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### EXECUTIVE COMMITTEE OF THE HIGH COMMISSIONER'S PROGRAMME

Fifty-ninth session  
Geneva, 6-10 October 2008  
Item 5 of the provisional agenda  
Reports on the work of the Standing Committee

#### **Report of the forty-third meeting of the Standing Committee (23-24 September 2008)**

##### Report by the Standing Committee\*

#### I. INTRODUCTION

1. The meeting was opened by the Chairman of the Executive Committee, His Excellency Ambassador Boudewijn van Eenennaam (Netherlands).

#### II. ADOPTION OF THE AGENDA OF THE FORTY-THIRD MEETING

2. The Agenda for the meeting, as contained in conference room paper EC/59/SC/CRP.21/Rev.1, was adopted.

\* Report adopted by the Standing Committee at its resumed meeting on 7 October 2008.

### III. ADOPTION OF THE DRAFT REPORT OF THE FORTY-SECOND MEETING OF THE STANDING COMMITTEE AND A CORRIGENDUM TO THE REPORT OF THE FORTY-FIRST MEETING

3. The draft report of the 42<sup>nd</sup> meeting of the Standing Committee, contained in document EC/59/SC/CRP.20, was adopted. The adoption of the corrigendum to the report of the 41<sup>st</sup> meeting of the Standing Committee (EC/59/SC/CRP.7/Corr.1) was deferred.

### IV. PROGRAMME BUDGETS AND FUNDING

4. The Deputy High Commissioner introduced this item, commenting on four areas: the budgetary process; the revised budget; the reform process; and work under way to assess the actual needs of UNHCR's beneficiaries.

5. On the budget, he explained that the Office was seeking the Committee's approval to increase budgetary space to compensate for exchange rate fluctuations. When exchange rates moved in UNHCR's favour, it needed to seek additional budgetary space to be able to spend the money; whereas a negative exchange impact meant that the Office needed additional funds to counter the losses. The revised 2009 Programme Budget had also been affected by actual cost increases, owing to the devaluation of the US dollar as well as the rise in food and fuel prices. Most of the losses had been absorbed, but some adjustments to the revised budget were required.

6. The Deputy High Commissioner then commented on the reform process and the question as to whether such a prodigious set of changes could be absorbed by the organization. He informed the Committee that everything related to reform should be tabled by the end of the year and completed by June 2009. Streamlining and reducing costs at Headquarters would continue with reviews of structures and processes, as well as decentralization and regionalization of authority and offices. Human resources reforms under way would include initiatives to address the issue of staff in between assignments. The Deputy High Commissioner stressed that the goal of the reform process was to become more efficient and to have more funds for projects that would directly benefit the Office's beneficiaries.

7. On the Global Needs Assessment (GNA), the Deputy High Commissioner explained that, contrary to previous resource-based budgeting strategies, the GNA was designed to document the actual needs of populations of concern to the Office. However, he underlined that the responsibility for addressing these needs lay on the shoulders of the international community, not on UNHCR. The needs identified through the GNA would be included in the 2010-2011 budget.

#### A. Update on programme budgets and funding for 2008

8. The Director of the Division of External Relations presented an update on the funding situation of the 2008 annual and supplementary programmes, as outlined in EC/59/SC/CRP.22. While for the Annual Programme the projected shortfall would be relatively modest, the situation for the supplementary programmes varied, some being fully funded while others needed

additional support. The Controller provided further details, welcoming the strong level of donor confidence. However, she pointed out that despite a nominal increase in contributions, the real increase was smaller when inflation was taken into account.

9. Several delegations regretted the late delivery of important documents and some echoed the recommendation of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) to streamline the budget document. Several delegations asked about the impact of the projected USD 10.6 million shortfall under the Annual Programme Budget and whether the Operational Reserve could be used to cover it. Several delegations urged donors to limit earmarking, recalling that high levels of earmaking went against the principles of good humanitarian donorship.

10. The Deputy High Commissioner acknowledged the problems related to the length and availability of some documents. The lateness was partly due to the very short time in between the annual ACABQ meeting and the Standing Committee meeting in September. Given UNHCR's tight schedule and programme cycle, it was not possible to have the following year's budget ready for the June Standing Committee. On the shortfall, the Deputy High Commissioner responded that the Operational Reserve would be used to cover it if required, but that the Reserve, which at that point stood at some USD 19 million, would most probably be needed for unforeseen emergencies.

11. Thanking delegations for supporting the GNA, the Deputy High Commissioner assured the Committee that rigorous prioritization of the needs would be required and that the process of identifying these needs included consultation with governments, organizations and beneficiaries. Inevitably, such a process carried the risk of "projectization", and he called on donors to refrain from earmarking, as tight earmarking would render any prioritization useless.

