

PROPOSALS FOR BUDGET STRUCTURE

I. INTRODUCTION

1. The proposals contained in this paper have been formulated in the light of the Standing Committee's consultations held on 8 May 2001. They build on the generally positive experience gained so far in implementing the unified budget and underline the determination to retain the principle of a unified structure for UNHCR's planned activities. They also take account of some lessons learned during the first year of the unified budget, and adjustments proposed to UNHCR's budgetary presentation, linked to the High Commissioner's review exercise known as Action 2¹.

2. The proposals below were presented to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for comment on 5 June 2001. Their comments as contained in the letter of 7 June 2001 from the Chairman of the ACABQ to the High Commissioner, are found in Annex I to this paper. Also attached (Annex II) is a draft decision for consideration by the Standing Committee, formulated in the light of these comments and the letter of the High Commissioner of 31 May 2001 to the Chairman of the Executive Committee.

II. PROPOSALS

3. The following proposals relate to the management of UNHCR's unified budget:

Approval of the unified budget

(i) The Executive Committee at its annual Plenary Session will approve the total level of the unified budget. The budget is referred to as the Annual Programme Budget. It includes core activities², directly related to UNHCR's core mandate, and non-core activities³ that are linked to or in support of core activities. Core activities are referred to as Core Operations. Non-core activities, at the programme level, are referred to as Special Operations. Donors should give clear priority to the full funding of core activities.

Types of resources

(ii) Within the unified budget, activities will be prioritized⁴ between core and non-core activities, which will be funded through two different types of resources.

(iii) The two types of resources are: those from the United Nations Regular Budget, on the one hand, allocated for administrative costs of the Office related to core activities (Management and Administration (MA)), and voluntary contributions, on the other hand, financing both core and non-core activities.

¹ See High Commissioner's letters of 4 April and 31 May 2001, addressed to the Chairman of the Executive Committee.

² See Annex A of the High Commissioner's letter of 4 April 2001, paragraph 1.2.

³ See paragraphs 3.1 and 3.2 of the same Annex.

⁴ This basic form of prioritization will need to be supplemented at the country level by more specific priorities, in the light of clear strategic objectives established by the Office across regions and within regions.

Unearmarked/earmarked contributions

- (iv) In addition to the Regular Budget contribution, core activities will be funded through voluntary contributions pledged/contributed to the Office to discharge its primary mandate of providing protection to refugees and seeking durable solutions to refugee situations. Those contributions can be entirely unearmarked (i.e. unrestricted in their application), broadly earmarked to a region, function, theme, or activity, or specifically earmarked to a core activity of the Office.
- (v) Non-core activities will be funded under the unified budget through voluntary contributions that are specifically earmarked for particular activities in the category of Special Operations.
- (vi) Donors will specify how and where their contributions are to be used: either as unearmarked or earmarked resources; unearmarked resources will only be used in support of core activities.
- (vii) The funding dynamics of resources for core or non-core activities within the unified budget will be different. Unearmarked contributions could be used for any of the core activities. Earmarked funding for core activities will be applied according to the earmarking constraints. Contributions made for a specific non-core activity will be earmarked and self-contained; that is, they can only be used for that activity, and their scope/duration will be limited by the availability of resources designated for that activity. Consistent with their self-contained nature, the budgets for non-core activities will include the appropriate support costs.

Supplementary Programmes

- (viii) In the event of a new operational need that was unforeseen and thus not included in the Annual Programme Budget submitted for approval to the annual session of the Executive Committee, and which cannot be addressed under the provisions of the Operational Reserve,⁵ a Supplementary Programme (either core or non-core⁶) shall be established.
- (ix) For the purposes of comprehensiveness and transparency, all activities will normally be considered as resourced within the unified budget, either as core or non-core, and thus be part of a common financial reporting system. This also applies to Supplementary Programmes.

Trust Funds

- (x) Where (a) donor(s) make(s) resources available for additional activities not included in, nor able to be considered as an extension of programmed activities under the Annual Programme Budget or Supplementary Programmes, these will be managed as a Trust Fund in accordance with UNHCR's Financial Rules (A/AC.96/503 Rev. 7 Articles 6.10 and 6.11). Such extra-budgetary funds will be used only for the purpose(s) determined by the donor(s) that are consistent with the purposes of the Office; related activities will be initiated only when funds have been received. Support costs have to be covered by the Trust Funds. The use of Trust Funds will be governed by strict criteria, to avoid the excessive use of such form of funding by donors with specific interests.

