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EXECUTIVE COMMITTEE OF THE
HIGH COMMISSIONER'S PROGRAMME

Fifty-eighth session
Geneva, 1-5 October 2007
Item 5 of the provisional agenda
Consideration of Reports on the work of the Standing Committee

**Report of the fortieth meeting of the Standing Committee
(19-20 September 2007)**

Report by the High Commissioner

I. INTRODUCTION

1. The meeting was opened by the Vice-Chairman of the Executive Committee, His Excellency Ambassador Wegger Strømme (Norway), who chaired the meeting throughout.

II. ADOPTION OF THE AGENDA OF THE FORTIETH MEETING

2. The Agenda for the meeting (EC/58/SC/CRP.20/Rev1) was adopted.

III. ADOPTION OF THE DRAFT REPORTS OF THE THIRTY-EIGHTH AND
THIRTY-NINTH MEETINGS

3. The adoption of the draft reports for the 38th and 39th meetings of the Standing Committee, as contained in documents EC/58/SC/CRP.8 and EC/58/SC/CRP.19 and Corr.1 respectively, was deferred.

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IV. PROGRAMME BUDGETS AND FUNDING

4. The Deputy High Commissioner introduced this item with a comprehensive overview of the situation of the 2007 programme budgets and funding. He noted that the financial situation was better than in previous years and that UNHCR was almost meeting its funding target for the Annual Programme budget; however, he cautioned that for UNHCR to stay on target, Governments would need to deliver on the pledges that they had made. With regard to Supplementary Programme Budgets, those benefiting internally displaced persons (IDPs) were well funded, but others required more support.

5. With regard to the 2008 and 2009 Biennial Budget, the Deputy High Commissioner announced that there would be only modest increases, including the proposal to raise the appropriation level of the “New or additional activities – mandate-related” (NAM) reserve. He alerted delegates to the fact that while its population of concern had increased, UNHCR’s budgets had remained relatively flat in real terms over the years. Yet, other agencies had increased both their responsibilities and their budgets. The Deputy High Commissioner stressed that there were still substantial unmet needs and proposed to present the overall gap and an analysis of the consequences of this at the next meeting of the Standing Committee.

6. The Deputy High Commissioner noted that UNHCR had received the report of the Advisory Committee on Administrative and Budgetary Questions the evening before the meeting. He outlined some of the main issues raised in the report, notably the challenge of staff in between assignments (SIBAs); staff costs; and the relationship between UNHCR and its implementing partners. The Deputy High Commissioner pointed out that 80 per cent of SIBAs were actually working. He also announced that a new performance appraisal system would be put in place by the end of the year.

7. The Deputy High Commissioner confirmed that despite a number of hurdles, the structural and management change process was on schedule. A new resource allocation framework was in place and a new budget committee had been created. One of the advantages of the new budget structure being proposed would be that needs and activities would be presented in their entirety. He offered to meet with any delegations who still had reservations with regard to the proposal to clarify outstanding issues.

8. Several delegations welcomed the Deputy High Commissioner’s intention to present the unmet needs and the consequences of this at the 41st Standing Committee in March 2008. Those delegations that still had misgivings were urged to take up the Deputy High Commissioner’s offer on further consultations. Several delegations supported his proposal for a more holistic budgetary approach that would encompass supplementary programme budgets.

A. Update on programme budgets and funding for 2007

9. The Director of the Division of External Relations commented that 2007 had been a good year so far in terms of fund raising and expressed UNHCR’s appreciation for contributions received. Although the level of contributions was higher than in previous years, the fact that 86 per cent of these contributions came from 14 donors was a concern, and it would still be a challenge to end the year with sufficient funds. The Director recalled that private sector

fundraising played an important role in UNHCR's strategy to diversify its funding sources and raise around USD 100 million from the private sector by 2011. While this was an ambitious goal, the Office had already started putting in place the mechanisms needed to help drive the growth. In particular, additional investment funds had been approved, a decentralized regional support structure put in place, new market entry plans prepared, and new partnerships were being built.

