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EXECUTIVE COMMITTEE OF THE  
HIGH COMMISSIONER'S PROGRAMME

Fifty-fourth session

UNHCR ANNUAL PROGRAMME BUDGET

2004

ADDENDUM 1 – REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND  
BUDGETARY QUESTIONS

GE.03-02464

## I. GENERAL

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations High Commissioner for Refugees, entitled "UNHCR Annual Programme Budget 2004" (A/AC.96/979). During its consideration of these matters, the Committee met with representatives of the High Commissioner who provided additional information.

### Presentation

2. The Committee notes the streamlined presentation of the report and the efforts made to make it more results oriented. In Part II of the report (Programmes), strategic goals, global objectives and indicators of progress are given for 2004. The information is presented in a more concise manner than in 2003. The Committee believes, however, that some further improvements should be made with regard to the presentation of "indicators of progress". For example, under "indicators of progress," the Committee notes that in some instances outputs are presented rather than indicators of achievement (e.g., item 1.1.2). The Committee is of the view that it should be made clear to what extent outputs included in the presentation contribute to the attainment of the objectives and expected accomplishments of the goals mentioned in Part II of document A/AC.96/979. In future presentations, efforts should also be made to link the expected accomplishments and the cost of the related outputs, stating more precisely how the results sought would be achieved through the programme of work financed by the UNHCR budget. The Committee also recommends that the High Commissioner inform the Standing Committee from time to time on the progress made in the implementation of objectives for Part II (Programmes).

3. The Advisory Committee is aware that the implementation of results-based budgeting is in its early stages at UNHCR, as in other organizations of the United Nations system, and that refinements in budget presentation would be introduced as further experience is gained in performance measurement and application of results-based management methodologies. In this connection, the Committee recommends that UNHCR maintain close collaboration with other Funds and Programmes that have introduced results-based management systems (see, for example, DP/2003/28, paras. 22-23), with the objective of using common terminology. Terminology used by UNHCR should be included in future budget presentation in the annex on definitions.

4. Upon request, the Advisory Committee was provided with a copy of the organization chart of UNHCR headquarters, showing for each major organizational unit the proposed post changes and the total number of posts (see annex I to this report). The Committee requests that in the future it should be provided with a similar organizational chart at the time of its examination of the UNHCR's Annual Programme Budget,

### Refugees and other persons of concern to UNHCR

5. At the end of 2002, there were some 20.6 million persons of concern to UNHCR; the comparable figures for 2001 and 2000 were some 19.8 million and 21.8 million respectively.

Annex 2 to document A/AC.96/979 provides a breakdown by categories of persons of concern and by region. The Committee was informed that in some cases statistics were derived from UNHCR-supported census operations rather than the figures provided by the governments concerned.

6. Paragraphs 16 to 30 of document A/AC.96/980 provides information on the actions to be taken by UNHCR for strengthening its capacity on programme activities with regard to refugees and other persons of concern.

#### Annual and supplementary programmes

7. The initial estimates for the Annual Programme Budget proposed for 2004 amount to \$954.9 million, as compared with a revised annual programme budget for 2003 of \$1,149.7 million (\$809.1 under the Annual Programme Budget and \$313.2 under the Supplementary Programme Budget (A/AC.96/979, tables I.2 and I.3). The Advisory Committee notes a projected shortfall for 2003 of \$138.4 million, as at 1 July 2003. Upon enquiry, the Committee was informed that it would be possible to address the projected shortfall in the Annual Programme Budget by a combination of economy measures and the use of the operational reserve. With respect to Supplementary Programmes, if the full level of funds were not received, operations would be scaled back accordingly. The Committee requests that the High Commissioner inform the Executive Board about the latest situation before it decides on the revised allocation for 2003.

8. The Advisory Committee notes the budget parameters outline in paragraphs 13-14 of document A/AC.96/979, concerning a range of actions that UNHCR would be taking to protect it from a negative potential effect of exchange rate fluctuations. The Committee cautions against a hasty decision on this matter. In the Committee's opinion, a careful study should be made of the experience of similar attempts in other United Nations organizations and of prior observations of the ACABQ on this issue.

