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Review of the efficiency of the administrative and financial functioning of the United Nations

Proposal to establish financial regulations of the Office of the United Nations High Commissioner for Refugees

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the United Nations High Commissioner for Refugees proposing the establishment of its own set of financial regulations that are specifically applicable to the organization.



Proposal to establish financial regulations of the Office of the United Nations High Commissioner for Refugees

Report of the United Nations High Commissioner for Refugees

Summary

The Executive Committee of the Programme of the United Nations High Commissioner for Refugees, through a decision taken at its seventy-second session, held from 4 to 8 October 2021, endorsed the proposal of the Office of the United Nations High Commissioner for Refugees (UNHCR) to seek the approval of the General Assembly to grant UNHCR the authority to develop and promulgate its own financial regulations.

The present report provides information about the considerations underlying the request by UNCHR to have its own financial regulations that are specifically applicable to the organization, as is the case for other United Nations entities.

The General Assembly is requested to approve the proposal to grant UNHCR the authority to develop and promulgate its own financial regulations.

Should the General Assembly give positive consideration to the proposal, UNHCR would develop the new financial regulations in close consultation with the Advisory Committee on Administrative and Budgetary Questions and the States members of the Executive Committee.

I. Introduction

1. The present report is submitted to the General Assembly following the decision adopted by the Executive Committee of the Programme of the United Nations High Commissioner for Refugees, on 8 October 2021 (see [A/76/12/Add.1](#)), to seek the approval of the Assembly to grant the Office of the United Nations High Commissioner for Refugees (UNHCR) the authority to develop and promulgate its own financial regulations that are specific to its operations.

2. In preparing the present report, account was taken of the provisions of the following General Assembly resolutions:

(a) Resolution [319 \(IV\)](#) of 3 December 1949, through which the General Assembly established UNHCR;

(b) Resolution [428 \(V\)](#) of 14 December 1950, through which the Assembly adopted the statute of UNHCR;

(c) Resolution [1166 \(XII\)](#) of 26 November 1957, through which the Assembly decided that appropriate financial rules for the use of all funds received by the High Commissioner under the terms of the resolution would be established, in consultation with the Executive Committee of the Programme of the High Commissioner, and in accordance with the statute of UNHCR and the Financial Regulations of the United Nations;

(d) Resolution [58/153](#) of 22 December 2003, on implementing actions proposed by the United Nations High Commissioner for Refugees to strengthen the capacity of his Office to carry out its mandate, through which the Assembly decided to remove the temporal limitation on the continuation of the Office contained in its resolution [57/186](#) and to continue the Office until the refugee problem was solved.

3. UNHCR has experienced tremendous growth over the past few decades, progressing from a resource-based budget of around \$1 billion in 2001 to a needs-based budget of almost \$9.1 billion in 2021. The organization is now the fourth largest United Nations entity in terms of expenditure outside the United Nations Secretariat (after the United Nations Children's Fund (UNICEF), the United Nations Development Programme (UNDP) and the World Food Programme (WFP), all of which have their own specific financial regulations). During this time of growth, the organization has adapted its support mechanisms to better enable it to deliver on its expanded operations. While UNHCR has always adapted to changing contexts, it is currently undertaking a significant process of transformation to simplify, streamline and modernize its systems, processes and policies over the coming years – a process that includes a comprehensive review of its financial regulatory framework. The process of transformation thus presents an important opportunity to address policy inconsistencies that have emerged over the years and to connect the various pieces of regulatory content in a way that maximizes their utility.

4. There are three levels of financial governance that guide UNHCR. The first level is the Financial Regulations of the United Nations, which are broad legislative directives governing the financial management of the United Nations. They are the foundation of the financial regulatory framework and they define the broad legislative directives that govern the financial management of UNHCR. At the second level, within the framework of the Financial Regulations of the United Nations, the High Commissioner formulates and promulgates the UNHCR financial rules, which, together with the Financial Rules of the United Nations, not only further define the parameters within which staff and the administration must exercise their responsibilities, but also constitute a statement as to how the Financial Regulations

of the United Nations should be implemented. The third level of financial governance is the internal financial policies issued by UNHCR.

5. Over the years, the alignment of the entire financial regulatory framework has become challenging because the Financial Regulations and Rules of the United Nations are designed to provide guidance for an organization funded by assessed contributions from Member States, whereas UNHCR is almost 99 per cent funded by voluntary contributions and has a significantly different governance structure to that of the United Nations Secretariat. Consequently, and for the reasons outlined below, UNHCR seeks the approval of the General Assembly to grant it the authority to develop its own specific financial regulations, as is the case for other United Nations entities.

