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

Biennial programme budget 2016-2017 (revised) 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 (revised) of the Office of the United Nations High Commissioner for Refugees (UNHCR) (A/AC.96/1158). The Committee also had before it the financial report and audited financial statements for the year ended 31 December 2015 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 14 September 2016.

2. The Advisory Committee also met with the members of the Audit Operations Committee of the Board of Auditors (BOA) regarding their above-noted audit report on UNHCR. The Advisory 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 seventy-first session, covering all audited entities. Section IV below contains those issues specific to UNHCR raised in the report of the Board and the related comments and recommendations of the Advisory Committee.

II. Revised biennial programme budget 2016-2017

A. Budget structure and presentation

3. The High Commissioner's report indicates that the proposed revised budget for the biennium 2016-2017 continues to be based on the global needs assessment (GNA) methodology and is categorised into field, global programmes and headquarters, with the planning figures for populations of concern being considered a key driver of the budgetary requirements (*ibid.*, para. 15). The report also indicates that the proposed revised budget should be read in conjunction with the United Nations biennial programme plan and priorities for the period 2016-2017¹, programme 21 (international protection, durable solutions and assistance to refugees), and the United Nations proposed programme budget for the biennium 2016-2017, part VI on human rights and humanitarian affairs, section 25 related to the same subjects².

4. The Advisory Committee recalls its recommendation with respect to the presentation of actual expenditures and projected requirements by items of expenditure and notes the continued improvements made (see A/AC.96/1136/Add.1, para. 6). However, with respect to the table 14, annex I of the report of the High Commissioner, the Advisory Committee is of the opinion that it would be useful to include columns showing percentages and requested a table showing percentage changes for each category and subcategory of expenditure (see annex I). **The Advisory Committee trusts that the table of expenditure, as requested by the Advisory Committee, will be included in future budget submissions.**

¹ A/67/6/Rev.1

² A/70/6 (Sect. 25).

B. Past performance and revised biennial programme budget 2016-2017

5. Paragraphs 19 to 31 of the report of the High Commissioner provide an overview of the budgets, funds available and the expenditures for the period from 2010 to 2015; the adjusted budget for 2016; and the proposed budget for 2017, by pillar, region, global programmes and headquarters; as well as details on the contribution under the United Nations regular budget.

6. Table I.5 of the report of the High Commissioner shows that the final budget for the year 2014 amounted to \$6,569 million with an expenditure in the amount of \$3,355 million, while the budget for the year 2015 was higher, amounting to \$7,232 million, yet showed a lower expenditure level, in the amount of \$3,294 million. This led to an implementation rate of 93 per cent in 2014 and of 89 per cent in 2015. Upon enquiry, the Advisory Committee was informed that the lower implementation rate in 2015 was due to the receipt of \$320 million in the last two months of 2015 for earmarked voluntary contributions, primarily for the Syria situation, the Europe crisis, and the Iraq, Burundi and Yemen situations. The Committee was further informed that these funds were transferred as opening balances in 2016 and subsequently used in the first quarter of that year. **The Advisory Committee trusts that an explanation of the reduced expenditure in 2015, which occurred despite higher available funds as compared to the prior year, will be provided to the Executive Committee at the time of consideration of the present report.**

7. With respect to the contribution from the United Nations regular budget, the High Commissioner indicates that, for the biennium 2016-2017, the General Assembly approved an amount of \$82.2 million (A/RES/70/249 A-C) and that, at this level, the regular budget will fund approximately 28 per cent of the biennial budget for management and administration costs, covering the cost of the posts of the High Commissioner and the Deputy High Commissioner, 218 management and administration posts at Headquarters, and a proportion of related non-post requirements and security costs at Headquarters. **The Advisory Committee intends to provide its observations and recommendations on regular budget matters under section 25 (international protection, durable solutions and assistance to refugees) in connection with its first report on the proposed programme budget for the biennium 2018-2019.**

Revised requirement for 2016

8. As indicated in annex VII of the report of the High Commissioner, the Executive Committee, in its draft general decision on administrative, financial and programme matters states that it recalls that at its sixty-sixth session, it “approved an original budget for 2016 covering total requirements of \$6,546,288,297; notes the reduction in the annual programme budget for the Africa region of \$38,362,902; notes the additional needs under supplementary budgets in 2015 amount to \$676,775,192; approves the total revised requirements for 2016 in the amount of \$7,184,700,587; and authorizes the High Commissioner, within these total appropriations, to effect adjustments in regional programmes, global programmes and headquarters budgets.” The report of the High Commissioner explains that the revised budget includes two reserves: the operational reserve (OR), and the “new or additional activities -mandate-related” (NAM) reserve, representing 10 per cent of Pillars 1 and 2 resources in accordance with the Financial Rules. The OR is calculated at \$389.8 million for 2016 and \$534.5 million for 2017. The NAM reserve is proposed to be retained at the current annual appropriation level of \$20.0 million.