9. The Advisory Committee welcomes UNHCR's intention to improve the quality of programmes by more consistent use of standards and indicators covering certain key sectors (A/AC.96/979, para 19). The Committee encourages the Office to increase its efforts to obtain the full collaboration of other partners in setting these standards and indicators and in promoting burden sharing in meeting these standards.

#### The operational reserve

10. For 2004, the proposals of the High Commissioner include the establishment of an operational reserve with two components: the first would amount to \$60.9 million (representing 7.5 per cent of programme activities) and would continue to be for the purpose defined under financial rule 6.5, namely to cover unforeseen situations. The second component would be set initially at \$50 million with the purpose "exclusively to accommodate additional contributions for expanded or new activities that are considered as falling within the Mandate of the Office, but which have not been included in the Annual Programme Budget because of resource consideration" (A/AC.96/979, para. 30 (b)).

11. The Advisory Committee is of the view that before a policy decision is taken to set up yet another operational reserve, there should have been a thorough discussion on the matter. The budget document should not be the vehicle for a policy decision of this kind. The policy position of the Board should have been sought prior to the preparation of the budget. The current operational reserve was set up after thorough discussion and it is governed by rules and regulations that had been approved by the Executive Committee before the establishment of the reserve.

12. The Advisory Committee is also not convinced of the statement that the current budgetary procedure prevents the High Commissioner from receiving additional funding to cover activities that are not included in the Annual Programme Budget. This interpretation appears to be unnecessarily restrictive and is not supported by any existing rules and regulations. There is no financial regulation or rule that prevents the High Commissioner from receiving additional funds to implement activities that are consistent with the provision of the statute and mandate of the Office. If additional resources for UNHCR mandated activities become available after the approval of the Annual Programme Budget and before the approval of the next Annual Programme Budget, the High Commissioner should be able to receive these funds under a funds-in-trust arrangement with the respective donor under Supplementary Programmes. If donors make a multi-year commitment, the activities would be included in the Annual Programme Budgets of subsequent years. The Committee strongly recommends that the matter be reconsidered.

#### The United Nations regular budget

13. The Advisory Committee notes the information concerning the contribution from the United Nations regular budget to cover UNHCR's administrative expenditure (paras. 41-42 of document A/AC.96/979). Table III.6 of document A/AC.96/979 shows the posts to be funded from the United Nations regular budget as at 1 January 2004. The United Nations regular budget resources proposed by the Secretary-General for administrative expenditures of UNHCR for 2004-2005 amount to \$49.3 million, as compared with \$46.0 million appropriated for 2002-2003. The Advisory Committee has recommended to the General Assembly that the proposed increase in resource growth for 2004-2005 of \$2.5 million (before recosting) be reduced by one half of the resource growth, or \$1,250,000 (before recosting). Moreover, if accepted, this would be the second increase in the contribution from the regular budget for the administrative expenditure of UNHCR. The Committee expects no further requests for increase in the near term (see A/58/7, paras. VI.12-VI.14).

## II. THE SUPPORT BUDGET

14. The Support Budget for 2004, covering Programme Support (both field and headquarters) and Management and Administration (headquarters) is estimated at \$275.6 million, as compared with the Support Budget for 2003 of \$276.3 million (see A/AC.96/979, para. 73 and tables I.1 to I.2). Tables III.1 and III.2 of document A/AC.96/979 show the breakdown of the Support Budget by organizational unit, by main object of expenditure and by location (field and headquarters).

15. Table I.9 of document A/AC.96/979 shows an overview of UNHCR posts levels for 2003-2004 and tables III.4 and III.5 show the proposed distribution of posts for 2004 by organizational unit and an analysis of post changes by level and organizational unit. The initial projection for 1 January 2004 is for a total of 4,394 posts, as compared with 4,426 for 2003, as at 1 January 2003. For 2004, 717 posts are proposed for UNHCR headquarters and global programmes and 3,677 for field activities. These figures reflect both proposals for new posts and discontinuations. Under the Support Budget, 2,403 posts are proposed for 2004, as compared with 2,485 for 2003. In addition the Office has recourse to 148 Junior Professional Officers, 337 United Nations Volunteers, consultants and other personnel on short-term contracts (see A/AC.96/964, tables I.9, III.2 and III.5). The Committee recalls that it had indicated that the information on staff on short-term contracts is not transparent in the presentation of the estimates (see A/AC.96/964/Add.1, para. 9). This should be corrected in future presentations.