10. The Controller and Director of the Division of Financial and Administrative Management opened his presentation by reviewing overall trends. He noted that, in 2006, total funds available exceeded total expenditures by USD 114.2 million, as compared to USD 67.2 million in 2005. Projected total funds available for 2007 of USD 1,332.3 million against a total budget of USD 1,453.8 million reflected an overall funding shortfall of USD 121.5 million (a shortfall of USD 121.7 million under Supplementary Programme Budgets, offset by a projected USD 200,000 surplus under the Annual Programme Budget, excluding the USD 24 million foreign exchange fluctuation buffer). At 31 July, expenditure stood at USD 640 million (USD 535.4 million under the Annual Programme Budget and USD 104.7 million under the Supplementary Programme Budgets). For 2007, UNHCR was cautiously optimistic that total funds available would be in balance with budgets and expenditures. However, for the Office's projections to materialize, UNHCR would have to continue to exercise prudent financial management on the one hand, and to expect donors, on the other, to assist in achieving the further projected income requirements through to the end of the year.

11. The Controller announced that the Office would be requesting an increase of the appropriation under the "New or additional activities – mandate-related" (NAM) reserve from USD 50 million to USD 75 million starting in 2007.

12. Several delegations commended the quality of the documents and welcomed the anticipated report on unmet needs. A number of delegations asked for more information about the NAM reserve and why the proposed increase went beyond 2007. Nevertheless, several delegations expressed support for the proposed increase as long as there was no impact on resource flows to the Annual Programme Budget. Many delegations expressed concern about UNHCR's small donor base and encouraged other countries to contribute more. Some delegations said that host country contributions were not visible and should be quantified.

B. Proposal for a revision of the Financial Rules

13. The Deputy High Commissioner explained that the NAM reserve was a special budgetary space that had been created for activities for which funds had been offered to UNHCR, but had not been included in the Office's budget structure. These activities came with funds attached and could therefore never divert funds from the Annual Programme Budget. The Deputy High Commissioner proposed to reformulate the corresponding text for the revision of the Financial Rules to reflect that the adjustment to USD 75 million would be temporary. The draft decision contained in annex II of document EC/58/CS/CRP.26 was not adopted and a new text will be included in the draft General Decision on Administrative, Financial and Programme matters to reflect this.

C. UNHCR's Biennial Programme Budget for 2008-2009

14. The proposed 2008-2009 biennial budget amounted to USD 1,096 million and USD 1,133.8 million respectively, including the Operational Reserve and a NAM Reserve at USD 75 million, assuming that the Executive Committee approved the requested increase. The Controller recalled that the 2008-2009 budget submission did not yet reflect the Office's recent decision to outpost a number of administrative functions from Headquarters to Hungary. At this point, it was foreseen that 16 Supplementary Programme Budgets would be continued into 2008 (six of which were for IDPs), and that the Supplementary Programme Budget for the Repatriation and Reintegration of Refugees in the Democratic Republic of the Congo was being mainstreamed in 2008.

15. The Controller went on to describe the main developments from 2007 through 2009 relating to fiscal management. In 2007, fiscal stability had improved: budgets had not been capped, exchange rate fluctuations had not been adverse and income and liquidity levels had been adequate in support of operations. MSRP/Peoplesoft Financials would be further optimized to support improved automated budgetary control and a streamlined resource allocation framework. There would also be a new Treasury Management System to strengthen liquidity, investment and risk management. This would also facilitate Results-based Management in conjunction with the adoption of a more logical output/impact-oriented budget structure.

16. The adoption of International Public Service Accountability Standards (IPSAS) by 1 January 2010 was a critical requirement for ensuring best practice and more uniformity of accounting across United Nations agencies in order to facilitate consistency in disclosure and comparability. Since UNHCR already had in place annual audited accounts and annual budgets and an ERP system (MSRP/Peoplesoft), the budgetary implications of adopting IPSAS would not be as significant as for some other agencies. IPSAS would provide the way forward for much needed improvements in asset management, including recording, verification, monitoring and control of inventories and capital items.

17. Concerning other accounting and disclosure-related issues, following the United Nations Controller's recommendation in March 2007, UNHCR would recognize its liabilities related to After Service Health Insurance (ASHI), repatriation benefits and annual leave in its financial statements for 2007. The actuarial valuation for ASHI at the end of 2006 was USD 264.7 million. The estimated amounts for repatriation benefits and for annual leave were USD 150.4 million and USD 31.7 million respectively. With total liabilities amounting to USD 446.8 million, UNHCR anticipated presenting a proposal on funding these liabilities at the 42nd Standing Committee meeting in June 2008.

18. Several delegations expressed support for the proposed 2008-2009 budgets, noting that these seemed to be realistic and based on needs, while falling short of covering the overall needs. Several delegations noted that the increase in UNHCR's population of concern was not reflected in the proposed budgets, in particular in the Middle East.