9. In this connection, the Advisory Committee notes from table I.6 of the report of the High Commissioner that expenditures with respect to Europe increased from \$209,279 (6 per cent) in 2014, to \$243,743 (7 per cent) in 2015, and to \$179,141 (12 per cent) in 2016.

10. The Advisory Committee has no objection to the approval of the revised requirements for 2016.

Proposed 2016-2017 biennial budget (revised)

11. In the above-noted document, the Executive Committee also states that it “approves the programmes and budgets for regional programmes, global programmes and headquarters under the proposed 2016-2017 biennial budget (revised), as set out in document A/AC.96/1158 in the amount of \$7,309,704,332 for 2017, including the United Nations regular budget contribution towards headquarters costs, the reserves, and the Junior Professional Officer programme and authorized the High Commissioner, within this total appropriation, to effect adjustments in regional programmes, global programmes and headquarters budgets.” **The Advisory Committee has no objection to the approval of the proposed 2016-2017 biennial programme budget (revised).**

Post requirements

12. Paragraphs 101 to 111 of the report of the High Commissioner provide details on UNHCR’s staff and non-staff personnel, such as United Nations volunteers and consultants, with tables 10 to 12 of annex I providing post details by administrative and geographic location. As at 30 June 2016, the total number of posts was 11,112, representing a net increase of 331 posts (3 per cent) when compared with the post level of 10,781 as at 31 December 2015. For the year 2017, UNHCR envisages a staffing level of 11,846 posts, representing a further increase of 734 posts (7 per cent)³. In paragraph 106, UNHCR indicates that, in line with the recommendation of the Board of Auditors⁴, the methodology employed to allocate its programme, programme support, and management and administration costs has been refined and been adopted for the preparation of the revised budget proposal for 2017.

13. Upon enquiry, the Advisory Committee was informed that the net increase of posts from 2016 to 2017 comprised: (a) a decrease of 649 posts for programme functions from 5,762 posts in 2016 to 5,113 posts in 2017, with 629 reclassified posts which were transferred to programme support and 20 abolished posts; (b) an increase of 1,355 posts under programme support from 4,703 posts in 2016 to 6,057 posts in 2017, with 629 reclassified posts and 726 new posts; and an increase of 27 new posts for management and administration functions from 648 posts in 2016 to 675 posts in 2017. The Advisory Committee notes that the report of the Board of Auditors for the year ended 2015 indicated that, while a process of post reclassification had been undertaken, it considers that there is further work that UNHCR can undertake to better understand its cost profiles and reclassify costs (A/71/5, Add.5, annex). The Committee was further informed that the 726 new posts under programme support would be established to provide field monitoring, administration, finance, supply, information technology and other related functions to the expanded field operations, necessitated by the anticipated influx of returnees in some of the larger

³ Distribution of the increase of 734 posts: Africa (383 posts); the Middle East and North Africa (102 posts); Europe (164 posts); the Americas (53 posts); global programmes, including those located in the field (54 posts); and headquarters (30 posts), and a reduction in the Asia and the Pacific region (52 posts) (ibid. para. 105).

⁴ A/70/5/Add.6, chap. II, para. 45

operations in Africa such as Somalia and Burundi. **The Advisory Committee trusts that information on new posts will be provided to the Executive Committee at the time of consideration of the present submission.**

14. The Advisory Committee concurs with the Board and trusts that the issues raised by the Board, including an explanation of the reclassification process, are addressed in further detail in the next budget submission of UNHCR.