#### B. UNHCR's Biennial Programme Budget for 2008-2009 (Revised)

12. In presenting the Budget contained in document EC/59/SC/CRP.26, the Controller summarized the main components of the proposed increase of USD 166.7 million of the 2009 Annual Programme Budget, which included additional funds for global operations; voluntary separation of staff; and needs identified during the GNA in eight pilot countries. Furthermore, UNHCR was asking to increase the "New or additional activities-mandate related" (NAM) Reserve to USD 75 million. The Office expected to have 22 Supplementary Programmes in 2009, including eight exclusively for internally displaced persons.

13. The Controller also briefed the Committee on ongoing developments in the areas of fiscal stability and budgetary control; the Management Systems Renewal Project (MSRP) and the new software *Focus*; the adoption of International Public Accounting Standards (IPSAS); risk management; oversight; and accountability. Concerning end-of-service and post-retirement benefit liabilities, UNHCR would continue its pay-as-you-go approach until the approval of a funding mechanism by the Executive Committee in 2009.

14. Some delegations queried the need for a further increase in the budget, some recalling that the rate of exchange problem had been addressed in the revision approved at the 42<sup>nd</sup> meeting of the Standing Committee. One delegation expressed concern about the increase in supplementary budgets. Another wanted to know whether the implementation of projects under Special Programmes would be halted if no contributions were received. A number of delegations highlighted the ACABQ's conclusion that UNHCR would not be able to spend USD 75 million under the NAM Reserve.

15. Several delegations reiterated their support for the GNA process. One delegation asked whether core funding would be used for GNA activities, and others queried how the needs identified by the GNA would be included in the budget. The importance of cooperation among humanitarian actors, in particular in the context of the Consolidated Appeal Process, was underlined.

16. The Controller explained that changing needs on the ground and the rates of exchange of several non-USD currencies, as well as newly identified needs, were responsible for the revision. She confirmed that UNHCR would be ready to adopt IPSAS in 2010, and that the Office was confident that it would indeed require the additional budgetary space requested under the NAM Reserve for 2009. To date, it had already spent USD 61.2 million under the 2008 NAM Reserve.

17. The Deputy High Commissioner acknowledged the concerns raised about the increase in supplementary programmes, but envisaged that these would be resolved to some extent in the new budget structure. With regard to the GNA, he expected that these needs could be incorporated in the Annual Programme. Furthermore, he explained that contributions to the NAM Reserve were additional to regular contributions, and represented funding available for projects that UNHCR would have to refuse if the NAM Reserve mechanism did not exist.

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

### A. Finance

18. The Controller introduced the accounts for 2007 as presented in document A/AC.96/1051. Thanks to strong donor support, as demonstrated through higher contribution levels and earlier payment of pledged contributions, as well as continued rigorous and cautious financial management, UNHCR had achieved a favourable financial position in 2007.

19. One delegation acknowledged that the funding of liabilities related to end-of-service and post-retirement employee benefits presented a serious problem for voluntarily funded organizations like UNHCR, and called for equitable sharing of the costs between earmarked and unearmarked funding. It was suggested that this might be achieved by levying a fixed percentage, as done for cost recovery arrangements between agencies.

20. The Deputy High Commissioner had raised the issue with the ACABQ and agreed that a common United Nations solution was required in order to fund these liabilities.

## B. Oversight

21. The Controller reported on the four main risk areas identified by both the Board of Auditors and UNHCR following the issuance of the Board's report on UNHCR's accounts for 2007 (EC/59/SC/CRP.27). These concerned implementing partner audit certification, asset management (non-expendable property), staff in between assignments, and the end-of-service and post-retirement liabilities. She also referred to UNHCR's response to the Board's Report (EC/59/SC/CRP.28) and the summary report on main risk areas in 2007 (EC/59/SC/CRP.25).

22. Delegations urged UNHCR to implement the audit recommendations as soon as possible. One delegation commended the progress achieved on the implementing partner audit certification process, in particular the higher number of audit certificates received after applying the new measures in 2007, but asked for information about the ratio of qualified versus unqualified audit opinions. Noting the continuing increase in implementing partner expenditure, another delegation cautioned UNHCR to monitor this closely. There were queries regarding the rise in staff costs and the number of staff in between assignments. Expressing concern over the Board of Auditors' comment that the results of numerous projects could not be quantified or measured, a delegation called on UNHCR to pursue efforts to improve its indicators and global strategic objectives setting. While supporting the planned external evaluations of human resources and supply management functions in the Budapest Service Centre, the same delegation called for an evaluation of the relocation to Budapest to measure overall savings and efficiencies.

