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**Consideration and adoption of the
biennial programme budget 2016-2017**

Biennial programme budget 2016-2017 of the Office of the United Nations High Commissioner for Refugees

Report of the High Commissioner

Addendum

**Report by 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 2016-2017 of the Office of the United Nations High Commissioner for Refugees (A/AC.96/1147). The Committee also had before it the financial report and audited financial statements for the year ended 31 December 2014 and the report of the Board of Auditors on the voluntary funds administered by the United Nations High Commissioner for Refugees (A/70/5/Add.6). During its consideration of the reports, the Advisory Committee met with the Deputy High Commissioner and other representatives of the High Commissioner's Office, who provided additional information and clarification concluding with written responses received on 10 September 2015.

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/70/5/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 seventieth 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 2016-2017

A. Budget structure and resource needs

3. The High Commissioner's report indicates that the biennial programme budget for 2016-2017 continues to be based on the global needs assessment (GNA) methodology (as detailed in paras. 111-135 of A/AC.96/1068), introduced in 2010, and takes into account the needs of all persons of concern to the UNHCR. The estimated number of persons of concern, the budget structure and the connection between the budget structure and the results framework are provided in table I.1, paragraphs 7-10 and Figure I.A of the report of the High Commissioner (9A/AC.96/1147).

4. The programme budget is categorised into field, global programmes and headquarters. The field category constitutes operational activities budgeted by region and carried out in various operations around the world. The global programmes category relates to technical activities that are undertaken by substantive divisions at UNHCR Headquarters but are of direct benefit to field operations globally. The headquarters category relates to work carried out by divisions and bureaux located in Geneva, Budapest and Copenhagen and in offices in other regional capitals, which entails providing policy guidance, administrative support, and managerial and programmatic assistance to field operations (*ibid.*, para. 9). In addition to the above three categories, provisions for operational and other specific reserves are also included in the programme budget (*ibid.*, para.13) (see also paras. 11-13 below).

5. The Advisory Committee notes that upon its request made in its previous report (A/AC.96/1136/Add.1), the report of the High Commissioner includes a detailed presentation of actual expenditures and projected requirements by items of expenditure in respect of all chapters of expenditure of UNHCR in annex 1 (table 14) of his report. **The Advisory Committee welcomes the improvement made in the presentation of expenditures.**

B. Past expenditure trends 2010-2014 and current budget for 2015

6. An overview of the budgets, funds available, and expenditures for the period from 2010 to 2014, since the introduction of the global needs assessment methodology by UNHCR, is provided in table I.5 of the High Commissioner's report and is reproduced below.

Budgets, funds available and expenditures 2010-2014

	<i>(in millions of US dollars)</i>				
	2010	2011	2012	2013	2014
<i>Needs, funds available and expenditure:</i>					
GNA budget (needs)	3,288.7	3,821.7	4,255.6	5,335.4	6,569.7
Funds available	2,112.3	2,413.1	2,593.8	3,234.1	3,603.1
Implementation (expenditure)	1,878.2	2,181.1	2,357.7	2,971.8	3,355.4
<i>Analysis in percentage terms</i>					
Funds available against needs	64%	63%	61%	61%	55%
Funding gap	36%	37%	39%	39%	45%
Implementation against needs	57%	57%	55%	56%	51%
Implementation against funds available	89%	90%	91%	92%	93%

7. The above table indicates an increasing trend in the budget implementation rate during the period between 2010 and 2014. The Advisory Committee was informed upon enquiry that varied reasons account for the shortfall in the full utilization of the available resources, such as the security situation on the ground, limited capacity of implementing partners in specific locations, uneven flow of voluntary funding and earmarking of funds for over-funded operations. It was indicated to the Committee that notwithstanding the limiting factors constraining the full implementation of available funds, an expenditure rate of 93 per cent of the available funds was considered exceptional, given the unpredictability of the crises faced by UNHCR and the difficult nature of the areas of its operation.