V. MANAGEMENT, FINANCIAL CONTROL, ADMINISTRATIVE OVERSIGHT AND HUMAN RESOURCES

A. Finance

19. Introducing UNHCR's accounts for 2006 (A/AC96/1036), the Controller stressed that, as a result of rigorous and cautious financial management, a markedly more favourable financial position had been achieved during 2006 in comparison with 2005. With an Annual Programme Fund carry-over of USD 58.8 million and signs of continuing strong donor support, the High Commissioner had created a buffer of USD 24 million (equivalent to the exchange gains of 2006) to ensure that income fluctuations due to exchange rate movements would not have a negative impact on refugee programmes. These favourable circumstances had also allowed the High Commissioner to address specific needs in 2007 more adequately in the areas of health, nutrition, and sexual and gender-based violence (SGBV) in refugee camps.

20. On a question about the high levels of unliquidated obligations, the Controller replied that less than 10 per cent of the reported amount was still outstanding at the end of June. Another delegation asked about carry-over projections to which the Controller replied that UNHCR hoped to have more than the currently projected USD 24.2 million (which included the USD 24 million buffer).

B. Oversight

21. An advance copy of the Report of the Board of Auditors on UNHCR's accounts for the year 2006 (A/AC.96/1039) had been made available, in view of its late receipt the previous night. The Controller noted that the main risk areas jointly identified with the auditors were non-expendable property; compliance on audit certification by implementing partners; and unliquidated obligations. He outlined the problems and the proposed mitigation measures for each of the three areas. Delegations appreciated that many audit recommendations had been addressed, but expressed disappointment that a high percentage were still outstanding after more than one year. Furthermore, it was pointed out that many issues were not technology-related but required senior management attention.

22. The Senior Auditor of the United Nations Office of Internal Oversight Services (OIOS) reported on internal audit in UNHCR for 2006-2007 (A/AC.96/1041). One delegation called on UNHCR to improve on its follow-up of qualified implementing partner audit opinions and with regard to the OIOS comments on procurement. UNHCR was requested to update asset data and to safeguard assets from loss and theft. Another delegation suggested that UNHCR should put in place an anti-fraud policy.

C. Management

23. Introducing document (EC/58/SC/CRP.24) the Director for Structural and Management Change outlined progress on the various strands of the change process, including outposting; decentralization and regionalization; the field review; resource allocation and the proposed new

budget structure; and human resources' management. He reaffirmed his commitment to keeping the Standing Committee fully informed as different aspects of the process move ahead, and expressed his appreciation for the feedback received through Standing Committee meetings and informal consultations.

24. With regard to outposting, the Director thanked delegations for their continued support and reminded them of the funding appeal issued in July. He recalled that, while outposting would eventually yield significant savings (an annual USD 9.5 million as of the third year of operating), it was of crucial importance that UNHCR received assistance at the initial stage of setting up the Service Centre in Budapest so as not to divert funds from field operations. The USD 20 million included in the appeal represented total start-up costs, but only half of that amount, or USD 10.7 million, represented an additional requirement, since the remainder would be offset by accrued savings. On specific contributions made so far, the Director thanked the Hungarian Government for their generous provision of premises and related services and for their collaborative and supportive approach. He also expressed appreciation for the contribution of AUD 300,000 pledged during the meeting by one delegation. He added that, while no further contributions had so far been pledged, several donors had indicated that they had the matter under active consideration.

25. The Director briefed delegations on framework decisions that had been taken on decentralization and regionalization, stressing that this aspect of reform would be a phased process leading to a new configuration of regional structures by 2010. Current plans may need adjustment as time went by, to respond to evolving realities on the ground. He also highlighted the importance of developing the institutional mechanisms required to support a more decentralized way of working. Key amongst these would be the elaboration of an accountability framework for regional structures, work on which would be undertaken with the support of the Consultancy Management Fund. In the next phase of its Field Review, the change process would examine a number of operational issues in greater depth, notably implementing arrangements, the balance between staff deployment in capitals versus field locations, and that between international and local staff.

26. In terms of human resources management, the Director mentioned the introduction and successful implementation of a 360-degree feedback system for senior managers, as well as a Strategic Leadership Programme. A programme for management assessment and a revision of the organization's competency framework and performance management process were well under way. In addition, the High Commissioner had called for a joint staff-management process to review the issue of appointments, postings and promotions. Finally, underlining the high importance attached to the Global Staff Survey which had first been implemented in late 2006, a follow-up process had been launched in May 2007.