16. In this connection, the Advisory Committee points out that the United Nations Board of Auditors, during the five-year period covered by the Board review (1998-2002), has indicated that the number of UNHCR staff members has consistently exceeded the number of posts. The gap, according to the Board, has varied from 104 in 2000 to 952 in 2002 (20 per cent more than the 2002 allotted posts. Given the gap between staff members and posts and the increasing number of staff charged to temporary assistance budget lines (which funds staff not linked to a post) under "other staff costs", the Committee shares the concern of the Board that the information provided by UNHCR to the Executive Committee is not transparent. (see A/58/5/Add.5, paras. 69-75).

17. The Advisory Committee recalls its observations in paragraphs 11-14 of its report A/AC.96/964/Add.1 on the subject of "project staff". The Board of Auditors, in its report on UNHCR for the year ended 31 December 2002, has commented again on the issue of UNHCR's "project staff." The matter has also been reviewed in the past by the Office of the UNHCR Inspector General and the Office of Internal Oversight Services. The internal auditors have observed that UNHCR's "project staff" comprise individuals employed nominally by other organizations but who in fact work under direct UNHCR management in administrative positions (e.g., such as protection assistants, administrative, information technology or logistics assistants and clerks, radio operators, drivers, guards, etc.) with functions generally equivalent to those of staff at the General Service and National Officer level. The main reasons for resorting to the use of these "project staff", as stated by the internal auditors, had been to recruit outside the authorized staffing table, circumventing the established budgetary procedures (see A/58/5/Add.5, paras. 76-82). Upon request, the Committee was informed of steps taken to address the situation of the remaining 145 project staff. An update of the situation as at 5 September 2003 is shown in annex II to this report.

18. The Advisory Committee notes the follow-up to its observations on UNHCR's Annual Programme Budget for 2003 shown in annex 1 to the document A/AC.96/979. The Committee believes that in some instances its concerns have not been adequately addressed. For example, the Committee observed that the relationship between programme posts and programme support posts and programme costs was not explained adequately; the Committee noted that it appears that in some locations the cost of support and management activities in the field has been

understated while programme expenditure has been overstated (see A/AC.96/979, annex 1, para. 8). The Committee expects further progress in the next budget submission.

19. The Advisory Committee notes that the Board of Auditors has made specific recommendations on the management of UNHCR's "staff-in-between assignment" (see A/58/5/Add.5, para. 115). The Board noted that at the end of December 2002, 113 Professional and 16 General Service staff members remained without assignment after expiration of their standard assignment but on special leave with full pay. Overall, the duration in which Professional staff have been without assignment represented 350 person-years from 1998 to 2002, at the cost of several million dollars a year, according to the Board. Staff in between assignments undertake temporary assignments for which they are qualified but a minority is not tasked with any assignment at all, some of them for an extended period of time (e.g., as at 1 October 2002, 3 D-1 and 1 P-5 had not worked at all for UNHCR for respectively, 15, 30, 43 and 44 months, while being on special leave with full pay for the entire period). The Committee expresses concern and requests that the High Commissioner take urgent action to comply with the recommendations of the Board of Auditors and report on the matter of management of "staff-in-between assignments" in the next budget report. The Committee welcomes the assurance that it is the intention of the Office to introduce reforms, be more transparent and exercise stronger control of the staffing table.

#### Security

20. The issue of security of UNHCR's staff members is discussed in paragraphs 88-93 of document A/AC.96/979, and provisional estimates for security costs are shown in table III. 7 of the budget report. For 2004, the initial estimate amounts to \$21.1 million and includes \$3.3 million for the UNHCR's contribution for common system staff safety and security costs managed by UNSECCORD. Upon enquiry, the Committee was informed that about 54 staff positions for security were envisaged for the initial allocation, including six field security advisers based at headquarters. The Committee welcomes this information. It notes the information in paragraph 90 of document A/AC.96/979 and stresses the need for the Office to ensure that there is stronger collaboration with other partners operating in locations other than major urban areas. This collaboration should include burden sharing and optimizing the use of security assets in these locations subject at all times to the standards and guidelines set by UNSECOORD.