Staff in-between assignments

15. The Advisory Committee notes that progress continues to be made with respect to staff in-between assignments (SIBA) between the P-2 and D-1 levels, and that the number has continuously decreased from 33 SIBAs as at 30 June 2014, to 30 SIBAs as at 30 June 2015, to 24 new SIBAs as at 30 June 2016 (see also A/AC.96/1147/Add.1, paras. 23-24). **The Advisory Committee encourages UNHCR to continue its efforts in reducing the number of SIBAs.**

III. Key initiatives

A. Fundraising and partnerships

16. Upon enquiry, the Advisory Committee was informed that UNHCR continues to engage with new donors and to foster existing relationships in order to maximise contributions from current donors and that, by the end of 2016, three new donors would join those contributing more than \$20 million annually. The High Commissioner indicates that the Office would continue to pursue a multi-year strategy to mobilize \$500 million by 2018 from private sector partners and individual donors and is working to expand its global outreach and to strengthen partnerships with corporations, foundations and influential individuals. Furthermore, UNHCR considers the private sector an increasingly important funding source and plans to expand global operations, from 30 countries currently to 50 countries. The Committee was further informed that this effort was also aimed at increasing unearmarked funding and therefore the funding available for forgotten crises, stressing that in 2015, 85 per cent of contributions received by UNHCR were earmarked by donors. UNHCR indicates that its efforts to increase unearmarked private sector funding was based on building a donor base of monthly-giving donors through direct debits, with the number of such donors having increased from 54,000 in 2007 to one million in 2016. The Committee was also informed that UNHCR's business model was based on other agencies' experience with private sector fundraising. Furthermore, UNHCR's cost for fundraising, which includes global staff costs, office space and overheads, digital communication, and awareness-raising activities, averaged 43 per cent between 2010 and 2014 and has decreased to 33.9 per cent in 2015, at which time resources were in place to respond to the surge in donor support following the refugee crisis in Europe. The Advisory Committee was also informed that UNHCR aims to decrease the cost of fundraising to below 30 per cent.

17. The Advisory Committee welcomes UNHCR's launching of new initiatives and strengthening existing initiatives, such as the monthly-giving initiative, which have resulted in the receipt of additional unearmarked resources. The Advisory Committee encourages UNHCR to continue its efforts to broaden and diversify its donor base

including through strengthening the role of the national committees, while stressing the importance of maintaining continued support from traditional donors.

B. Global Service Centres in Budapest and Copenhagen

18. The High Commissioner indicates in his report that the headquarters category of the budget includes resources for the work carried out by the offices in Geneva, Brussels, New York, Budapest, and Copenhagen. With respect to the latter two locations, the UNHCR's global service centres, the Advisory Committee recalls that the increase in global programme posts during the biennium 2016-2017 is attributed to the transfer of posts from different locations to the Copenhagen Global Service Centre, and the establishment of new posts in Copenhagen to enhance support to the field (A/AC.96/1147/Add.1, para. 18). Upon enquiry, the Advisory Committee was informed that, in order to increase cost efficiency, UNHCR has moved transactional and/or technical functions carried out by Headquarter divisions out of Geneva to lower cost locations in Budapest and Copenhagen.

19. The Advisory Committee would have welcomed an update on the global service centre locations in Budapest and Copenhagen, including information on the support provided to UNHCR globally, efficiencies gained and lessons learned as a result of the establishment of these two locations. The Advisory Committee recommends that such information be included in future UNHCR budget submissions.

C. Working capital and guarantee fund

20. As indicated in paragraph 114 of the report of the High Commissioner, as per UNHCR's financial rules, the working capital and guarantee fund is established at a ceiling determined by the Executive Committee, which was raised from a level of \$10 million to \$50 million in the financial year 1990. In its draft general decision on administrative, financial and programme matters in annex VII of the report of the High Commissioner, the Executive Committee "determines the revised ceiling of the working capital and guarantee fund at \$100,000,000 effective 1 January 2017, pursuant to article 6.5 of the financial rules for voluntary funds administered by the High Commissioner for Refugees (A/AC.96/503/Rev.10), authorizing the High Commissioner to gradually transfer resources to reach the revised ceiling and requesting the High Commissioner to review periodically the adequacy of the level of the working capital and guarantee fund." **The Advisory Committee has no objection to an increase of the ceiling of the working capital and guarantee fund.**

IV. Report of the Board of Auditors

21. The Board of Auditors has audited UNHCR's financial statements for the year ending 31 December 2015 and issued an unqualified audit opinion, confirming that the financial statements present fairly and in all material aspects, the financial position, performance and cash flows of UNHCR in accordance with IPSAS and also issued eight main recommendations (A/71/5/Add.6).

