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Policy directives to the drug programme of the United Nations Office on Drugs and Crime and strengthening the drug programme and the role of the Commission on Narcotic Drugs as its governing body, including administrative, budgetary and strategic management questions

Commission on Crime Prevention and Criminal Justice

Reconvened twenty-fourth session

Vienna, 10-11 December 2015

Agenda item 3 (b)

Strategic management, budgetary and administrative questions: directives on policy and budgetary issues for the United Nations crime prevention and criminal justice programme

Consolidated budget for the biennium 2016-2017 for the United Nations Office on Drugs and Crime

Report the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director on the consolidated budget for the biennium 2016-2017 for the United Nations Office on Drugs and Crime (UNODC) (E/CN.7/2015/17-E/CN.15/2015/20). During its consideration of the report, the Advisory Committee met with the Deputy Executive Director and other representatives of UNODC, who provided additional information and clarifications, concluding with written responses received on 26 November 2015.

2. The consolidated budget for the biennium 2016-2017 for UNODC is submitted to the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice, pursuant to General Assembly resolutions 46/185 C and 61/252, section XI. As indicated in paragraph 2 of the Executive Director's report, the proposed budget of the programme of the Funds (general-purpose funds) is presented to the Commissions for approval. The report of the Executive Director also provides information on the budgets for the special-purpose funds and the related administrative and programme support costs (programme support cost funds), which are presented to the Commissions for endorsement (*ibid.*, para. 2). Regular budget resources, submitted to the General Assembly in sections 16 and 23

of the proposed programme budget for the biennium 2016-2017 are also reflected in the consolidated budget (*ibid.*, para. 5).

3. As indicated in the report of the Executive Director, the programme of work of UNODC for the biennium 2016-2017 continues to be organized under nine subprogrammes, each of which falls within the current three-division organizational structure (*ibid.*, paras. 70-71). The Executive Director's report further indicates that the Office has responded to the growing demand for its services and a shrinking resource base for core programmatic support by establishing an integrated approach to programme planning, implementation and reporting based on the development of country and regional programmes, which allows the Office to respond to Member States' priorities in a more sustainable manner. These programmes leverage the normative and technical skills of the UNODC global programmes in specific geographic areas. Notably, this approach deepens the engagement with a wide cross-section of stakeholders from Member States, including academic, technical, political and civil society actors (*ibid.*, para. 67).

II. Consolidated resource projections

4. Voluntary contributions made to UNODC are budgeted and accounted for separately under the Fund of the United Nations International Drug Control Programme and the United Nations Crime Prevention and Criminal Justice Fund (*ibid.*, paras. 1 and 2). The financial position of the two funds is presented in annex III of the report. The Advisory Committee was informed that the focus of the consolidated budget for UNODC continues to be the general-purpose funds. The evolution of income and expenditure for general-purpose funds, special-purpose funds and programme support cost funds from 2010 to 2017 is presented in Figures IV-VI of the Executive Director's report.

Income projections

5. The Advisory Committee was informed upon enquiry that the consolidated income projection for the biennium 2016-2017 is in the amount of \$579.2 million, a reduction of \$14.8 million, compared with the revised projections for 2014-2015. The Executive Director indicates that the general-purpose income continues to decline, and is anticipating a decline of \$2.5 million, or 19.6 per cent for the biennium 2016-2017, given that the level of general-purpose income was \$13.0 million in 2014-2015. According to the Executive Director, the special-purpose income is projected at a level of \$568.5 million for the biennium 2016-2017, which shows a continuing strong level of donor confidence that would lead to a higher level of programme delivery (see also para. 9 below). Programme support cost funds are projected at \$49.7 million in 2016-2017, an increase of \$2.1 million (4.4 per cent) from 2014-2015 (*ibid.*, paras. 24-28).

Expenditure projections

6. Resource projections¹ for UNODC, including posts for the bienniums 2014-2015 and 2016-2017, are provided in table 2 of the report of the Executive Director, a summary of which is set out in the table below.