#### Information technology

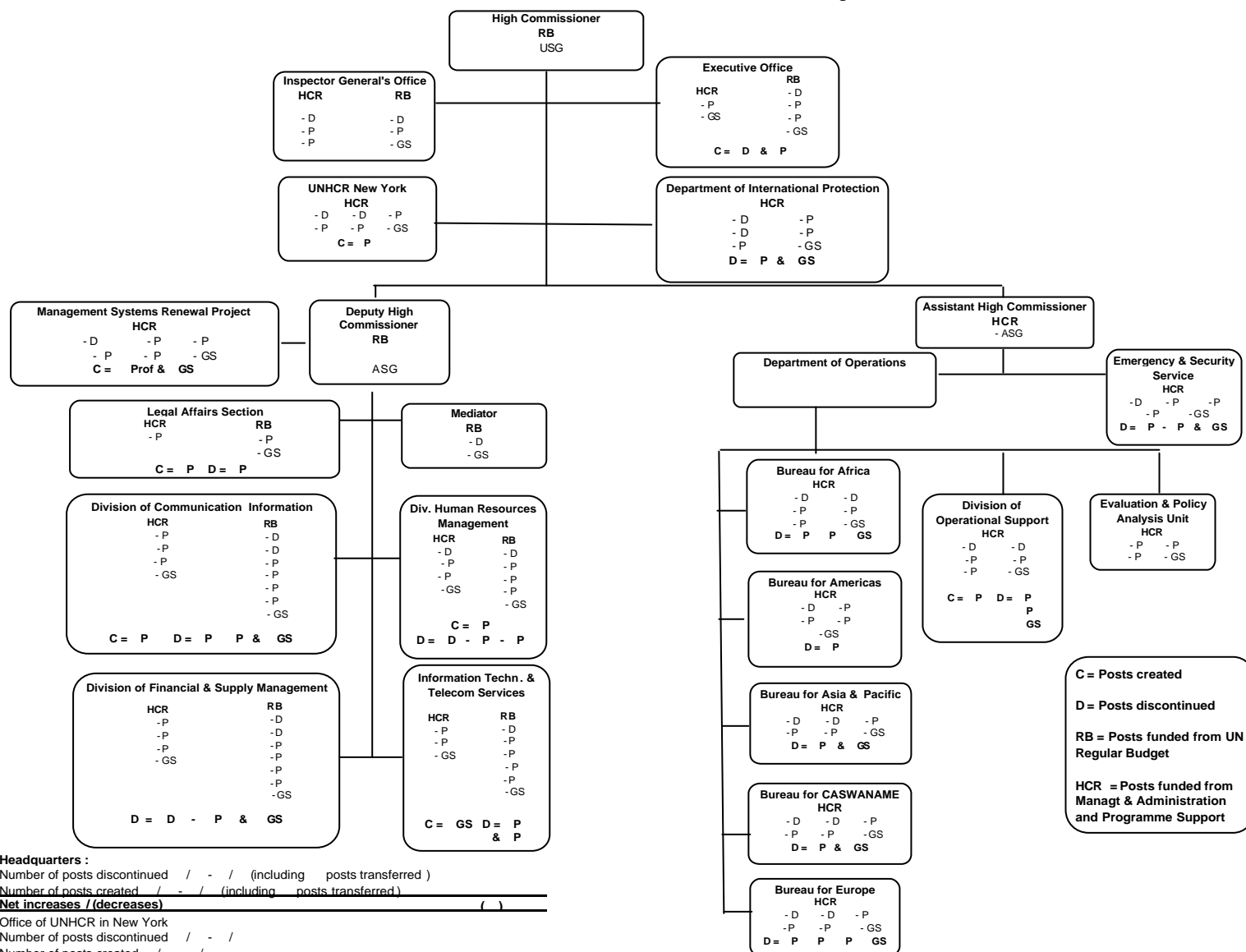
21. The Advisory Committee notes from table III.10 of document A/AC.96/979 that for the three-year period from 2002 to 2004 approximately \$78.4 million will have been spent or committed in information technology projects and activities, comprising staff costs, consultancies, contractual services and others.