II. Rationale for adopting financial regulations specific to the Office of the United Nations High Commissioner for Refugees

A. Background and analysis

6. When UNHCR was created in 1950, it was intended to be a temporary office to address the refugee problem in the aftermath of the Second World War, and its governance structures were anchored in those of the United Nations. Referring to the funds raised through voluntary contributions and the United Nations regular budget, in article 22 of the statute of UNHCR it is stated that: “Administrative arrangements for the custody of such funds and their allocation shall be agreed between the High Commissioner and the Secretary-General in accordance with the Financial Regulations of the United Nations and the rules promulgated thereunder by the Secretary-General.”

7. In 1957, through its resolution [1166 \(XII\)](#), the General Assembly decided that appropriate financial rules for the use of all funds received by the High Commissioner under the terms of that resolution would be established, in consultation with the Executive Committee of the Programme of the High Commissioner, and in accordance with the statute of UNHCR and the Financial Regulations of the United Nations. Accordingly, UNHCR developed its first set of financial rules in 1957, in accordance with the Financial Regulations of the United Nations.

8. Over time, the financial rules of UNHCR have evolved, in response to the changes that the Office has faced, and have been subject to various revisions. The most recent updates to the rules were carried out in 2011 and 2020. In 2011, UNHCR changed its rules to formalize the adoption of the International Public Sector Accounting Standards (IPSAS) (see [A/AC.96/503/Rev.10](#)). The most recent change to the financial rules – in 2020 – was approved at the seventy-first session of the Executive Committee (see [A/AC.96/1209](#)), for the primary purpose of introducing impact areas into the UNHCR results-based management framework (see [A/AC.96/503/Rev.11](#)), with effect from 1 January 2022.

9. However, the amendment of specific provisions of the financial rules of UNHCR in response to individual reform processes or other considerations does not lead to a comprehensive and coherent framework for budgetary and financial management as long as such amendments are not aligned with the higher legislative provisions contained in the Financial Regulations of the United Nations. In that context, the following aspects with regard to UNHCR might be of particular relevance:

(a) In 2003, the General Assembly removed the temporal limitation on the continuation of the Office and decided to continue the Office until the refugee problem had been solved (resolution [58/153](#), para. 9). Until that point, the Office's mandate had been renewed by the Assembly every five years, following an initial lifespan of three years;

(b) While UNHCR had a resource-based budget of approximately \$3 billion and revenue of less than \$1 billion in 2003, today the organization has a needs-based budget of over \$9.1 billion and raises almost \$5 billion in revenue annually;

(c) UNHCR embarked upon a significant transformation process (see EC/72/SC/CRP.17) with the adoption by the General Assembly, in September 2016, of the New York Declaration for Refugees and Migrants (resolution [71/1](#)), and the Assembly's subsequent affirmation of the global compact on refugees in 2018 (resolution [73/151](#)), which represented seminal developments that have reshaped how UNHCR and the international community respond to refugee crises. The role of UNHCR in implementing the global compact and the broader United Nations reform process are key drivers of the organization's transformation;¹

(d) In response to the evolving landscape, UNHCR has made significant structural changes at its headquarters to strengthen support for solutions and for programme planning, implementation, monitoring and the reporting of results. Decentralization and regionalization have moved strategic direction, management guidance, technical support and key decision-making processes out of its headquarters and closer to its operations. UNHCR has reinforced those more visible structural changes with greater delegation of authority for management at the point of delivery. UNHCR is further revising the framework of roles, accountabilities and authorities for its country operations, regional bureaux and headquarter divisions to support its newly decentralized and regionalized architecture;

(e) A new multi-year planning, budgeting, monitoring and reporting results-based management approach was launched in 2021. The new approach enables operations to develop longer-term protection and solutions strategies using a simplified results chain and a new global results framework, aligned with the global compact and the Sustainable Development Goals;

(f) In support of the transformations outlined above, UNHCR is significantly upgrading the main enterprise resource planning systems established across the organization for financial and human resources management.

10. The transformation process has presented significant opportunities to streamline the UNHCR financial regulatory framework, starting from its foundation in the financial regulations, to achieve increased efficiencies in response to transformed structures, modern systems and current challenges.

11. While the High Commissioner may, in consultation with the Executive Committee, amend the financial rules as and when deemed necessary, UNHCR does not have the ability to amend the Financial Regulations of the United Nations to reflect its own framework or operational needs. It is the assessment of UNHCR that those Financial Regulations are no longer fully adequate or suitable for the Office's current needs (see sect. C below). UNHCR would thus benefit from regulations designed to address the specific programming environment in which it operates, and financial rules that complement them.

