would the proposed new arrangement for mainstreaming SBs be compatible with the existing division of governance responsibilities between the ExCom plenary and the Standing Committee?

Answer: The new arrangements for mainstreaming SBs are compatible with the existing division of governance responsibilities. Under current arrangements agreed in 1995, the Standing Committee has the authority to approve adjustments to the budgetary ceiling set by ExCom by up to 10 per cent (A/AC.96/860). Since the 10 per cent flexibility refers to "the General Programmes budget", the Executive Committee may wish to reaffirm that the 10 per cent flexibility applies to the new budget structure. UNHCR believes that this margin would be sufficient to deal with mainstreaming requirements.

14. Would the new structure make it difficult to take an integrated approach to refugees, reintegration and IDPs?

Answer: UNHCR believes the new structure facilitates an integrated as well as a situational approach, since programmes for a specific population of concern would be transparent both in terms of the plan and budget, regardless of whether the specific population is in a country of asylum or in the country of origin.

15. Would the new structure reduce funds available for reintegration and impede efforts to ensure sustainable return?

Answer: UNHCR does not believe that it would reduce the funds available for reintegration. Instead, it could help increase funding, as UNHCR may be able to better tap into alternative sources of funding as part of joint programming initiatives with UN/IASC Country Team partners.

16. How does the new structure relate to a biennial budget?

Answer: The new budget structure is compatible with a biennial budget. Furthermore, having the budget structure correspond to the Office's planning system based on populations of concern would facilitate the longer-term planning horizon of the biennial budget.

Annex

NOTE ON THE CRITERIA FOR INCLUSION OR NOT OF SUPPLEMENTARY PROGRAMME BUDGETS INTO THE ANNUAL PROGRAMME BUDGET

1. The 57th session of the Executive Committee in October 2006 requested UNHCR “to complete informal consultations by the March (2007) Standing Committee in order to finalize the criteria for the inclusion or non-inclusion of Supplementary Programme Budgets for refugee or refugee-related programmes in the Annual/Biennial Programme Budget.”
2. The issue of the inclusion (“mainstreaming”) or not of Supplementary Programme Budgets (SBs) into the Annual Programme Budget (AB) had, in recent years, been seen by UNHCR as being a possible cause for the growing underfunding of the AB. It was thus thought that this, along with UNHCR’s recent increased involvement in new situations of internal displacement, warranted a re-examination of the way the SBs were managed.
3. Moreover, in a discussion paper presented at the July 2006 Informal Consultative Meeting, UNHCR presented the mainstreaming issue within the broader context of the management of UNHCR’s Unified Budget as a whole. The paper also proposed two criteria for SB non-mainstreaming.
4. In sum, the paper argued that the requirement under UNHCR’s Financial Rules that any SB activities to be continued should be mainstreamed into the next AB had largely been met by the Office in the majority of cases, and that automatic mainstreaming of all SBs (particularly large ones) would increase the budget of the AB; reduce its funding rate; increase the level of earmarking; and reduce flexibility in the management of the AB.
5. On the basis of this analysis, UNHCR proposed two criteria for not including, or delaying the inclusion of, SBs into the subsequent AB. These related to:
 - (i) the stability/predictability of the operation and therefore the predictability of programme needs. This refers to situations in which the “caseload” or the number of beneficiaries has stabilized. For example, in an emergency situation when there are no longer ongoing influxes of refugees, and the host government, supported by UNHCR and its partners, has been able to bring a degree of control to the situation: as a result, it has been possible to assess needs, and design and cost programmes to address those needs; and
 - (ii) the fundability of the SB and its possible adverse impact on the fundability of the AB. Presupposing that the situation being addressed by an SB has stabilized, the question becomes that of the projected fundability of the volume of the SB under consideration. If the fundability of such SBs is significantly lower than the projected funding of the AB and (owing to their size) if this were to disproportionately reduce the AB funding rate, then UNHCR would propose that the SB should not be mainstreamed, or that mainstreaming should be delayed until funding prospects improve.
6. The paper concluded that the mainstreaming of SBs had been the norm and that non-inclusion had been the exception. When mainstreaming was delayed, it was because of the concern that the mainstreaming of certain SBs could worsen the financial stability of the AB which itself had been suffering from chronic underfunding. The proposed two criteria, used judiciously,

would abide by the spirit of the Unified Budget and allow the Office to balance the need to maintain the financial stability of the AB approved by ExCom with the need to respond to unforeseen emergencies under the SB.

7. The July 2006 Informal Consultative Meeting did not conclude on the matter, and the subsequent debate during the 37th meeting of the Standing Committee (September 2006) showed, inter alia, that there were divergent views held by various delegations, hence the resulting ExCom request referred to in paragraph 1 above.

8. Since the last formal discussions on this issue, UNHCR has reconsidered the usefulness of the second criterion, namely fundability. While believing that this is a viable criterion, UNHCR now considers that its application would place the burden of prioritization on donors rather than on UNHCR, and would thus prefer to focus solely on the stability/predictability criterion.

9. UNHCR would therefore propose that, regardless of which type of budget structure were to be maintained or adopted, stability/predictability should be the governing criterion to be taken into consideration when deciding on whether or not to mainstream an SB. ExCom would be kept informed regularly as to the relevant factors that were taken into consideration in evaluating the degree of stability/predictability of each particular SB.

UNHCR
8 February 2007