



UNITED NATIONS
Office on Drugs and Crime

**Open-ended intergovernmental working group
on improving the governance and financial situation
of the United Nations Office on Drugs and Crime**

Briefing Note - Position of General Purpose Funds
(as at 31 October 2008)

19 November 2008



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Overview

1. General Purpose Funds (GPF) are un-earmarked voluntary contributions that finance the budget approved by the Commission on Narcotic Drugs (CND) and the Commission on Crime Prevention and Criminal Justice (CCPCJ). These funds finance:
 - i. Executive direction and management, programme and programme support costs both at Headquarters (Vienna) and in the field. In November 2007, the CND and CCPCJ approved a 2008 GPF budget totalling \$10.2 million for the Drugs Programme and \$3.3 million for the Crime Programme. Revised requirements for 2008 are estimated at \$11.7 million for the Drugs Programme and \$3.9 million for the Crime Programme.
 - ii. Advances for projects and field operations. Advances of \$0.5 million have been issued for the Drugs Programme and \$0.1 million for the Crime Programme. These advances are expected to be recovered from Special Purpose Funds (SPF) by the end of 2008.

Budget analysis

2. Table 1 below shows the GPF balances at the end of 2007:

Table 1
General Purpose Funds - 2007 Balance
(Millions of United States dollars)

	2007		
	Drugs	Crime	Total
Income	16.2	2.0	18.2
Expenditures	13.6	1.9	15.5
Surplus	2.6	0.1	2.7
Opening balance	8.7	3.0	11.7
Transfer from reserves ^{1/}	-	0.7	0.7
GPF Balance	11.3	3.8	15.1

1/. The transfer from reserves and other funds reflects a reduction in estimated requirements for end of service liabilities and the transfer back to the GPF balance of funds set aside for this purpose.

3. Current projections for 2008 are based on 2007 balances, 2008 contributions received and recent indications from donors as well as expenditures over the last ten months. These projections show the following:

- i. Decreases in GPF income of \$1.1 million (6%) from \$18.2 million in 2007 to \$17.1 million. This is explained by a projected \$1 million decrease in Denmark's contribution, which was increased on an exceptional and ad hoc basis in 2007:

Table 2
GPF Income - 2007 vs 2008 current estimates
(Millions of United States dollars)

	2007	2008	Increase/ (Decrease)
Drugs GPF	16.2	14.6	(1.6)
Crime GPF	2.0	2.5	0.5
Total GPF income	18.2	17.1	(1.1)

- ii. An increase in GPF expenditure requirements of \$2.1 million (16%) from the approved budget for 2008 and \$0.1 million higher than in 2007:

Table 3
GPF Expenditure - 2008 current estimate vs budget
(Millions of United States dollars)

	Approved Budget	Current estimate	Increase/ (Decrease)
Drugs GPF	10.2	11.7	1.5
Crime GPF	3.3	3.9	0.6
Total GPF expenditures	13.5	15.6	2.1

4. The increased GPF expenditure requirements are due to:

- i. Staffing and other personnel cost increases of \$1.8 million which include a \$1.2 million increase in salary costs resulting from the decline in the \$ - € exchange rate and an increase in GPF staffing of \$0.6 million for ongoing positions in the Policy Analysis and Research Branch of the Division for Policy Analysis (four posts) and in the Governance, Human Security and Rule of Law Section and the Health and Human Development Section of the

Division for Operations (two posts). The increase in GPF staffing requirements followed a reassessment of assumptions made during budget formulation, in particular as regards the continued availability of soft-earmarked funding from one donor.

- ii. Contractual services and operating expenditure increases of \$0.3 million, related to provisions for audit fees and volume increases under communications.

5. According to current GPF income and expenditure projections there will be a net surplus of \$1.5 million at the end of 2008 (see Table 4 below). Crime Programme GPF expenditures, however, are expected to be higher than income by \$1.4 million thereby decreasing the GPF balance of the Crime Fund. In addition, the GPF of the Drugs Programme includes \$1.2 million in unrealized exchange rate gains from previous years, gains that cannot be committed until they are actually realized.

Table 4
General Purpose Funds - 2008 Current projection
(Millions of United States dollars)

	2008		
	Drugs	Crime	Total
Income	14.6	2.5	17.1
Expenditures	11.7	3.9	15.6
Surplus	2.9	(1.4)	1.5
Opening balance	11.3	3.8	15.1
GPF Balance	14.2	2.4	16.6

Prognosis

6. The GPF balance of the Crime Fund is declining precipitously because Crime Programme GPF income is not sufficient to pay for its 25% share of approved requirements, as per the consolidated budget for the biennium 2008-2009. The 25% share was based on a projection of the Crime Programme's share of total SPF expenditures, a projection that has recently been reviewed and remains valid.

7. Since this is the first financial period for which a Crime Programme budget was approved by the CCPCJ, it was hoped that Member States and other donors would assume responsibility for funding this budget and provide the necessary increase in GPF contributions. This is not happening and although Crime Programme GPF income has grown slightly, almost 50% of total contributions continue to come from a single donor. If additional Crime Programme GPF contributions are not forthcoming, the 31 December 2007 GPF balance of the Crime Fund of \$3.8 million will decline to \$2.4 million at the end of 2008. This decline compromises the viability of the Crime Fund and the implementation of the Crime Programme.

8. The GPF balance of the Drugs Fund is projected to increase by \$2.9 million by the end of 2008. This welcome improvement may, however, be short lived because:

(i) A number of major donors have indicated that they will be reducing their GPF contributions in the near future.

(ii) The rapid growth in SPF contributions looks set to continue and must be accompanied by the strengthening of programme and programme support functions.

The additional resources needed to improve this situation in the short term are described in UNODC's *Strengthening the Management and Backstopping of Field Operations* paper of 31 October 2008.

The way forward

9. Ideally, GPF contributions to the Crime Programme will increase rapidly and close the gap between income and expenditure (in sufficient time to ensure the maintenance of a GPF balance of at least \$2 million). If no such increase in GPF contributions to the Crime Programme is realized within the next 9 months, UNODC would need to present a consolidated budget for the 2010-2011 biennium in which the general purpose funds accounts of the Drugs and Crime Programmes are merged. This would simplify and rationalise the management of these funds and allow UNODC to dispense with the current cost-sharing arrangement. While this measure does not address the general problem of insufficient resources, which will be seriously exacerbated if GPF contributions decline further, it postpones the need to downsize Crime Programme activities, management and support. The consolidation of GPF accounts would, for consistency's sake, be accompanied by the merger of the Drugs and Crime Programme accounts for Programme Support Costs (PSC).

10. Ideally, the CND/CCPCJ open-ended inter-governmental working group on improving the governance and financial situation, will take practical and timely steps to ensure UNODC's financial sustainability. In this regard, it is clear that decisive action must be taken to address the growing pains resulting from the decline in GPF contributions and the growth in SPF activities. This divergence has placed considerable strain on UNODC's programme and programme support services. Pending the implementation of measures identified by the inter-governmental working group, UNODC will need to charge some of the critical requirements identified in its paper entitled *Strengthening the Management and Backstopping of Field Operations* to the GPF of the Drugs Programme from 1 January 2009. Further strengthening of financial, human and physical resources management capacity, as recommended by the United Nations internal and external auditors, will be requested in the proposed programme submission to United Nations headquarters and in the consolidated budget for the biennium 2010 – 2011.

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