Operational Reserve

- (xi) With regard to the purposes and use of the Operational Reserve, the current Financial Rules will be reviewed and, if necessary, proposals made to revise them. The level of the Operational Reserve should remain at 10% of programmed activities (both core and non-core) to be presented to the Executive Committee for approval. Procedures governing access to the Operational Reserve for core

⁵ See para. (xi) on the Operational Reserve.

⁶ UNHCR could be requested by a State or an appropriate organ of the United Nations to undertake a non-core activity e.g. a large movement of internally displaced persons, which has all the characteristics of an emergency.

activities would remain as at present. Before implementation of a Special Operation (non-core activity), a formal pledge should normally have been made by one or more donors. However, in exceptional circumstances, Special Operations would have access to the Operational Reserve up to a limit of \$ 5 million per operation, provided that some donor(s) have already expressed their interest for this new non-core activity at a Special Donor meeting. Total allocations from the Operational Reserve in a given financial year as advances for Special Operations (non-core activities) should never exceed 25% of the approved level of the entire Operational Reserve. Any allocations from the Operational Reserve for non-core activities are by way of an advance and should be reimbursed from the first pledges for the Special Operation, preferably within 30 days of the allocation and, in all cases, before the year-end closure of accounts.

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Advisory Committee on
Administrative and Budgetary Questions

7 June 2001

Dear Mr. Lubbers,

The Advisory Committee on Administrative and Budgetary Questions met with your representatives in an informal session to consider a draft proposal for adjustments to UNHCR's budgetary presentation to be submitted, as a conference room paper, to the Standing Committee at its twenty-first session, at the end of June 2001. In this connection, the Advisory Committee was provided with a copy of your letter of 4 April 2001 to His Excellency, Mr. Ali Khorram Ambassador, Permanent Representative of the Islamic Republic of Iran, Chairman of the Executive Committee.

The Committee notes that the proposals on adjustments to UNHCR's budgetary presentation, which were formulated in the light of the Standing Committee's consultations held on 8 May 2001, while retaining the concept of a unified budget, would lead to fundamental changes in its management. The Committee recalls, in this connection, its view, as indicated in paragraph 7 of document A/AC.96/932/Add.1, that the unified budget process offers both the donor community and UNHCR the opportunity to discuss and assess needs and resource requirements in the coming budget year. The Committee had indicated that the approval of the unified programme budget and its related operational reserve should enable UNHCR to start implementing its programme without further negotiations on resource allocation and priority setting.

Furthermore, the Committee recalls that, in paragraph 40 of document A/AC.96/900/Add.3, it had indicated, with reference to UNHCR's experience with increased tied funding, that the Executive Committee should provide policy guidelines to assist the High Commissioner when accepting additional supplementary activities. Such policy should take into account that additional supplementary activities should continue to be consistent with the statute of UNHCR, that the activities cannot be performed by other agencies in the United Nations system or outside the system, that resources are assured and attainable and that the Office of the High Commissioner has the capacity to carry out such supplementary activities.

Mr. Ruud Lubbers
United Nations High Commissioner for Refugees
CH-1211 Geneva 2 Depot
Switzerland

The Advisory Committee intends to review your proposals further in the context of its consideration of the UNHCR's proposed annual programme budget for 2002 this Fall. In the opinion of the Committee, new management structures should not be introduced until 2003. This will allow time for the Executive Committee to consider recommendations of the Advisory Committee and for you subsequently to prepare such modifications and/or additions to UNHCR rules as may be necessary prior to the introduction of any new structures.

This procedure should not prevent you from preparing the budget for 2002 on the basis of assured and attainable income as determined by you after due consultation with the donor community.

I should be grateful if you would place this letter before the Standing Committee at its forthcoming session.

Yours sincerely,

C.S.M. Mselle
Chairman

DRAFT DECISION

The Standing Committee,

Referring to the proposals set out in document EC/51/SC/CRP.15/Rev.1 on the budget structure,

OP1 Takes note of the comments provided by the ACABQ in their letter of 7 June 2001, contained in Annex I to the aforementioned document;

OP2 Takes note in particular that the ACABQ will further review these proposals in September 2001, in the context of its consideration of UNHCR's proposed Annual Programme Budget for 2002;

OP3 Recalls the ACABQ's earlier recommendation (A/AC.96/900/Add.3, para. 40) that the Executive Committee should provide policy guidelines to assist the High Commissioner when accepting additional supplementary activities, and *notes* the adequacy in this context of the guiding principles applicable to the resourcing of UNHCR's unified budget adopted by the Standing Committee at its 18th meeting (A/AC.96/939 Annex B);

OP4 Requests UNHCR to prepare the Annual Programme Budget for 2002 within the unified budget format.