Resource projections for 2014-2015 and 2016-2017

Category	Resources (thousands of United States dollars)		Posts	
	2014-2015 (revised)	2016-2017	2014-2015 (revised)	2016-2017
General-purpose funds	15 875.5	9 587.2	43	29
Programme support cost funds	46 711.5	45 982.6	174	140
Special-purpose funds				
Drug programme fund	323 384.7	261 249.9	118	130
Crime programme fund	285 159.2	289 369.8	188	201
Subtotal	608 543.9	550 619.7	306	331
Regular budget	45 524.0	44 936.5	124	123
Total	716 653.9	651 126.0	647	623

7. As indicated in the above table, according to the Executive Director, the total resource projection for the biennium 2016-2017 is in the amount of \$651,126,000, a reduction of \$647,000, compared with the revised projections for 2014-2015.

8. According to the Executive Director, resources in the amount of \$9.6 million are projected under the general-purpose fund in the 2016-2017 biennium, which represents a reduction of 39.7 per cent, compared with 2014-2015. The proposed reduction is mainly attributable to the following (*ibid.*, para. 45):

- (a) A gradual transfer of 6 additional Field Office Representatives posts to special-purpose funds, resulting in a reduction of \$3.2 million (*ibid.*, paras. 45 and 226);
- (b) The transfer of eligible indirect overarching programme support functions to programme support cost funds, resulting in a reduction of \$2.0 million. This entails the transfer of 3 posts (1 D-1, 1 P-4 and 1 P-3) in the Office of the Executive Director and 3 posts (GS (OL)) in the Division for Management (*ibid.*, paras. 45, 106 and 256);
- (c) The proposed conversion of the existing post of the Director of the Division of Operations (D-2) under subprogramme 8, Technical cooperation and field support, from the general purpose funds to the regular budget, resulting in a reduction of \$0.8 million (*ibid.*, para.45 and

¹ The projected expenditures for the general-purpose, special-purpose and support cost funds are indicated as resource projections for the respective funds in the report of the Executive Director

216). The Advisory Committee provides its comments on the proposed conversion in its report (A/70/7, para. IV.153).

9. The total special-purpose expenditure of the drug and crime programme funds is projected at the level of \$550.6 million, a 6.2 per cent increase over the final projected budget for 2014-2015. In this connection, the Executive Director indicates that the projections of special-purpose expenditure was set to increase to \$608.5 million in the revised budget for 2014-2015; nevertheless, based on the capacity on the ground, timing of contributions and project start-ups, the final projection for special-purpose expenditure for 2014-2015 is \$518.4 (ibid., para.46).

10. The programme support cost resources are projected at \$46.0 million in 2016-2017, a decrease of 1.5 per cent compared with the revised 2014-2015 budget. The proposed budget for programme support cost funds reflects the continuous transition towards a revised funding model (ibid., paras. 48-49) (see also paras. 18-21 below).

11. The regular budget resources of the United Nations under sections 16 and 23 of the proposed programme budget for the biennium 2016-2017 (A/70/6), reflected in the consolidated budget for that biennium for UNODC, are proposed at \$44.9 million (after recosting), a decrease of 1.3 per cent compared with 2014-2015.

12. Subsequent to the implementation of IPSAS, the consolidated budget for the biennium 2016-2017 does not include the regular budget resources of the United Nations Office at Vienna (UNOV) submitted to the General Assembly in sections 1 and 29G of the proposed programme budget for that biennium, as these resources are reported under Volume I of the Financial Statements of the United Nations Secretariat (ibid., paras. 5-6 and 54). The Advisory Committee was informed upon enquiry that the financial statements for 2014 prepared under IPSAS for UNODC included the regular budget resources directly attributable to supporting the delivery of its programmes; consequently, the consolidated budget for the biennium 2016-2017 for UNODC reflects the regular budget resources of the United Nations under sections 16 and 23, while the smaller portion of the support provided by UNOV are reflected only in the financial statements.

Staffing projections

13. As indicated in table 2 of the Executive Director's report, 29 posts are proposed under general purpose funds and 140 under programme support cost funds. The table also shows a total of 331 posts administered by UNODC under special-purpose funds as of September 2015. It is further indicated in the report that in addition to the posts funded from special-purpose funds included in the staffing tables, as of September 2015, there were 1,229 field office local positions (48 national professional officers, 78 Local level positions and 1,103 service contracts) administered by the United Nations Development Programme on behalf of UNODC. Many of those posts are of a temporary nature and their level is subject to frequent changes.