23. The Deputy High Commissioner described measures undertaken by UNHCR to find appropriate solutions for the issue of staff in between assignments. He explained that the cost increases in relation to implementing partners and staff were justified by the increasing challenges faced by UNHCR. On the issue of implementing partner audit certification, the Controller confirmed that only 5.6 per cent of the received certificates had been qualified. She outlined the main issues related to this and assured the Committee that further attention would be paid to monitoring field-level action and responses. In response to a query about contradictory information in the reports of the Board of Auditors and of the Office of Internal Oversight Services regarding asset management, she reiterated the Deputy High Commissioner's comment that in 2007 there had been significant improvements in recording and reporting, as noted by the Board of Auditors in their report. Outstanding variations were due to the legacy of previously unreconciled database information from different systems prior to the complete roll-out of the PeopleSoft/Management Systems Renewal Project at the end of 2007.

24. The Director of the Internal Audit Division of the Office of Internal Oversight Services (OIOS) introduced the annual report on internal audit (A/AC.96/1056). Delegations taking the floor welcomed OIOS' efforts to improve the quality and efficiency of internal audit services provided to UNHCR, and noted that 85 per cent of the operations audited had been assessed as average or above average. Nevertheless, they urged UNHCR to do its utmost to address the areas of concern outlined in the report, notably with regard to improving internal controls, implementing partner procurement and monitoring, and safety and security. The Deputy High Commissioner concurred that the Office needed to assure stronger internal controls and

commented that the accountability framework was being put in place for that purpose. With OIOS putting greater emphasis on its independent status, the current Memorandum of Understanding with the Service would be reviewed.

### C. Management

#### *Update on the structural and management change process*

25. The Director of the Office of Organizational Development and Management updated the Committee on the ongoing reform processes with regard to results-based management, the Headquarters and Field Reviews, communications and decentralization and regionalization strategies.

26. There was broad recognition and support for the efforts undertaken to reduce administrative expenditure, streamline headquarters, introduce results-based management and improve services to beneficiaries. Delegations saw these measures as necessary for enabling UNHCR to become a more flexible and results-oriented organization. However there were reminders of outstanding challenges, such as the need to improve results-based management indicators, and several calls for caution, notably as regards avoiding duplication of structures with regionalization, setting unrealistic timelines and change fatigue. While supporting moves to increase capacity building for national staff, some delegations recalled that decisions on staff profiling and deployment should be matched to beneficiary needs and required skills' sets. Two delegations asked for more facts and figures on cost effectiveness, and another requested a briefing on the risks of reform. One delegation reminded UNHCR of the need to ensure central guidance and lines of accountability with decentralization. Another delegation requested clarification with regard to the aims of the Field Review and the parameters of implementing arrangements, staffing profiles and workforce deployment.

27. The Director confirmed that UNHCR was aware of the need to avoid additional layers with regionalization. The Office was also assessing risks and taking account of lessons learned from previous experiences of decentralizing functions, for example in Africa, where some of the problems had been due to a lack of tools and systems. Today, UNHCR had the Management Systems Renewal Project. In response to one question, he confirmed that age, gender and diversity mainstreaming continued to be an integral part of planning, including in the drafting of the Global Needs Assessment guidelines. He also assured delegations that implementing partner arrangements were part of all country planning processes.

#### *UNHCR's new budget structure*

28. The Senior Special Advisor presented the 2009 revised budget in the format of the new budget structure. UNHCR field staff from different operations had used *Focus* to model the 2009 budget to the new structure. He showed the budget broken down by type of population (refugees, returnees, stateless and internally displaced persons - IDPs), by region, by goal/programme, and by groupings of protection objectives. He also showed one-page summaries of several operations to illustrate the information that would become available. He offered to give a demonstration of the *Focus* software that supported this detailed data use.

29. Delegations welcomed this preview of the new budget structure, as well as the efforts made by UNHCR to consult with the Committee; however, some concerns were expressed about the risk of “projectization” of the budget, and potential further earmarking. Delegations asked for explanations of the criteria used to define populations of concern, and more consistency in the use of terminology. Delegations called for further consultations before the implementation in 2010.

30. The Senior Special Advisor responded, commenting that this had been field offices’ first encounter with the new budget structure and the software and that there were lessons to be learned. It was expected that *Focus* would help to manage and segregate data, which would facilitate reporting and enhance strategic decision making.