27. Delegations expressed support for the structural and management change process and appreciation for the transparent manner in which the outposting process had taken place, calling for further updates in due course. In response to a request for clarification regarding the staffing arrangements in Budapest, the Director explained that during the transition period the total number of staff members located in the Budapest Service Centre would rise to 166, including transitional staff needed to ensure adequate training and knowledge transfer. Once transitional posts were phased out by the end of 2009, this total would fall to 143.

28. With regard to decentralization and regionalization, delegations welcomed the phased approach being taken. They highlighted the need to avoid a “one size fits all” approach and duplication, and emphasized the need to handle certain global functions such as resettlement with particular care, and to keep the focus on operational effectiveness. Delegations urged UNHCR to consider lessons learned from previous experiences as well as experiences of other agencies. Asked how UNHCR’s plans related to overall United Nations reform and in particular the “Delivering as One” initiative, the Director responded that this was one of the issues giving impetus to further decentralization in UNHCR, in view of the heightened importance of collaboration amongst United Nations agencies at the regional and local levels. In response to delegations’ concerns that decentralization might weaken management control, the Director affirmed that through decentralization and regionalization, UNHCR would be able to rationalize the management burden currently falling on Headquarters and strengthen its capacity to strengthen its key role of strategic management and oversight. In addition, Headquarters would be able to ensure global coherence and consistency of organizational policy, while allowing the Field the necessary flexibility to respond to different and changing operational realities. Several delegations urged that reporting lines between Field Offices and Regional Structures as well as between Regional Structures and Headquarters must be clearly identified to avoid duplication and confusion.

D. Proposal for the redesign of UNHCR’s budget structure

29. With reference to document EC/58/SC/CRP.25, the Director outlined the new resource allocation framework that UNHCR had introduced in July 2007, as well as the proposal for a new budget structure. Key features of the new resource allocation framework include increased delegation of authority to Regional Bureaux and the Field; clarification of roles and accountabilities; and the establishment of a Budget Committee to replace the Operations Review Board. The new proposed budget structure, for its part, aimed at facilitating results-based planning and reporting; safeguarding UNHCR’s refugee activities from any impact from its involvement with IDPs; providing the flexibility required to operate effectively in a changing institutional context; and enhancing transparency and ExCom governance over the totality of UNHCR’s budget.

30. Many delegations supported the proposed redesign of the budget structure, cautioning that a delay in accepting the new structure could negatively impact current efforts to improve results based management. However, many other delegations were of the view that the proposal required further consultation to ensure that it satisfied a variety of needs and effectively meets the goals that it has set itself. Questions were asked as to whether the structure would effectively safeguard activities on behalf of refugees and why reintegration activities should be managed on a project basis.

VI. REGIONAL ACTIVITIES AND GLOBAL PROGRAMMES

A. Emergency preparedness and response

31. Presenting document EC/58/SC/CRP.22, the Director of the Division of Operational Services reviewed the emergencies in which UNHCR had intervened in 2006 and the first eight months of 2007, including Iraq, Lebanon, the earthquake in Pakistan, and Somalia. The Office was committed to achieving a standing response capacity with relief items for up to 500,000 individuals. UNHCR had also taken steps to improve its emergency staffing capacity, including standby arrangements with partners, and specific financial procedures which enabled the Office to mobilize staff and funds within 72 hours. Another key aspect was the development of early warning and early action mechanisms in the IASC sub-working group. While UNHCR's early warning system had been providing information on potential crises, it had not been sufficiently instrumental in triggering preparedness measures.

32. Delegations expressed support for UNHCR's effort to improve its emergency response preparedness and stressed the need for increased partnership with in the United Nations System and with non-governmental organizations. Some delegations asked about balance between safety and security requirements as established by the United Department of Safety and Security and the operational needs of UNHCR. There were also questions about local staff and contractors working for UNHCR. Delegations supported the creation of the fast track appointment system to bridge the gap between emergency deployment and regular posting.

B. Real-time evaluations of UNHCR's involvement in operations for internally displaced persons and the Cluster Approach

33. The Senior Policy Officer presented the methodology of the Real-Time Evaluations (RTEs) undertaken in accordance with UNHCR's Evaluation Policy and RTE Guidelines. The aim of the evaluations was to capture key lessons and to feed these back as quickly as possible into the implementation strategy. The RTEs were undertaken in five countries, namely Chad, the Democratic Republic of the Congo, Liberia, Somalia and Uganda. The final reports have been fed into the independent OCHA-led inter-agency evaluation of the Cluster Approach which is scheduled to be concluded in 2008. She underlined that the reports and the analysis represent the findings of the evaluation teams, and not an "agreed" UNHCR position.

