

## PROPOSAL FOR THE REDESIGN OF UNHCR'S BUDGET STRUCTURE

### A The current budget structure

1. On the basis of donor consultations in 1998 and 1999, UNHCR redesigned its budget architecture and created the current Unified Budget structure. The Unified Budget consists of an Annual Programme Budget and a Supplementary Programme Budget, for situations arising after the approval of the Annual Programme Budget by the Executive Committee of the High Commissioner's Programme (ExCom).

2. The rationale for the creation of the Unified Budget was to provide a comprehensive, transparent picture of UNHCR's budget that would help ensure increased predictability of funding; reduced earmarking; a more equitable distribution of resources across operations; and appropriate ExCom oversight.

### B. The case for redesign

3. The current budget structure has shown a number of important shortcomings. Despite the hope shared by UNHCR and Member States that the Unified Budget would result in more predictable funding for UNHCR's operations, this has not been the case. The Unified Budget has not made a significant difference, as the overall funding level for UNHCR operations has not surpassed 80 per cent throughout the period from 2000 to 2006. Nor has it led to any decrease in level of earmarking practised by donors, which constitutes a fairly constant 80 per cent of total contributions. It can be argued that the Unified Budget has resulted in a more equitable distribution of resources across operations. However, as contributions have fallen short of the overall requirements, UNHCR has seen a succession of across-the-board reductions of the Annual Programme Budget.

4. In this context, it has not been possible for UNHCR to comply easily with the requirement for the mainstreaming of Supplementary Budgets (SBs) into the next proposed Annual Programme Budget<sup>1</sup>, lest problems of fundability and predictability be imported into the Annual

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<sup>1</sup> Article 1.6 (g) of UNHCR's Financial Rules (A/AC.96/503/Rev.7) states that "Supplementary Programmes" represent those activities that arise after the approval of the Annual Programme Budget and before the approval of the next Annual Programme Budget, and which cannot be fully met from the Operational Reserve. [Comment: this implies a maximum lifespan of 18 months.] Article 1.6 (h) of the proposed revised Financial Rules (document EC/58/SC/CRP.17 refers) states that "Supplementary Programmes" represent those activities that arise after the

Programme Budget, necessitating budgetary capping of a kind which is highly detrimental to good programme management. As a result, SBs tend to remain outside the framework of ExCom governance for longer periods than originally foreseen. They have also made up an increasing percentage of UNHCR's overall budget (10 per cent in 2000; 30 per cent in 2005; and 22 per cent in 2006). The fact that SBs, which constitute at least one fifth of the UNHCR budget and are increasingly rolled over from one year to the next, are not approved by ExCom, suggests that the Unified Budget has not facilitated ExCom's oversight and approval function for the totality of UNHCR's budget.

5. Equally important, the existing budget structure constrains UNHCR's capacity to mobilize funds and to be a reliable partner of agencies at the country level. As donors increasingly decentralize, and in some cases, pool, their fund allocation processes, UNHCR's current resource mobilization system and budget structure need to be sufficiently flexible to respond to these trends. In the context of United Nations reform, UNHCR must be able to work within the framework of the United Nations country teams as they undertake common assessments, set common budgetary targets, jointly plan and implement programmes for internally displaced persons (IDPs), and increasingly integrate their development activities into common country programmes. Under these circumstances, there is an operational imperative for a degree of flexibility that allows UNHCR to perform as a reliable and predictable partner and to set, in areas of common endeavour, common targets which do not oblige the Office to reprioritize other activities. In short, a redesigned budget structure needs to promote and facilitate partnerships, particularly in terms of joint programming within the United Nations /Inter-Agency Standing Committee country teams. It should also enable UNHCR to take advantage of joint funding mechanisms.

6. Given the problems associated with the current Unified Budget and the emerging budgetary and programmatic challenges, UNHCR believes that there are strong arguments for redesigning the Unified Budget structure to ensure that it is responsive to the work of the Office, facilitates ExCom's oversight role, and meets donor requirements. The Office has therefore undertaken to examine the issue of budget structure as part of its ongoing reform process and has engaged in a process of informal consultations with ExCom Members on how the structure might best be adapted to accommodate evolving needs. In this context, two rounds of informal consultations were held on 23 January and 15 February 2007, respectively.