#### D. Human resources

31. The Director of the Division of Human Resources Management briefed the Standing Committee on the scope and direction of the reform on human resources policies and practices (EC/59/SC/CRP.23). He underlined some of the key challenges, notably the phenomenon of staff in between assignments, the forthcoming introduction of the new performance appraisal management system, and the need to develop and introduce a comprehensive workforce management strategy.

32. Delegations commended the Office for the overall progress made in human resources management and for measures undertaken to enhance staff performance and asked to be kept informed of new developments. They appreciated the updates on progress, the ongoing work towards gender parity and looked forward to the roll-out of the online database for gender and diversity statistics. Following UNHCR’s initiative on HIV/Aids, delegations encouraged the Office to take all necessary steps to guarantee access to treatment for affected staff and to limit the repercussions at the family level. It was suggested that UNHCR look into the specific measures adopted by the International Committee of the Red Cross, given the similarities between the two organizations.

33. Several delegations expressed concern that the number of staff in between assignments was still high and welcomed the indication that UNHCR would put in place the tools and the rules necessary to address this in the near future. One delegation highlighted the incompatibility between the high number of staff in between assignments and continuing external recruitment. Delegations asked for an analysis of cost savings made to date through reducing the number of staff in between assignments. A delegation was pleased that the Ethics Office was located in the Executive Office, thereby acknowledging the importance of this Office to the High Commissioner and his management of the organization.

34. Acknowledging delegations’ recognition of UNHCR’s efforts in respect of the United Nations International Convention on the Rights of Persons with Disabilities, the Director welcomed a proposal to put links or references to policies in this respect on the career recruitment page. In response to a question raised regarding mid-level recruitment, the Director explained that UNHCR had to give priority to internal candidates due to the large number of staff holding indefinite appointments. However, UNHCR envisaged, in due course, expanding

recruitment opportunities not only at the entry level, but also mid-career level. The Deputy High Commissioner underlined the need for funds for the Voluntary Separation Programme to help deal with the excessive number of staff at the D-1, P-5 and even P-4 levels.

## VI. REGIONAL ACTIVITIES AND GLOBAL PROGRAMMES

35. Under this agenda item dedicated to UNHCR's Emergency Preparedness and Response (EC/59/SC/CRP.24 refers), the Assistant High Commissioner for Operations briefed the Committee on the Office's response to the Georgia crisis.

36. Delegations commended UNHCR on its effective response to this emergency and the strong teams it had on the ground. One delegation stressed that a great deal of reconstruction remained to be done; others wanted to know more about the coordination structures on the ground, in particular with regard to the activation of the cluster approach. Another delegation requested that there be standardized practices for emergencies, including less acute emergencies. It signalled a sharp contrast between the Georgia response and the lack of attention paid to the Somalia situation, even though 45,000 Somalis had fled to Kenya in the course of the current year.

37. With regard to the conference room paper, delegations urged UNHCR to explore partnerships, in particular at local level. While one delegation called upon UNHCR to strengthen its offices in natural disaster-prone countries, others cautioned the Office against overstretching its resources at the expense of core beneficiaries. Some delegations asked for more information on the use, training and monitoring of United Nations Volunteers (UNVs) working with UNHCR.

38. In responding, the Assistant High Commissioner commented that as good inter-agency coordination already existed in Georgia, it was considered that there was no immediate need to activate the cluster approach. While on the ground, the High Commissioner was also constantly in contact with his counterparts of other organizations, as well as with the Secretary-General. On the standardization of emergency response, the Director of the Division of Operational Services explained that this was not always possible: while standard procedures were in place, there were also many other factors involved.

## VII. COORDINATION

39. The agenda item on coordination, based on an information note on strategic partnerships (EC/59/SC/INF.4), was deferred to an informal briefing, which was held on Wednesday 24 September in the afternoon.

## VIII. ANY OTHER BUSINESS

40. There being no other business, the Chairman declared the meeting closed.



Annex

LIST OF POINTS  
FOR FOLLOW-UP ACTION

- Report to the Executive Committee on the actual savings generated by the reform process, including an evaluation of the relocation to Budapest.
- Further information on the use of the Delivering as One approach in Budapest
- Briefing on the risks of reform
- Further information on the ratio of UNVs/UNHCR in core functions, as well as on their training and monitoring.
- Pooled funding mechanism income should not be listed as donations. Donors to these mechanisms should be included in a footnote.
- Further consultations on the new budget structure prior to its implementation.
- A paper on UNHCR's resource mobilization strategy, including private sector fundraising.
- UNHCR should continue to seek a solution to the issue of funding end-of-service and post-retirement benefits through the United Nations system.
- Update the Standing Committee on cost savings made by the reduction of staff in between assignments.

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