8. For 2014, the original approved budget was \$5,307.8 million, which was revised to \$6,236.2 million. The final budget figure for 2014 amounted to \$6,569.7 million, which represented the sum of the original budget and a total of eight supplementary budgets in the amount of \$1,261.9 million, established by the High Commissioner. The total funds available for 2014 were in the amount of \$3,603.1 million. The final expenditure in 2014 was \$3,355.4 million, which represents an increase of approximately 13 per cent when compared with 2013. (ibid., para.28-29).

9. For 2015, the budget is estimated at \$7,093.1 million as at 30 June 2015. The original budget for 2015 amounted to \$5,179.5 million, as approved by the Executive Committee at its sixty-fourth session in October 2013. At its sixty-fifth session in October 2014, the Executive Committee approved an annual budget of \$6,234.4 million based on revised assessed needs for 2015. As at 30 June 2015, nine supplementary budgets, amounting to \$1,017.1 million, were established by the High Commissioner to address unforeseen emergency needs in accordance with article 7.5 of Financial Rules for voluntary funds administered by the High Commissioner for Refugees, while at the same time an amount of \$158.4 million was reduced from the budget, following a revision of the Regional Refugee Response Plan and the Syria Refugee Plan (ibid., paras. 11 and 15). The Advisory Committee was informed upon enquiry that given the current rate of expenditure in 2015, the implementation rate of available funds is expected to be in the range of 91-93 per cent.

C. Proposed budget for the 2016-2017 biennium

10. The consolidated estimated requirements for 2016 and 2017 amount to \$6,546.3 million and \$6,408.5 million, respectively, which also incorporates the regular budget resources proposed for UNHCR amounting to \$90.96 million (an annual amount of \$45.48 million), after preliminary recosting, under the United Nations programme budget for the 2016-2017 biennium. It is indicated that the proposed budget for 2017 is preliminary and subject to revision by the Executive Committee in 2016 (*ibid.*, paras. 12 and 14). The report of the High Commissioner indicates that the requirements for 2016 represent a net decrease of 8 per cent when compared with the current requirements for 2015 and the requirements assessed for 2017 stand at \$6,408.5 million, representing a decrease of 2 per cent when compared with the requirements for 2016. According to the High Commissioner, the budget proposal for the 2016-2017 biennium does not fully reflect the financial implications of some emergencies that were not foreseen at the time of assessing the needs for the biennium (*ibid.*, paras. 11 and 15-19)

11. Tables I.2 and I.3 in the High Commissioner's report summarizes the resource requirements with respect to the proposed budgets for 2016 and 2017 for field operations, global programmes and headquarters, along with the operational and other reserves; table I.3 also provides a breakdown of resources allocated for field and global programmes under the four pillars (see paras. 14-15 below). It is indicated that the proposed budgets contain two reserves: (i) the operational reserve (OR), calculated at 10 per cent of the total budget for programmed activities under pillars 1 and 2; and (ii) the new or additional activities – mandate-related reserve (NAM), proposed to be maintained at the current annual appropriation level of \$20 million. In addition, an annual provision of \$12 million for the Junior Professional Officer programme is proposed (*ibid.*, paras. 12-14).

12. Regarding the operational reserve, the Advisory Committee was informed upon enquiry, that it is maintained at not less than \$10 million by replenishments from the Working Capital and Guarantee Fund. The High Commissioner may transfer funds from the operational reserve to other items of expenditures under the annual budget for the purposes set out in Article 6.10 of the UNHCR financial rules, and the amounts of funds so transferred shall not exceed \$10 million for any single project or programme in any given financial period. In instances of such amounts exceeding \$10 million, a supplementary budget is established.

13. The Advisory Committee was further informed that new or additional activities – mandate-related reserve is limited to \$50 million for each financial period of the biennial programme budget, or at a different level if so decided by the Executive Committee in accordance with the UNHCR financial rules. The reserve provides UNHCR with the financial capacity to accommodate unbudgeted activities which are consistent with the activities and strategies in the approved annual programme budget and the mandate of UNHCR.