Programme delivery in the context of funding challenges

14. The Executive Director indicates that in recent bienniums, UNODC has seen an exponential growth in the volume and scope of its technical assistance, contrasted with persistent decline in the general-purpose income and continuing pressure on the regular budget and programme support costs (ibid., para. 8). In this connection, the Advisory Committee was informed upon enquiry that the demand of

Member States placed on UNODC for assistance, expertise and development of standards is not matched by appropriate resources. The Committee was further informed of specific instances in which assistance provided by UNODC could not fulfil the existing demand from Member States, mainly due to resource constraints, including:

- (a) In the field of anti-corruption, UNODC analysed 101 country reviews as of November 2015, of which 59 contained prioritized technical assistance needs, as identified by the relevant countries. However, UNODC could provide assistance to some 40 countries;
- (b) Under its Global Wildlife and Forest Crime Program, UNODC is unable to respond to the request for assistance received from Asian and Latin American countries;
- (c) In the field of terrorism prevention, the voluntary contributions for 2015 were mainly earmarked for technical assistance projects for specific regions and countries, leaving only limited funding available for other regions and countries that face serious challenges from terrorism.

15. Regarding the delivery of technical assistance by UNODC, the Advisory Committee was informed that given the specific expertise and knowledge acquired by the Office, requests for technical assistance continue to grow in areas such as: crime prevention and criminal justice; terrorism prevention; anti-corruption and areas reflecting local priorities in related fields in specific countries. The Office continues to provide assistance at the global, regional and national levels through the frequent deployment of its headquarters-based staff to the field and through networks of field-based advisers at both regional and national levels. Direct country-level assistance is also provided through regional platforms and capacity-building initiatives which enable sharing of good practices and lessons learned (see also para. 22 below). The Committee was further informed that UNODC has been able to engage consistently and develop long term programmes in specific regions and countries², and its efforts have had positive outcomes.

16. Nevertheless, the Advisory Committee was informed that the over-reliance on extra-budgetary funding represented a challenge for long term technical assistance planning and delivery, which had an adverse effect on the ability of UNODC to provide timely assistance upon the request of Member States. The low level of un-earmarked resources and soft-earmarked funds for particular regions or programmes hindered the ability of UNODC to develop new programmatic actions in priority countries; address emerging issues; pursue partnership opportunities arising from ongoing programmes; and support Governments in their assessments and evaluations of national drug and crime control policies and strategies.

17. The Advisory Committee was further informed that UNODC has intensified its efforts to ensure more diversified funding-base, multi-year funding, and soft or non-earmarking of donor contributions and that such efforts have led to success in some instances. **The Advisory Committee notes the significant proportion of extrabudgetary resources and the related low level of unearmarked resources in the consolidated budget of UNODC and trusts that UNODC will continue to**

² North Africa, the Middle East, Nigeria, Sahel, South East Asia and South Asia

make efforts to raise soft-earmarked or non-earmarked funds for its programmes. The Committee further encourages UNODC to explore opportunities to further broaden its donor base (see E/CN.7/2011/17-E/CN.15/2011/23, para. 11).

III. Funding model

18. As indicated in the report of the Executive Director, in the consolidated budget for the biennium 2014-2015, a revised funding model based on full direct costing was proposed for UNODC. The model is aimed at sustainable and predictable funding of programme delivery by means of: (a) addressing consistent classification of direct and indirect costs; (b) costing the direct implementation of UNODC programmes and projects; (c) aligning UNODC with other United Nations Secretariat entities on the use of programme support cost resources; and (d) ensuring the use of all funding sources for their intended purposes and eliminating cross-subsidization. For a realistic pace of the application of the revised funding model, transitional measures were introduced for the biennium 2014-2015, which are being proposed to be extended to 2017 (*ibid.*, paras. 10 and 18).