34. The Senior Coordinator for IDP Situations presented the findings of the evaluation teams, as presented in document EC/58/SC/CRP.23. UNHCR's overall performance was assessed as positive, although there were a number of significant challenges, including:

- the follow-on deployment of core staff, and the need for additional training;
- the need for a more flexible budget structure at the field level;
- the need for clarity in the definition of UNHCR's beneficiaries as an operational agency, as opposed to those targeted as a global cluster lead;

- the importance of providing support to and engaging with respective national authorities; and
- the need to maintain an early recovery cluster to facilitate transition and humanitarian exit strategies, as well as to provide durable solutions for the displaced.

35. The Senior Coordinator welcomed the additional focus that protection sub-clusters had given to human rights issues, child protection, SGBV, land and property restitution, HIV and AIDS, and to the rule of law. He also welcomed the close links that had evolved between the protection and the Camp Coordination and Camp Management clusters on IDP profiling and information management. Protection concerns should be included in all clusters and emergency shelter should be seen as an essential, life-saving, protection activity and not as an item for non-food item delivery alone.

36. The evaluation teams found that UNHCR's work for IDPs had not had any negative impact yet on its mandated responsibilities for refugees, but cautioned that further expansion of its contribution to the cluster approach could put this at risk unless additional resources were made available. The evaluation teams concluded that the cluster approach was still maturing and recommended that for ongoing humanitarian emergencies, it should remain a field-driven emergency gap-filling mechanism. In respect of the findings of the RTEs, UNHCR had initiated follow-up at both field and headquarters' levels.

37. Delegations welcomed the real-time evaluations and appreciated that they had been conducted at such an early stage. They expressed interest in the forthcoming independent inter-agency evaluation on the cluster approach. Several delegations suggested taking into account the recommendation to avoid the creation of parallel structures in field offices working with IDPs and refugees and to give them more flexibility to respond to fast changing needs, when considering the proposal for the new budget structure. A number of delegations raised concerns about the teams' assessment regarding the slow deployment of trained and experienced staff to deal with the additional leadership challenges of the new cluster responsibilities. Some commented that the new fast track procedures might alleviate this problem. UNHCR was invited to further improve its training activities, staff assessment and support from the Headquarters. Several delegations expressed concern about the repercussions that UNHCR's involvement with IDPs could have on its refugee programmes. A few delegations recognized the need for additional resources and donor support so UNHCR could improve its contribution to the cluster approach.

38. In line with the evaluation report, delegations highlighted the importance of early recovery which should be well-integrated in all clusters. UNHCR was encouraged to include early recovery matters and to focus on other cross-cutting issues in its capacity as cluster lead. UNHCR was also urged to give due attention to transition issues, durable solutions for IDPs and on exit or disengagement strategies.

VII. COORDINATION

39. The Director of the Division of External Relations affirmed that partnerships were essential to effectively meet the fast evolving challenges posed by protecting and assisting millions of people of concern to UNHCR. He described partnerships with the World Food Programme in some 30 operations; with NGOs; with the private sector; and with the Constitutional Court in Colombia. Some delegations expressed their appreciation for UNHCR's efforts to ensure optimal collaboration with other actors and stressed the importance of coordination. There was a request for concise information on key successes and further discussion on exit strategies and disengagement.

VIII. ANY OTHER BUSINESS

40. An amendment to the draft report of the 39th meeting proposed by the delegation of the Netherlands was made available to delegations in the room and would be incorporated into the revised draft report to be presented subsequently for adoption, together with the reports of the 38th and 40th meetings of the Standing Committee. There being no other business, the Chairman declared the 40th meeting of the Standing Committee closed.

LIST OF POINTS
FOR FOLLOW-UP ACTION

1. UNHCR to present a report on unmet needs of population of concern, and the impact thereof, at the 41st meeting of the Standing Committee in March 2008.
2. UNHCR to present a proposal to fund after service liabilities (estimated at USD 446.8 million) to the June 2008 Standing Committee.
3. Request for concise information on key successes under agenda Item 6. with regard to Coordination.
4. Calls for further discussions on exit strategies and disengagement.
5. Calls for further consultations on the budget structure.