12. The General Assembly, through successive resolutions, including those on the continuation of the Office, has established the mandate of the High Commissioner

¹ The UNHCR annual programme budget for 2022 provides an overview of the major reforms and strategic investments that UNHCR is undertaking (document [A/AC.96/1213/Rev.1](#), chap. I sect. D).

and conferred upon the Office the authority to receive funds and incur expenditures to provide international protection and seek solutions for persons of concern to UNHCR. The delegation of such broad authority by the Assembly was aimed at providing adequate freedom of action to the organization with regard to its operational activities. In exercising the powers entrusted to them for the execution of their functions, High Commissioners have over the years established financial policies and procedures that are suitable for UNHCR, but have often had to deal with matters that are not adequately or expressly covered by the Financial Regulations of the United Nations, some of which are outlined below.

13. Although UNHCR has operated under the Financial Regulations of the United Nations since its inception, the organization is undertaking a significant process of transformation and modernization. The Office's ability to design and implement more modern policies and efficient processes will be limited in some areas given that the principal financial regulatory instrument underpinning its present and future approaches is becoming increasingly removed from its evolving needs. For UNHCR to be fully equipped to take advantage of upcoming opportunities and efficiently respond to the challenges of the current environment, a comprehensive review of its financial regulatory framework will be required. As UNHCR is currently engaged in a transformation process, now is the optimal time to produce a high-level financial regulatory document for UNHCR that is consistent with its strategy and policy framework.

B. Financial regulations of other United Nations entities

14. The current proposal for UNHCR to develop its own financial regulations is not the first such proposal by a United Nations systems entity. A review of the structure of the financial regulations and rules adopted by other United Nations entities shows that other organizations similar in size to or smaller than UNHCR benefit from their own financial regulations.

15. The UNICEF experience is most similar to that of UNHCR. The accounts of UNICEF were maintained in accordance with the Financial Regulations and Rules of the United Nations until 31 December 1987, when its Executive Board adopted the UNICEF financial regulations and rules in accordance with a decision by the Economic and Social Council (see para. 17 below) and as approved by the General Assembly.

16. At the time, the Advisory Committee on Administrative and Budgetary Questions acknowledged that, although a number of Financial Regulations of the United Nations would require only adaptations to describe the corresponding aspects of the financial operations of UNICEF, others, such as those dealing with the United Nations programme budget and the necessary provisions of funds through assessment of contributions from Member States, were inapplicable to the needs of UNICEF. It also concluded that the methods for managing programmes could not be conveniently accommodated under those Financial Regulations. It advised on the possibility of establishing a specific set of regulations and rules for UNICEF in the same way as UNDP had done (see E/ICEF/1985/AB/L.2).

17. The Executive Board of UNICEF requested, by its decision 1986/8, the Council to recommend that the General Assembly authorize the Executive Director of UNICEF to promulgate the financial regulations required to meet the organization's needs, following approval by the Executive Board. The Council endorsed that conclusion (decision 1986/181) and recommended that the Assembly authorize the promulgation of appropriate regulations, which the Assembly subsequently did. The Executive Board then adopted the financial regulations of UNICEF by its decision

1987/13, taken at its regular session in 1987, and the UNICEF Executive Director subsequently established the organization's financial rules. The Financial Regulations and Rules of UNICEF were then published as document E/ICEF/1988/AB/L.3 on 19 January 1988.

18. Regarding WFP, the programme is governed by the General Regulations approved by the General Assembly and the Conference of the Food and Agricultural Organization of the United Nations (FAO). Pursuant to article XIV.5 of those General Regulations, the Executive Board of WFP has been granted the authority, after receiving advice from the Advisory Committee on Administrative and Budgetary Questions and the Finance Committee of FAO, to establish financial regulations to govern the management of the WFP Fund.

19. With regard to UNDP, an organization that had \$4.8 billion in revenue in 2019, it promulgated its own set of financial regulations in 1966 through decision 66/5 of its Governing Council, shortly after the organization's establishment in 1965.

20. The United Nations Population Fund (UNFPA), an organization that had \$1.5 billion in revenue in 2019 and was previously operating under the framework of the Financial Regulations and Rules of UNDP, established its own financial regulations, in 1974, which were approved by the Governing Council of UNDP by its decision 74/16.

21. Lastly, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), which had revenue of \$527 million in 2019, has had its own financial regulations and rules since its inception in 2011. The organization was established by the General Assembly by its resolution [64/289](#), through which UN-Women was simultaneously granted the authority to establish its own financial regulations and rules. The organization receives approximately 2 per cent of its contributions from the United Nations programme budget. Consequently, its financial regulations and rules contain language referring to the United Nations role with respect to that portion of the budget.

C. Limitations of the current Financial Regulations of the United Nations when applied to the Office of the United Nations High Commissioner for Refugees

22. Although the Office has achieved its objectives while operating under the Financial Regulations of the United Nations, financial regulations specific to UNHCR would strengthen the clarity and transparency of its financial regulatory framework and create the opportunity to focus on the special aspects of the UNHCR programme that are not adequately covered by the Financial Regulations.