22. Recalling its previous comments on information technology projects/modules (see A/AC.96/964/Add.1, para. 15), the Committee notes the information provided in paragraphs 97-107 and 110-111 of the budget report on IT matters and expresses its concern that there does

not yet appear to be a well-planned information strategy for the short and long term, including the specification of time frames and schedules of delivery. Upon enquiry, the Committee was informed of consultation by UNHCR with its donor community on IT resource requirements; however, no document on UNHCR's IT strategy, plans and budgets have been submitted for review and approval by the Executive Committee. The Committee remains concerned that the Executive Committee has not been fully informed about UNHCR's IT plans and requirements.

23. The Advisory Committee was assured that plans for implementation, including time frame and governance were in place in the Office of the High Commissioner. Upon request, the Committee was provided with a note on information technology deliverables and cost projections for 2005-2007 (see annex III to this report). In the Committee's view, it is essential for the Executive Committee to hold the Office accountable on IT matters, especially taking into account the large resources involved and the many critical remarks made in the past by the Board of Auditors and the ACABQ. The Committee recommends that the High Commissioner prepare a report on UNHCR's multi-year IT implementation strategy, identifying clearly short and long-term goals, planned project deliverables, related time frames and projected costs.

UNHCR HEADQUARTERS - ST JANUARY see Table III. Page





## UNHCR Project Staff

Update situation as at 5 September 2003

Country	Remaining project staff positions <sup>1</sup>	Proposed course of action
<b>CASWANAME</b>		
Pakistan	60	Discontinuation by the end of 2003 (within phasing out strategy in relation to Afghanistan repatriation)
Tajikistan	2	Discontinuation by the end of 2003
<b>EUROPE</b>		
Spain	5	Placement under commercial services
Germany	3	No longer project staff status (as placed under implementing partner supervision)
<b>AFRICA</b>		
Kenya	13	Results by December 2004
DRC	15	Results by December 2004
Tanzania	6	Results by December 2004
Guinea	21	21 converted to Temporary Assistance
Mozambique	2	Results by December 2004
Zambia	1	Results by December 2004
<b>AMERICAS</b>		
Canada	1	Discontinued
Mexico	2	Discontinued in 2003
Ecuador	5	4 converted to Temporary Assistance 1 discontinued
Argentina	1	1 converted to Temporary Assistance
<b>ASIA</b>		
Sri Lanka	7	3 converted to Temporary Assistance 4 to be discontinued at end 2003.
Thailand	1	Discontinued
<b>TOTAL</b>	145	

<sup>1</sup> As per Working Group recommendations document of March 2002

## INFORMATION TECHNOLOGY

The following sets out information regarding deliverables, time frames and associated costs related to UNHCR's Management Systems Renewal Project (MSRP). MSRP is a significant component of an overall business systems and technology renewal effort that spans multiple years. While this renewal effort is underway, there are ongoing (level of effort) tasks that must be carried out to support the day-to-day operations. As indicated in the original ACABQ submission, UNHCR's IT service will be dedicated to these level of effort tasks, and in addition will provide support to the renewal effort.

The table below details the deliverables, and categorizes them into renewal and ongoing efforts. The time lines for renewal deliverables ranges from 24 to 36 months; the ongoing deliverables are by definition continuous. Following the deliverables is a table outlining the cost projections for the MSRP over a four-year period, plus the IT support costs. Please note that 2004 figures are budgeted figures, and 2005 through 2007 are cost projections which will be refined, validated and revised during UNHCR's annual budgeting exercise.