Financial overview

22. The Board of Auditors indicates that the review of the financial statements confirms that UNHCR finances remain sound and there are sufficient assets to meet liabilities. Furthermore, the analysis of the main financial ratios confirms that, despite continued emergency pressures in 2015, UNHCR remains in a strong financial position, with high

levels of liquid assets. Overall net assets increased from \$1.12 billion in 2014 to \$1.46 billion in 2015, and accumulated fund balances and reserves were \$2.01 billion (2014: \$1.68 billion) and included cash and investments of \$1.09 billion (2014: \$799.2 million). The Board also states that the key financial indicators remain robust and that UNHCR continues to have a high ratio of current assets to meet its current liabilities. Furthermore, as a result of donations received at year-end 2015, there has been some improvement in the financial ratios, such as current assets to current liabilities. The Board states further that the surplus for the year of \$303.5 million (2014: a deficit of \$305 million) was due in large part to the significant increase in contributions received in 2015 of \$3.5 billion compared with \$2.9 billion in 2014, driven by donor commitment to funding the European migration crisis. In this connection, the Board of Auditors observed that all ratios for the years 2014 and 2015 had increased, as follows (A/71/5/Add.6, table II.1):

<i>Description of ratio</i>	<i>31 December 2015</i>	<i>31 December 2014</i>
Current ratio ^a (current assets: current liabilities)	8.6	6.9
Excluding future contributions receivable	5.7	4.6
Total assets: total liabilities ^b	2.7	2.3
Cash ratio ^c (cash + investments: current liabilities)	4.6	3.1
Quick ratio ^d (cash + investments + short-term accounts receivable: current liabilities)	7.5	5.7

Source: UNHCR financial statements.

^a A high ratio indicates an entity's ability to pay off its short-term liabilities.

^b A high ratio is a good indicator of solvency.

^c The cash ratio indicates an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds that there are in current assets to cover current liabilities.

^d The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to convert into cash. A higher ratio means a more liquid current position.

23. Upon enquiry, the Advisory Committee was informed by UNHCR that the ratio of cash and cash equivalents confirm sufficient funding to meet the financial obligations of the future period. In addition, UNHCR also informed that its annual pledging conference takes place in December, just before year-end and that, therefore, the financial position at year-end would show higher-than- usual current assets as contribution pledges for future periods are reflected as receivables.

Accuracy of population data

24. The Board of Auditors notes that UNHCR's resource requirements are based primarily on the data regarding the population of persons of concern and observed that in those instances where data verification exercises were undertaken, the accuracy of the data was significantly improved. In this connection, the Board observes that UNHCR's new biometric identity management system (BIMS) has the potential to address the challenges regarding the accuracy of population data, but that its impact was not routinely measured and that UNHCR had taken some steps to understand the demand of its operations for BIMS. The Board recommended that UNHCR develop more formalized processes for reviewing, verifying and reporting population data to ensure accuracy in resource prioritization and evaluating the benefits of the systems which are being used to enhance data collection.

25. The Advisory Committee concurs with the recommendations of the Board of Auditors and trusts that all recommendations are implemented in a timely manner. In

this connection, the Advisory Committee trusts that the Board of Auditors, in the context of its next audit review, continue to review that UNHCR is conducting data verification exercises as a consistent and routine measure in ensuring the integrity of population data.

Annex I

Expenditure for 2013, 2014, 2015; revised requirements for 2016; and proposed 2016-2017 biennial programme budget (revised) by category of expenditure (in thousands of US dollars)