23. Those Financial Regulations and Rules and the amendments thereto ([ST/SGB/2013/4](#) and [ST/SGB/2013/4/Amend.1](#)) contain many references to funding, governance structures, processes and terminology that are not relevant or applicable to UNHCR, such as references to elements that are specific to peacekeeping operations or to the International Court of Justice. Such irrelevant or inapplicable references create problems when it comes to transposing language that is specifically aimed at the United Nations Secretariat into the UNHCR context. Such references are so numerous as to render it unclear which regulations apply to UNHCR and what is the appropriate corresponding UNHCR terminology.

24. The Financial Regulations of the United Nations provide the framework for a programme budget cycle that is primarily focused on assessed contributions from Member States, including budget submission and approval processes that are distinct from those of UNHCR. Examples include a United Nations regulation on the results-

based budget framework which contains terminology that is not applicable to the UNHCR structure and requires elements that do not exist under the UNHCR needs-based budget. Another United Nations regulation sets out the duration of the budget period; whereas, consistent with other United Nations entities, such as UNICEF and UNFPA, UNHCR defines the budget period through other governance mechanisms to allow for flexibility without requiring changes to be made to the governing financial regulatory document should the budget period be changed. United Nations supplementary budgets are submitted to the General Assembly and reviewed by the Advisory Committee on Administrative and Budgetary Questions, whereas the High Commissioner has the flexibility to issue supplementary budgets and inform the Executive Committee thereof, thus allowing timely responses to humanitarian emergencies.

25. As the primary focus of the Financial Regulations of the United Nations is on the administration of the assessed contributions paid by Member States, there are a limited number of regulations related to voluntary contributions, such as in the areas of voluntary pledges, earmarked contributions and revenue-producing activities – areas that are of particular importance and relevance to UNHCR.

26. The official version of the Financial Regulations and Rules of the United Nations is issued as an integrated document in which each financial regulation is provided, followed by the related financial rules. The format reflects the integrated financial and internal control framework established by the regulations and rules in a single comprehensive document. In the case of UNHCR, an integrated presentation of its financial regulatory framework cannot be easily developed because its financial rules are promulgated in a separate legislative document approved by its Executive Committee. The rules address the specific needs of UNHCR and are not always aligned, in terms of structure and sometimes terminology, with the Financial Regulations of the United Nations. As the terminology in those Financial Regulations is distinct in many areas from that of UNHCR, and given that those Financial Regulations include many sections that are not applicable to UNHCR, it is a significant challenge to link the UNHCR rules with their parent regulations. It is thus difficult for a reader of the UNHCR financial rules to obtain a complete understanding of the financial and internal control framework without being able to see the regulatory context.

III. Proposal to establish financial regulations of the Office of the United Nations High Commissioner for Refugees

27. UNHCR proposes to establish its own financial regulations in a single document with an integrated presentation of financial regulations and their corresponding rules. The governance mechanism for the approval of the financial regulations would be similar to that of other United Nations entities, with the High Commissioner promulgating the financial regulations following consultation with the Advisory Committee on Administrative and Budgetary Questions and approval by the Executive Committee of UNHCR. Should UNHCR be granted the authority to develop its own financial regulations, the High Commissioner would also be required to revise the financial rules to complement those regulations.

28. In developing its own regulations, UNHCR would continue to be guided by the principles for good financial management and diligent accountability advocated by the Financial Regulations of the United Nations and other relevant United Nations policies and administrative instructions. At the same time, the quality of the financial information and reporting to the Executive Committee and the review thereof would be strengthened, as it would be established in the new financial regulations. The High

Commissioner would promulgate the financial regulations only after consultation with the Advisory Committee and approval by the Executive Committee of UNHCR.

29. A set of financial regulations and rules established for the specific needs of UNHCR would provide the organization with a foundation upon which to build increased efficiencies while developing corresponding policies, procedures and processes. This would allow for more agile mechanisms for financial management; consistency with the specific policies and procedures of UNHCR, including with regard to annual budgeting and accounting; improvements in meeting the long-term requirements of UNHCR; and consistency with the financial regulatory framework of other United Nations entities.

30. Should the General Assembly give positive consideration to the proposal, UNHCR would work throughout 2022 to draft the new financial regulations, in close consultation with the Advisory Committee and the States members of the Executive Committee. UNHCR proposes that the new financial regulations, together with a revised set of financial rules to be issued as contemplated thereunder, most of which would be drawn from the existing approved rules, would become effective on 1 January 2023, thus institutionalizing the consistency and quality of reporting that governance and advisory bodies expect from UNHCR.

IV. Action to be taken by the General Assembly

31. **The General Assembly is requested to approve the proposal to grant the Office of the United Nations High Commissioner for Refugees the authority to develop its own financial regulations to be promulgated by the High Commissioner after consultation with the Advisory Committee on Administrative and Budgetary Questions and endorsement by the Executive Committee of the Programme of the High Commissioner.**