Operational requirements

14. The operational requirements of UNHCR for 2016 and 2017 are described in paragraphs 40-94 of the High Commissioner's report. The operational requirements for field and global programmes are organized under four pillars: (i) Pillar 1 (refugee programme); (ii) Pillar 2 (stateless programme); (iii) Pillar 3 (reintegration projects); and (iv) Pillar 4 (internally displaced persons projects). An overview of funds available and expenditures incurred in 2013 and 2014, the current budget for 2015 and the proposed budgets for 2016 and 2017, broken down by pillar for field operations and global programmes is presented in table II.1 of the High Commissioner's report. Table II.2 of the High Commissioner's report provides a summary of operational requirements by region

(Africa¹, Middle East and North Africa, Asia and the Pacific, Europe and Americas) and for the global programmes.

15. The report of the High Commissioner indicates that the largest proportion of the proposed 2016 budget for the field and global programmes are estimated for refugees and asylum-seekers under pillar 1 (74 per cent) followed by the requirements estimated for internally displaced persons projects under pillar 4 (21 per cent). The requirements for statelessness programme under pillar 2 and the reintegration projects under pillar 3 are estimated at 1 per cent and 4 per cent of the proposed 2016 budget for the field and global programmes respectively (*ibid.*, para. 42-45). In terms of the distribution of operational requirements of UNHCR for 2016 among the regional and global programmes, the share for the Africa region continues to be largest (39 per cent), followed by Middle East and North Africa (35 per cent), Asia and the Pacific (9 per cent), Europe (9 per cent) and Americas (2 per cent). The requirements for global programmes are estimated at 6 per cent of the operational requirements for 2016.

Regular budget

16. As indicated in paragraph 10 above, the regular budget resources requested for UNHCR for the biennium 2016-2017 amount to \$90.96 million after preliminary recosting. The report of the High Commissioner indicates that in accordance with past practice, a total of 220 management and administration posts, including those for the High Commissioner and the Deputy High Commissioner, are proposed to be financed by the regular budget for 2016-2017. In addition, a proportion of related non-post requirements and security costs at Headquarters are also proposed to be financed by the regular budget. (*ibid.*, paras. 23-24). The Advisory Committee recalls that the provision of funds from the regular budget, aimed at complementing the extrabudgetary resources of UNHCR in the form of a grant, was initiated in the biennium 2002-2003 and designed to simplify the UNHCR budgetary process. The Advisory Committee's detailed comments and recommendations on the resources proposed under the regular budget for UNHCR for the biennium 2016-2017 are contained in chapter II, part VI, of its report A/70/7.

Post requirements

17. Information with respect to the workforce of UNHCR, consisting of staff on regular posts, Junior Professional Officers and affiliate workforce (United Nations Volunteers and consultants) is provided in paragraphs 30-39 of the High Commissioner's report. Posts in UNHCR are indicated to be of three categories: programme; programme support; and management and administration.

18. The total number of posts estimated for 2016 is 10,481, representing a net decrease of 268 posts (2 per cent) when compared with the total number of posts as at June 2015. The total net decrease in posts reflects reductions in programme and programme support posts by 221 and 67 respectively, and an increase in management and administration posts by 20. Decreases in the number of posts are indicated for Middle East and North Africa (197 posts), Asia and the Pacific (77 posts), Europe (76 posts), Africa (9 posts), and headquarters (12 posts), while the Americas remain stable. An increase in the number of posts is indicated for global programmes (103 posts). The increase in global programmes posts is attributed to the transfer of such posts from different locations to the Copenhagen Global Service Centre, and establishment of new posts in Copenhagen to enhance support to the field (*ibid.*, paras. 34-35).

¹ The High Commissioner's report indicates that for the purpose of the report, "Africa" refers to sub-Saharan Africa

19. The report of the High Commissioner indicates that in response to a prior recommendation from the Board of Auditors to refine the methodology for allocating programme and management costs, UNHCR reviewed the classification of posts in the three categories taking into consideration their respective functions. It is further indicated that as a result of that review, over 1,500 existing field posts, earlier classified as programme posts, were reclassified as programme support posts in early 2015 (ibid., para. 32).