### Deliverables

Description	Deliverable Type
<b>Management Systems Renewal Project</b>	
<b>Finance and Supply Chain Deliverables:</b>	
Implement additional finance modules (eg: Travel & Expenses, Budgets, etc.)	renewal
Implement field-specific supply chain functionality	renewal
Implement workflow	renewal
Develop and implement corporate reporting capabilities	renewal
Field roll-out of Finance and Supply Chain functionality	renewal
<b>Human Resources and Payroll Deliverables:</b>	
Develop HR and Payroll solution for local staff	renewal
Develop HR and Payroll solution for international staff	renewal
Develop and deploy self-service modules	renewal
Field roll-out of Human Resources and self-service functionality	renewal
<b>Technical Infrastructure Deliverables:</b>	
Complete migration of PeopleSoft environments to hosted site	renewal
Upgrade field office connectivity in preparation for field roll-out of ERP	renewal
Oversee roll-out of field office standards (desktop, LAN etc.)	renewal
<b>HQ and Field Transaction and Business Support Systems</b>	
<b>Mainframe Legacy Systems Support and Decommissioning (FI/SC/HR&amp;Payroll)</b>	
Provide support for FMIS HQ and purchasing systems	ongoing
Decommission finance and purchasing systems (archive data, provide reporting etc.)	renewal
Take over support for UNOG legacy payroll system	ongoing
Continue support for HR legacy systems & assist with PS data conversion & interface	ongoing
Decommission HR and payroll systems (archive data, provide reporting etc.)	renewal
<b>Legacy HQ LAN systems</b>	
Upgrade HQ LAN systems for new desktop standard (Windows XP)	renewal
Support HQ LAN systems	ongoing
Support continued roll-out of EDMS system	ongoing
<b>Legacy field systems</b>	
Provide support for FMIS field until PS field roll-out complete	ongoing
Decommission finance and purchasing systems (archive data, provide reporting etc.)	renewal
Upgrade field stand-alone and LAN systems for new desktop standard (Windows XP)	renewal
Support field stand-alone and LAN systems	ongoing

**Deliverables (cont.)**

Description	Deliverable Type
<b>Technical Infrastructure</b>	
<b>Telecommunications</b>	
With MSRP tech team, upgrade connectivity to field offices	renewal
Review and monitor PeopleSoft access to connected field offices	ongoing
Investigate alternatives for offices w/o 24x7 connectivity	ongoing
<b>LAN, Desktop, Office Automation, Intranet</b>	
Continue upgrade of HQ & field office standards (LAN, XP, corporate Intranet roll-out)	renewal
Upgrade LAN and network security	renewal
Support roll-out of EDMS to field offices	ongoing
<b>E-mail</b>	
Continue support and upgrade of e-mail messaging system	ongoing
Support integration of e-mail with ERP workflow requirements	ongoing
<b>Production Support</b>	
Develop PeopleSoft production support expertise	renewal
Assist business community with ERP first-line support	ongoing
Provide technical support/help desk for non-ERP systems	ongoing
Provide training for business community	ongoing

**Cost Projections for MSRP and ITTS**

mUSD	2003	2004	2005	2006	2007
Management Systems Renewal Project	16,039	18,272	16,256	14,600	10,700
ITTS Services (including support for MSRP)		13,655	14,205	12,564	12,308
<b>Total</b>		<b>31,927</b>	<b>30,461</b>	<b>27,164</b>	<b>23,008</b>

The costs shown above include staff costs, as well as costs for contractual services, consultancies, hardware and software and miscellaneous items. The following assumptions apply to these cost projections:

**Assumptions:**

1. MSRP Finance and Supply Chain, HR and Payroll are mostly completed by end 2005, field rollout continues into 2006
2. 2006 sees less major development in ERP but more custom systems
3. 2007 sees PeopleSoft upgrade, perhaps introducing new features
4. ITTS stays flat, new savings balanced by new expenditures, for example:
  - 2004 sees large-scale revisit and rationalization of telecoms
  - 2005 sees large scale revisit and rationalization of email
  - MSRP Project disbanded and responsibilities are divided into ITTS/Business owners late in 2004
5. ITTS high level strategy to evolve:
  - from 2004, studies to start on viability of Portals, Data-mining, technologies to enhance mandate execution (eg. Mobile systems, Distributed systems)
  - from 2004, investigation of strategy on custom development (development chain from needs identification to fulfillment, whether or not to outsource, which pieces, etc)
  - from 2004, restructure of ITTS, revisit of all methods and standards, revisit ITTS role and how mandate execution is supported
  - from 2004, rationalize and redistribute all ITTS functions not providing value to information through technology
  - from 2005, investigate outsourcing of specific areas as a result of rationalization and planning in 2004 (e.g. keep in house the interpreters and deliverers, farm out the manufacturers)