19. The Advisory Committee recalls that the revised funding model, proposed in the context of the consolidated budget for UNODC for the biennium 2014-2015, entailed transfers of expenditures from general-purpose funds to special-purpose funds and programme support cost funds and also the transfer of expenditures from programme support cost funds to special purpose funds (E/CN.7/2013/16-E/CN.15/2013/29, para. 12). In his current report, the Executive Director indicates the measures taken by UNODC during the 2014-2015 biennium to implement these transitional measures for the realization of the revised funding model (*ibid.*, paras. 11-14 and 17-18). The measures included:

- (a) The establishment of the Senior-Level Full Cost Recovery Monitoring Committee, by the Executive Director that oversaw the progress of implementation, analysed challenges encountered, endorsed mitigation measures and enabled ownership across the organization;
- (b) A close monitoring of the pace of transition, including the provision of greater support to individual offices facing greater transition challenges;
- (c) Providing briefings on full cost recovery and engaging in individual consultations with donors, Member States and recipient countries;
- (d) Ensuring a consistent and fair application of direct costing to all programmes, which required the creation of field office cost centres and ad hoc improvements in the legacy systems with cost management functionalities;
- (e) Improving the guidelines for the use of general purpose funds, particularly in view of the continuing decline in the unearmarked funding; and
- (f) Applying full cost recovery to all donors alike through measures such as including in all new agreements, consistent clauses and direct cost implications.

20. The Executive Director indicates that a positive outcome of the revised funding model is a stronger cost conscious culture throughout UNODC. In this connection, he further indicates for 2014-2015, savings of \$0.8 million under the general purpose funds and of \$2.9 million under the programme support cost funds. A total net savings of \$1.4 million is also indicated for the field offices in the form of reduced direct costs incurred in servicing projects (ibid., para. 15). Upon enquiry, the Advisory Committee was informed that the savings realized amounted to \$3.7 million at the UNODC Headquarters and \$1.4 million in the field offices. **The Committee recalls that it considers it important to achieve an improved balance between special-purpose and general-purpose contributions, not only to secure the financial health of the Office and ensure a sustainable financing model but, equally, as an expression of confidence by Member States and donors as to the policy framework and management of the programmes (E/CN.7/2009/14-E/CN.15/2009/24, para. 19).**

21. The Advisory Committee further recalls that the General Assembly, in its resolution 67/226, acknowledged the principle of full cost recovery and stressed the need to avoid the use of core/regular resources to subsidize non-core/extrabudgetary financed activities, including the use of core/regular resources to cover costs related to the management and support of non-core/extrabudgetary funds and their programme activities. **The Advisory Committee encourages UNODC to continue to develop a system of full cost recovery based on a clear and precise recognition of direct and indirect costs of its programmes and projects, monitor its implementation and present the outcomes both in operational and budgetary terms in the context of the next consolidated budget.**

IV. Other matters

Harmonization of practices with other United Nations entities

22. The Advisory Committee was informed upon enquiry that UNODC is fully engaged in harmonization of its practices with other UN entities. In this connection, the Committee was informed of the instances of programmes undertaken by UNODC in cooperation with other UN entities at the global, regional and country levels. Through its global programmes, UNODC works in partnership with United Nations entities and specialized agencies, such as the World Health Organization on the joint programmes on drug use prevention and care, the Department of Peacekeeping Operations in the Justice Sector, and with the Secretariat of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in the Global Programme on Wildlife and Forest Crime. At its Regional Office for South-east Asia (ROSEAP) for instance, UNODC has developed several mechanisms to ensure coherence and consistency in the region's operations, most notably a set of clear guidelines outlining operational procedures. At the country level, UNODC as a member of the UN country teams, participates in the regional coordination efforts led by the United Nations Development Group and serves as co-chair in the country level coordination mechanisms, such as the Theme Groups on HIV-AIDS and on Transnational Organized Crime. UNODC also participates in the development and implementation of the United Nations Development Assistance Framework in specific countries.

Regional programme in the Middle East and North Africa (MENA) region

23. As indicated by the Executive Director, the Economic and Social Council, in its resolution 2009/23, requested him to give high priority to the implementation of the regional programmes of the Office and to report on progress made. In this connection, the Advisory Committee was informed upon enquiry regarding the Regional Programme on Combating Drugs, Crime Prevention and Criminal Justice Reform for Arab States (2011-2015), which covers the Middle East and North Africa (MENA) region. As an overarching framework for cooperation between the 17 participating States and UNODC, the regional Programme focuses on three main sub-programmes: organized crime and terrorism, criminal justice and health. The Committee was further informed that contributions in the amount of US\$53 million had been delivered for the programme; the contributions received from countries in the MENA region for this regional programme are used exclusively for that purpose.