20. The Advisory Committee notes that the Board of Auditors in its most recent report (A/70/5/Add.6) has observed that UNHCR has reclassified some \$53.3 million of its field office staff costs from programme to programme support in its 2015 budget. The Advisory Committee further notes that the Board considers that some \$130 million of costs require further analysis by management against the current cost criteria, and that management have recognized the need to further revisit the cost classifications of functions in the preparation of the budgets for 2016. In this respect, the Board has recommended that UNHCR further review its costs classifications and definitions, especially across functional types, such as executive and management grades at country and field office level, and the programme support functions based at headquarters and in capital cities (A/70/5/Add.6, paras. 41-45).

21. The Advisory Committee notes that in response to the above recommendation of the Board, UNHCR has stated that that it will continue to further review the cost classifications under the functional areas of executive and management grades at country and field office levels, and the target date for the implementation of the recommendation has been indicated as the fourth quarter of 2016 (A/70/338/Add.1, para.442-443).

22. The Advisory Committee was informed upon enquiry that UNHCR continues to scrutinize its costs related to posts to assess the possibility of further reclassification and to ensure consistency in approach across all cost parameters. **The Advisory Committee trusts that UNHCR will review its post-related cost structure, taking into account the Board's observations in this regard, and reflect the results of such review in its forthcoming budget proposal.**

Staff in-between assignments

23. Concerning the staff-in-between-assignments (SIBAs) it is indicated that as at 30 June 2015 there were 30 SIBAs between the P-2 and D-1 levels, an increase of 3 when compared with the number of SIBAs as at 30 June 2014. Upon enquiry the Advisory Committee was informed that the number of SIBAs varies throughout the financial period, and given the size of UNHCR staff and its mandatory rotation policy, 30 SIBAs would account for 0.3 per cent of the total encumbered positions, which is within an acceptable range. Concerning the costs accruing to UNHCR due to SIBAs, the Committee was informed that assuming 30 SIBAs for an entire financial year and a uniform level and grade for all, the total cost would be approximately \$7.2 million (calculated at the highest possible rate of the standard salary costs for Geneva). The Advisory Committee was further informed that UNHCR takes proactive measures to reduce the number of SIBAs by placing staff on posts and temporary assignments in addition to taking specific steps such as making amendments to contractual policy with a view to discontinuing indefinite contracts, which would address the possibility of an increase in the number of SIBAs.

24. The Advisory Committee notes that the Board of Auditors has discussed the matter of staff between assignments during 2014. In particular, the Board notes that 27 international staff members were between assignments, i.e. not working, another 122 were between assignments and working on a temporary assignment and that 326 international staff members on temporary assignments had worked beyond their standard assignment length. The Advisory Committee further notes that in its response to the Board, UNHCR has stated that the upgrade to its Managing for Systems, Resources and People (MSRP)

platform is intended to enhance the efficiency in the deployment of staff by enabling an expeditious way of matching staff skills and experiences to job requirements (see A/70/5/Add.6, paras. 108-112). **The Advisory Committee considers that the continuing matter of staff-in-between-assignments needs to be addressed by UNHCR to minimize the cost accruing to the organization from underutilization of available staff. In this regard, considering that the timely upgrade to the MSRP platform will help address the matter, the Advisory Committee expects its expeditious implementation, within the defined timeframe and budget.**

III. Key initiatives

A. Fraud prevention implementation plan

25. The report of the High Commissioner indicates that UNHCR issued a revised strategic framework for the prevention of fraud and corruption in July 2013, aimed at, inter alia, raising awareness, strengthening controls, and providing advice to staff in recognizing fraud indicators, and that UNHCR will perform a fraud risk assessment by the end of 2015 to identify the measures necessary to strengthen fraud prevention and mitigation mechanisms (ibid., para. 119). The Advisory Committee was informed upon enquiry that the implementation of the strategy entailed the development of policy and procedures for the assessment of fraud threats and related risks and how to address such risks through the most effective anti-fraud measures. The Advisory Committee was further informed that UNHCR has conducted a fraud risk assessment, developed anti-fraud training materials for roll-out to all staff, and taken steps to raise fraud-awareness.