### C. Proposed new structure

#### *Structure*

7. The proposed redesign of UNHCR's budget structure (schematic presentation provided in the Annex) involves the use of populations of concern as the basic organizing principle, structuring the budget into four distinct components:

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approval of the Biennial Programme Budget and before the approval of the next Biennial Programme Budget, and which cannot be fully met from the Reserves.

- Global Refugee Programme: all country of asylum refugee operations, plus capacity building of States, advocacy and resource mobilization, as well as resettlement, local integration, and repatriation of refugees to countries of origin;
- Global Stateless Programme: all UNHCR's programmes addressing statelessness, including populations with undetermined nationality;
- Global Reintegration Projects: all country of origin returnee reintegration projects; and
- Global IDP Projects: all IDP operations.

8. It is important to note that this categorization does not indicate prioritization of one component or population over another. Neither will it prevent UNHCR from being able to present and report on its programmes geographically, by region, as is currently the case. The intention of the new structure is, rather, to align UNHCR's budget with the way it plans its programmes and to ensure greater clarity and transparency in terms of how it addresses the different categories of populations of concern. In so doing, the Office expects to provide a better basis for results-based management and improved governance.

#### *Funding modalities*

9. An important second aim of the new structure is to increase flexibility. This is achieved, not through the structure *per se*, but by means of the different funding mechanisms that support the budgetary components.

10. In this regard, it is proposed that the Global Refugee and Stateless Programmes would be funded on the basis of "programme funding", as is currently the case with the Annual Programme Budget. The primacy of UNHCR's mandates in these areas and the lead role it plays in the process of planning of refugee and statelessness programmes argue in favour of continued management of these programmes as part of a single fund to which contributions, earmarked and unearmarked, are made and, within which UNHCR sets priorities.

11. The situation is, however, different where IDP and returnee reintegration operations are concerned. In order to provide the greater flexibility required to work in a framework of decentralized inter-agency collaboration and decision-making, as well as to deal with a higher degree of uncertainty in relation to budgetary requirements, it is proposed that the Global Reintegration Projects and Global IDP Projects components of the new budget structure would operate on the basis of "project" funding, as is currently the case with SBs. Each project would be separately funded and managed.

12. Despite the distinction made in the basic funding mechanisms that support these different components, UNHCR continues to encourage donors to make unearmarked contributions that span the entire range of programmes and projects, permitting UNHCR to take decisions in relation to the priority use of funds. Moreover, new programmes or projects, irrespective of the budget component to which they relate, would continue to be funded as SBs until they are reviewed and approved by ExCom or, as appropriate, by the Standing Committee (see paragraphs 20 and 21 below).

*Use of reserves*

13. The redesign of the budget structure along the lines described above necessitates some adjustments to the use of the Operational Reserve and the “New or additional activities – mandate-related” Reserve.

14. Since IDP and returnee reintegration operations would be funded on a project basis, there is no justification for applying the Reserves to these two budget categories. It is proposed, therefore, that the Operational Reserve be set at 10 per cent of the programme-funded components of the budget (the Refugee Programme and the Stateless Programme) and that, in other respects, its uses for emergency and non-emergency purposes continue to be broadly those set out in the currently proposed revision to the Financial Rules (Articles 6.5 to 6.9, as contained in document EC/58/SC/CRP.17).

15. Similarly, the “New or additional activities – mandate-related” Reserve would remain at its current level of USD 50 million, while its use would be limited to the Refugee and Stateless Programmes.

*Headquarters and regional operations support*

16. It goes without saying that Headquarters and Regional Operations Support would be required across all four budgetary components. To ensure that UNHCR has the core capacity required to administer and run IDP and reintegration projects, a seven per cent charge will be applied to all project funds in the same way as is currently the case with SBs.

D. Governance and budgetary approval by the Executive Committee

17. In terms of oversight, ExCom would approve all four components of the proposed new budget structure at its annual plenary session.

18. Given the nature of UNHCR’s work, new operations will inevitably emerge between Executive Committee sessions. As is currently the case, these will be managed as SBs (unless the new refugee or stateless programmes are small enough to be covered from the Operational Reserve), until such time as ExCom reviews and approves the operation concerned.

