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UNOV United Nations Office at Vienna UNODC United Nations Office on Drugs and Crime

The Concept of Regular Budget and Extra- Budgetary Resources (Special Purpose Funds, Programme Support Funds and General Purpose Funds)

The use of resources from different funding sources is regulated by the United Nations Financial Rules and Regulations, the UNODC Financial Rules and several Secretary General Bulletins and Administrative Instructions.

Although Regular Budget (RB) funds are a fundamental source of funding to implement the programme and institutional mandates of the UN, these resources may not be used in any manner to support activities funded by extra-budgetary sources. Extra-budgetary resources (XB) can fund technical cooperation and any other activities for which there is not enough RB, but according to the United Nations Financial Rules and Regulations, the Secretary General may accept voluntary contributions as long as these do not involve any additional financial liability for the organization***. In other words, the activities funded by XB cannot imply an expense for RB.***

1. REGULAR BUDGET (RB) FROM ASSESSED CONTRIBUTIONS

Budget under the authority of the Secretary General and the General Assembly.

RB resources are intended to fund expenses that are fundamental to the existence of an organization and its institutional mandates. Such resources are provided without conditions[1] attached as to their use and should cover the programme and activities as proposed by the SG in the biennial Programme Budget of the United Nations and approved by the General Assembly.

The regular budget has traditionally financed the administrative infrastructure and core normative work, with only limited amounts of such resources going to technical cooperation programmes. In the case of UNODC, these funds cover programme activities as submitted to the General Assembly in sections 1, 16, 22 and 28F of the United Nations proposed programme budget for the biennium 2010-2011.

2. EXTRA-BUDGETARY RESOURCES (XB) FROM VOLUNTARY CONTRIBUTIONS

Budget under authority delegated to the UNODC Executive Director and the two governing bodies, i.e. the Commission on Narcotic Drugs (CND) and the Commission on Crime Prevention and Criminal Justice (CCPCJ).

In its resolutions 46/9 and 48/3, the CND emphasized the need to secure assured and predictable voluntary funding for the UNODC programme. In particular, Member States were encouraged to provide for a fixed and significant percentage of general purpose funds in their overall voluntary contributions or to earmark a percentage of their overall voluntary contributions to the support

[1] They are funded from assessed contributions from Member States, and in this context do not carry any donor conditions regarding their use as do earmarked voluntary contributions. Procedures and methodology are governed by General Assembly resolution 41/213 of 19 December 1986.

budget. Further resolutions by ECOSOC[2] , CND[3], CCPCJ[4] underlined the need to maintain a sustainable balance between general purpose funds and special purpose funds.

General purpose funds (GP)

As indicated above, the provision of adequate GP funds for UNODC is clearly mandated by the various CND and CCPCJ resolutions. These policy decisions acknowledge and reflect that UNODC predominantly – at least in budget terms – has developed into a field-based technical assistance agency that requires an adequate managerial capacity and delivery infrastructure in a manner that is distinct from its RB mandates.

According to the UNODC Financial Rules (Rule 2.1), GP funds "mean un-earmarked voluntary contributions to the UNODC Funds that are provided to finance executive direction and management, programme and programme support components of the biennial budget".

GP funds finance the ***non-variable or fixed indirect costs*** that are not covered by the funds received from the Regular Budget, but provide the necessary infrastructure to manage activities related to either the Regular Budget or the voluntary contributions received for projects. Such costs include e.g. senior management, some programme costs, and mostly corporate functions that cannot be directly attributed to individual projects and that are indispensable to the development, management and oversight of those activities.

Special purpose funds (SP)

According to the UNODC Financial Rules (Rule 2.1), SP funds "mean earmarked voluntary contributions to the UNODC Funds that are provided to finance technical cooperation and other activities". All ***direct*** costs of a SP-funded project should be charged directly to the project (e.g. project personnel and equipment).

Special purpose funds are by far the largest portion of the UNODC budget (about 80%). They finance the Office's technical cooperation and other substantive activities at headquarters (Vienna) and in the field.