26. The Advisory Committee notes the observation of the Board of Auditors that UNHCR has recognized the importance of strengthening its approach to fraud detection and prevention by initiating the fraud prevention project that has focused on the identification of key risks, by drawing on the knowledge of managers across business areas and locations through a dedicated working group. The Board also notes the good progress within UNHCR in formulating a clear approach and process for developing fraud risk assessments, which will be used to inform clear fraud mitigation plans and provide a focus for training and for the review of the internal control environment in the areas identified as high-risk. **The Advisory Committee welcomes the steps taken by UNHCR for the prevention of fraud and concurs with the Board of Auditors that UNHCR establish a clear time frame to finalize the fraud risk assessments and mitigation plans for the most significant risks identified in the fraud prevention project (A/70/5/Add.6, paras. 28-31 and A/70/322, para. 50).**

B. Fundraising

27. The High Commissioner indicates that in 2016-2017 UNHCR will continue to pursue a multi-year strategy aimed at mobilizing \$500 million by 2018 from private sector partners and individual donors. The High Commissioner further indicates that the strategy will enable global outreach to 50 countries and strengthen partnerships with corporations, foundations and influential individuals, which may also help to increase the amount of unearmarked funding for emergencies and forgotten crises (ibid., para. 121). The Advisory Committee notes that in response to its recommendation made in the preceding year, UNHCR continues to take a proactive approach in expanding its donor base, of which private sector fundraising is a critical element. In continuation with the upward trend of past years, in 2014, the total contribution from private individuals, corporations, foundations and national fundraising partners was \$208 million (ibid., Annex II, para 7).

The Advisory Committee welcomes the

efforts made in 2014 for obtaining additional resources from an expanded donor base and trusts that the continuation of such efforts during 2016-2017 will enable UNHCR to receive financial support from diverse sources.

IV. Report of the Board of Auditors

28. The Board of Auditors has audited UNHCR's financial statements for the year ending 31 December 2014 and issued an unqualified audit opinion (A/70/5/Add.6). The Board's key findings and recommendations cover the following three areas: (a) financial matters, (b) financial management of education projects and (c) human resources management.

Earmarked and unrestricted contributions

29. For the year ended 31 December 2014, the Board notes that the increasing trend towards earmarked donations for specific situations and locations means increased difficulty for management to deploy resources flexibly to meet demand across all areas of activity. In particular, the report of the Board indicates that unrestricted funds represented a mere 13 per cent of monetary contributions in 2014 (*ibid.*, Ch. II, para. 9). The Board further notes that the uncertainty in funding creates a risk that programme budgets will not be used effectively. **The Advisory Committee recognizes the uneven flow of funding for UNHCR throughout the financial period and shares the Board's view that UNHCR work with donors to improve the profiling of resources (*ibid.*, para.12)..**

Global fleet management

30. The Board notes the launch of a global fleet management strategy by UNHCR in 2014 to take a more proactive approach to vehicle fleet management and deliver significant savings and operational benefits. The Board also notes an increase in vehicles purchased during 2014 as UNHCR moved towards replacement of its fleet every five years. The Advisory Committee notes the Board's recommendation made in this regard that as management implements the global fleet management strategy for the period 2014-2018, it ensure that it collects the most appropriate metrics and data to assess and demonstrate the realization of the planned benefits as early as possible (*ibid.*, para. 17-18). Upon enquiry the Advisory Committee was informed that changes in the vehicles fleet are reflected through several budget line items based on the requirements and uses of the vehicles; the requirement for vehicles may be reflected under staff, travel, contractual services, operating expenses or furniture and equipment. **In view of the Board's recommendation mentioned above, the Advisory Committee considers that the accounting for the vehicle fleet should be made transparent and that the budget should clearly reflect the global vehicle fleet and the corresponding costs to enable a timely and accurate assessment of the benefits realized.**