Category of expenditure	2013 Expenditure		2014 Expenditure		2015 Expenditure		2016 Current budget ⁽¹⁾		2017 Proposed budget	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
A. Programme ⁽²⁾										
Staff costs ⁽³⁾	366,951.9	12.4%	410,922.8	12.3%	398,911.3	12.1%	485,592.8	7.2%	476,829.6	7.1%
Other staff costs ⁽⁴⁾	23,271.2	0.8%	23,274.7	0.7%	15,586.2	0.5%	35,279.0	0.5%	25,943.9	0.4%
Consultants	19,322.6	0.7%	26,243.7	0.8%	22,501.1	0.7%	63,644.2	0.9%	64,118.6	1.0%
Travel	25,920.9	0.9%	31,724.1	0.9%	26,052.0	0.8%	32,593.9	0.5%	28,491.6	0.4%
Contractual services	745,270.0	25.1%	1,069,351.6	31.9%	815,496.9	24.8%	3,444,607.2	50.9%	3,443,136.9	51.1%
Operating expenses	105,923.2	3.6%	163,731.0	4.9%	135,677.9	4.1%	322,719.6	4.8%	317,087.9	4.7%
Supplies and materials	562,783.8	19.0%	641,986.6	19.2%	466,211.5	14.2%	645,415.4	9.5%	642,179.7	9.5%
Furniture and equipment	116,622.5	3.9%	96,613.2	2.9%	69,010.5	2.1%	114,258.7	1.7%	110,620.7	1.6%
Other expenses ⁽⁵⁾	562,696.9	19.0%	427,229.4	12.8%	798,894.1	24.3%	915,458.4	13.5%	910,473.4	13.5%
Sub-total	2,528,762.9	85.3%	2,891,077.1	86.4%	2,748,341.6	83.6%	6,059,569.1	89.6%	6,018,882.3	89.3%
B. Programme Support										
Staff costs ⁽³⁾	191,528.9	6.5%	204,068.4	6.1%	248,621.3	7.6%	301,862.6	4.5%	317,196.6	4.7%
Other staff costs ⁽⁴⁾	26,137.1	0.9%	28,462.1	0.9%	31,159.8	0.9%	74,004.9	1.1%	65,777.4	1.0%
Consultants	4,853.8	0.2%	2,894.1	0.1%	736.2	0.0%	1,663.2	0.0%	2,705.7	0.0%
Travel	15,944.1	0.5%	16,150.1	0.5%	20,249.1	0.6%	24,975.9	0.4%	31,584.4	0.5%
Contractual services	10,898.2	0.4%	14,525.0	0.4%	24,535.8	0.7%	26,513.7	0.4%	35,522.6	0.5%
Operating expenses	26,870.6	0.9%	28,718.5	0.9%	38,204.6	1.2%	70,493.1	1.0%	67,805.3	1.0%
Supplies and materials	6,354.7	0.2%	5,260.8	0.2%	7,681.3	0.2%	9,423.8	0.1%	9,054.5	0.1%
Furniture and equipment	17,080.4	0.6%	14,561.0	0.4%	17,150.1	0.5%	23,203.7	0.3%	24,991.9	0.4%
Other expenses ⁽⁵⁾	12,080.2	0.4%	10,284.3	0.3%	11,539.2	0.4%	20,832.8	0.3%	21,547.4	0.3%
Sub-total	311,747.9	10.5%	324,924.3	9.7%	399,877.5	12.2%	552,973.5	8.2%	576,185.8	8.5%

Category of expenditure	2013 Expenditure		2014 Expenditure		2015 Expenditure		2016 Current budget ⁽¹⁾		2017 Proposed budget	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
C. Management and Administration										
Staff costs ⁽³⁾	83,459.1	2.8%	87,346.1	2.6%	87,583.7	2.7%	85,465.8	1.3%	90,460.0	1.3%
Other staff costs ⁽⁴⁾	2,073.2	0.1%	3,632.2	0.1%	3,948.9	0.1%	5,367.2	0.1%	3,612.5	0.1%
Consultants	2,122.0	0.1%	1,663.7	0.0%	2,031.1	0.1%	1,306.3	0.0%	1,035.3	0.0%
Travel	3,447.8	0.1%	3,050.0	0.1%	3,286.7	0.1%	3,703.8	0.1%	3,447.2	0.1%
Contractual services	11,053.0	0.4%	11,573.0	0.3%	17,914.3	0.5%	24,074.5	0.4%	22,339.9	0.3%
Operating expenses	11,194.8	0.4%	11,753.3	0.4%	11,516.7	0.4%	16,653.1	0.2%	14,024.8	0.2%
Supplies and materials	630.8	0.0%	752.1	0.0%	1,204.3	0.0%	533.1	0.0%	803.7	0.0%
Furniture and equipment	400.0	0.0%	2,142.0	0.1%	1,244.9	0.0%	971.4	0.0%	627.6	0.0%
Other expenses ⁽⁵⁾	8,922.9	0.3%	10,168.1	0.3%	11,190.6	0.3%	12,274.8	0.2%	11,774.1	0.2%
Sub-total	123,303.6	4.2%	132,080.5	3.9%	139,921.2	4.3%	150,350.0	2.2%	148,125.1	2.2%
Total programmed activities	2,963,814.5	100.0%	3,348,081.9	100.0%	3,288,140.3	100.0%	6,762,892.6	100.0%	6,743,193.3	100.0%

Note:

⁽¹⁾ 2016 current budget - as of June 2016

⁽²⁾ Amounts under Programme may change pending finalisation of all reports from Implementing Partners

⁽³⁾ Staff costs include salaries and allowances, excludes JPO

⁽⁴⁾ Other staff costs include temporary assistance and overtime

⁽⁵⁾ Other expenses includes Joint UN contributions, improvements to premises and other miscellaneous expenses