Programme support costs (PSC)

The UN collects a PSC of up to 13% on trust fund expenditures or, in UNODC's case, special purpose fund (SPF) expenditures). PSC income is earned when the related SPF expenditure is incurred and not when the contributions are received. The purpose of this PSC is to recover incremental costs incurred to support activities financed from extra-budgetary contributions.[5] Incremental costs can be divided into two basic categories***: direct and indirect costs.***

Direct costs are those that can clearly be attributed, either wholly or in part, to an operation, programme or project financed from extra-budgetary contributions; they include costs associated with providing management and other support functions "where a direct link between the cost and

[2] Resolution 2007/12 and 2007/19 – Strategy for the period 2008-2009 for the UNODC.
[3] Resolutions 51/1 and 52/13 - Improving the governance and financial situation of the UNODC; and Resolution 52/14 – Budget for the biennium 2010-2011 for the Fund of the UN International Drugs Control Programme.
[4] Resolutions 17/2 and 18/3 – Improving the governance and financial situation of the UNODC; and Resolution 18/6 – Budget for the biennium 2010-2011 for the UN Crime Prevention and Criminal Justice Fund.
[5]Agreed by the Finance and Budget Network of the HLCM, Third Session of the Working Group on Support Costs for Extra-budgetary Activities, 11 July 2005.

project can be identified."[6] All direct costs should ideally be budgeted and financed as identifiable components of an operation, programme or project (SPF) and not from PSC.

Indirect costs are those that cannot be "traced unequivocally to specific activities, projects or programmes,"[7] including those incurred by services providing administrative and other support to programmes and projects financed from extra-budgetary contributions. Indirect costs can be incurred when performing the following functions: project appraisal and formulation; preparation, monitoring and administration of work-plans and budgets; recruitment and servicing of staff; consultants and fellowships; procurement and contracting; financial operations, payroll, payments, accounts, collection of contributions, investments of funds, reporting and auditing.[8] Indirect costs are the only ones that should be recovered by the PSC.

According to the UNODC Financial Rules, PSC "means the indirect costs recovered in support of activities financed from voluntary contributions" (Rule 2.1). Based on definitions established within the United Nations system[9], PSC are to cover the ***variable indirect costs*** of projects , e.g. administrative units supporting project activities.

United Nations policy governing the utilization of PSC income, as defined in administrative instruction ST/AI/286 from 3 March 1982, requires that it be used in areas where a demonstrable relationship exists between a supporting activity and the (SP) activities which generated the PSC income. It directs that this income be distributed equitably between project management, programme management and central administrative functions (i.e., finance personnel and general services). PSC resources may be used for substantive backstopping of projects in technical cooperation programmes. As per ST/AI/286, PSC funds may not be utilized for purposes other than those specified above, or for categories of expenditure inconsistent with those purposes.
At UNODC, these resources finance central administrative and programme management functions at headquarters and project management functions in the field offices.

3. CRITERIA FOR RESOURCE ALLOCATION

a) RB resources: to be used for the policy and administrative processes linked to the General Assembly mandates delegated to UNODC and which have been captured in UN Conventions and/or other legal UN instruments representing internationally agreed norms and standards.

Eligible functional areas: OED/IEU; Directors (Executive Committee); Chiefs, part of the professional and administrative support staff of the thematic pillars (OCB, CEC, JS, TPB, DHB, Research and Analysis, Forensic and Scientific Services) doing normative as opposed to technical assistance work; Policy Support Secretariat (CND & CCPCJ); INCB Secretariat; Central management and administrative functions of DM/DO/DTA/ DPA (FRMS, HRMS, Procurement, ITS, GSS, SPU, N.Y. Liaison Office).
b) GP resources: to be used to finance the non-variable or fixed indirect costs **linked to the institutional capacity to manage the technical assistance programmes** – mandated by CND and CCPCJ - from an operational (development, appraisal, approval, monitoring/performance management), financial (risk management, funding) and quality/impact perspective (strategy compliance, results based management).

[6] Report of the Working Group on Cost Recovery Policies, CEB/2008/HLCM/FB/3, page 5, 29 Feb. 2008.
[7] CEB/2005/HLCM/R.22 page 2, 29 Sept. 2005.
[8] CEB/2008/HLCM/FB/3, page 5/6, 29 Feb. 2008.
[9] CEB Finance and Budget Network

Eligible functional areas:; DPA (strategic planning, advocacy, co-financing and partnerships, donor relations management), audit functions (OIOS and BoA), ITS - Profi, DO/IPB/MSU, FO Representatives and deputies.

c) SP resources: to finance all identifiable direct costs of the development, implementation and delivery of technical assistance and other substantive activities from headquarters and field-based programmes.

Eligible functional areas: Country/Regional and Thematic programmes /capacity building; FOs/programme delivery;

d) PSC resources: to be used to finance the incremental or variable indirect costs associated with the delivery of technical assistance and other substantive activities, in particular administrative units supporting programme delivery.

Eligible functional areas: FOs/programme support expenses (central administrative functions); DM (central functions related to programme support in FRMS, HRMS; Procurement and ITS); FO support functions of MSU; DO/IPB (programme oversight).