19. SBs that relate to refugees and stateless programmes will be incorporated into the Annual Programme Budget after one or two years. This timeframe is consistent with arrangements currently being made to biennialize UNHCR’s budget. It also allows time for the programme concerned to stabilize and acquire the degree of predictability that is needed to ensure that their incorporation into a common fund does not disrupt the management of other ongoing programmes.

20. SBs that relate to IDP or returnee reintegration projects will be submitted for approval as projects following the conclusion of the assessment and prioritization process within the United Nations country teams. Since this is linked to the Consolidated Appeal Process which concludes in November of any given year, it is suggested that the submission for approval would be made at the meeting of the Standing Committee following their creation.

E. Advantages of the redesign

21. Redesigning the budget structure in the way described above would have the following advantages:

- There is a clear logic to organizing the budget in terms of populations of concern, as well as to showing UNHCR's work in countries of asylum and countries of origin. This enables, inter alia, a clear distinction between UNHCR's work with refugees and IDPs.
- The model will enhance UNHCR's effort to provide a global assessment of refugee needs based on international standards of refugee protection; these can be reflected separately from reintegration and IDP needs which are more country-specific.
- While partnerships are essential in all types of UNHCR operations, the model recognizes the different nature of partnerships and joint programming in reintegration and IDP contexts.
- The model effectively firewalls refugee programmes from reintegration and IDP programmes, thus avoiding the potentially negative impact of mixing these types of programmes together so that they might end up competing against each other.
- Presentation of UNHCR's budget would be enhanced as the budget would be presented not only -- as is currently the case -- on the basis of geographical breakdowns at the country and sub-regional levels, but also in terms of country of origin and country of asylum breakdowns for reintegration and IDPs.
- Governance would be enhanced as all components of the budget would be subject to strengthened scrutiny by ExCom.
- The model will, it is hoped, facilitate fund raising for returnee reintegration and IDP programmes, including those decentralized at the country level. The same holds true for additional development funding for local integration.

Annex

Schematic presentation of the redesigned budget structure<sup>1</sup>

Budget components	Types of intervention/programme categories	Sector-level results <sup>2</sup>	Regions
Global Refugee <sup>3</sup> Programme	<ul style="list-style-type: none"> <li>• Emergency response</li> <li>• Protection pending solutions</li> <li>• Protection and mixed solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Favourable protection environment</li> <li>• Fair protection processes and documentation</li> </ul>	<ul style="list-style-type: none"> <li>• Africa</li> <li>• Asia and the Pacific</li> <li>• Europe</li> <li>• The Americas</li> <li>• Middle East and North Africa</li> </ul>
Global Stateless Programme <sup>4</sup>	<ul style="list-style-type: none"> <li>• Voluntary return</li> <li>• Reintegration</li> <li>• Integration</li> </ul>	<ul style="list-style-type: none"> <li>• Security from violence and exploitation</li> <li>• Basic needs and essential services</li> </ul>	
Global Reintegration Projects <sup>5</sup>	<ul style="list-style-type: none"> <li>• Resettlement</li> <li>• Capacity building</li> <li>• Advocacy for protection and solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Community participation and self-management</li> <li>• Durable solutions</li> </ul>	
Global IDP <sup>6</sup> Projects	<ul style="list-style-type: none"> <li>• Resource mobilization</li> <li>• Headquarters and regional support</li> </ul>	<ul style="list-style-type: none"> <li>• External relations</li> <li>• Operations management support</li> </ul>	

<sup>1</sup> This schematic presentation shows the overall framework of UNHCR’s proposed new budget structure. While the overarching structure relates to different populations of concern, the budget can be presented in terms of types of intervention/programme categories, sector-level results, and geographical regions.

<sup>2</sup> This categorization represents the areas of impact in UNHCR operations; outputs for achieving these results are below this level.

<sup>3</sup> The Global Refugee Programme would be funded through the “programme-funding” mechanism.

<sup>4</sup> The Global Stateless Programme would be funded through the “programme-funding” mechanism.

<sup>5</sup> Global Reintegration Projects would be funded through a combination of the “programme-funding” mechanism for costs associated with the essential capacity required for UNHCR to operate, and the “project-funding” mechanism for operational activities.

<sup>6</sup> Global IDP Projects would be funded through a combination of the “programme-funding” mechanism for costs associated with the essential capacity required for UNHCR to operate and the “project-funding” mechanism for operational activities.