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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-second session
Vienna, 12-13 December 2013
Agenda item 3
Strategic management, budgetary and administrative questions

Consolidated budget for the biennium 2014-2015 for the United Nations Office on Drugs and Crime

Report of 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 2014-2015 for the United Nations Office on Drugs and Crime (UNODC) (E/CN.7/2013/15-E/CN.15/2013/28). 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 responses received in writing on 13 November 2013.

2. The consolidated budget for the biennium 2014-2015 for UNODC is to be 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**.**

II. Programme of work

3. The programme of work of UNODC for biennium 2014-2015, which mainly consists of promoting security, justice and the rule of law by making the world safer

from crime, illicit drugs and terrorism in all their forms and manifestations, is organized under nine subprogrammes. There are: five thematic subprogrammes; two transversal subprogrammes on science and research and on policy support functions; a subprogramme on UNODC's Field Offices; and a subprogramme covering the work of the Secretariat to the Governing Bodies and the International Narcotics Control Board. These subprogrammes are tailored to the crime and drug control priorities contained in the UNODC Strategy 2012-2015 as defined by Member State thereby facilitating effective implementation of the Office's stated Integrated Programme Approach. It is indicated that each subprogramme falls within the current three-division organizational structure of UNODC (ibid., para 34).

IV. Consolidated resource projections

4. As indicated in paragraph 3 of the report of the Executive Director, 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. The financial position of the two funds is presented in section IX of the report and summarized in tables 33 and 34. It is further stated that as was the case for the biennium 2012-2013, the consolidated budget for the biennium 2014-2015 for UNODC focuses on the general-purpose resources of the two funds, i.e., the unearmarked voluntary contributions that are provided to finance executive direction and management, programme and programme support components. Those resources are also used to fund temporary advances for projects and other field operations.

5. The consolidated budget for the biennium 2014-2015 for UNODC also provides information on the projected allocation of special-purpose funds and the programme support cost income earned from special-purpose contributions, as well as the resources of the regular budget of the United Nations. Special-purpose funds finance the Office's technical cooperation and other substantive activities at headquarters (Vienna) and in the field (ibid., para. 4).

6. According to Figures I and III in the report of the Executive Director the financial information of UNODC from the past biennia continue to highlight two distinct trends. One the one hand, special purpose income has shown a continuous growth with occasional fluctuations, on the other hand, general purpose income has, for the most part, registered a decline. Paragraphs 11 and 13 of the report of the Executive Director further provide that in 2012-2013, while the special purpose income reached a peak of $581 million, reflecting a growth of 22.4 per cent from 2010-2011, the general purpose income is projected to drop by $7.3 million (26.5 per cent) from $27.5 million in 2010-2011 to a revised projected income of $20.2 million.

7. Resource projections for UNODC for the biennia 2012-2013 and 2014-2015 are provided in table 4 of the report of the Executive Director, a summary of which is set out in the table below.

Table: Resource projections for 2012-2013 and 2014-2015

	Resources (thousands of United States dollars)		*Posts*	
Category	*2012-2013 (revised)*	*2014-2015*	*2012-2013 (revised)*	*2014-2015*
General-purpose funds	21 237.8	15 874.5	59	41
Programme support cost funds	37 990.7	46 711.5	187	174
Special-purpose funds				
Drug programme fund	244 092.2	304 567.8	98	112
Crime programme fund	230 395.9	281 142.7	164	178
Subtotal	**474 488.1**	**585 710.5**	**262**	**290**
Regular budget	85 094.3	88 326.6	231	223
Total	**618 810.9**	**736 623.1**	**739**	**728**

Expenditure projections

8. As indicated in paragraphs 25-28 of the Executive Director's report, the total general-purpose expenditure for the drug and crime programme funds are projected to decrease by $5.3 million (25.3 per cent), from $21.2 million in 2012-2013 to $15.9 million in 2014-2015. This decrease reflects the transition towards a new funding model (see para. 10-19 below). Requirements against the programme support cost resources are anticipated to increase by $8.7 million (23.0 per cent), from $38.0 million in 2012-2013 to $46.7 million in 2014-2015. This increase reflects mainly the transfer of resources from general-purpose funds to programme support cost funds. The total special-purpose expenditure of the drug and crime programme funds is projected to increase by $111.2 million (23.4 per cent), from $474.5 million in 2012-2013 to $585.7 million in 2014-2015. The total regular budget resources reflect an increase of $3.3 million, from $85 million in 2012-2013 to $88.3 million in 2014-2015, and are included in the proposed programme budget for the biennium 2014-2015 (A/68/6) under sections 1, 16, 23 and 29G.

Staffing projections

9. As indicated in table 4 of the report of the Executive Director, 41 posts are proposed under general purpose funds and 174 under programme support cost funds. The table also shows a total of 290 posts administered by UNODC under the special-purpose funds as of August 2013. 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 August 2013 there are 1,333 field office local positions (23 NPOs, 35 LLs, and 1,275 service contracts) administered by UNDP on behalf of UNODC. Many of these posts are of a temporary nature and their level is subject to frequent changes.

V. Funding model review and transitional measures for 2014-2015

10. The report of the Executive Director outlines the efforts to review the funding model of UNODC within the broader context of developing a fund raising strategy, which aimed at enlarging the Office's donor base and linking its core functions to a system of direct cost recovery. The details of the discussion on the review of the funding model are contained in paragraphs 15-23 of the report**.**

11. As stated by the Executive Director, the new funding model of UNODC focuses on full cost recovery and a unified use of all its extrabudgetary resources. The Executive Director indicates that full cost recovery entails a system of sound and sustained direct cost recovery from the budgets and activities that directly benefit from the services rendered. The key priorities identified in the UNODC fundraising strategy that support the revised funding model include: (i) establishing an internal process of sustainable planning, monitoring and risk management of core resources; and (ii) standardizing a system of cost recovery for technical assistance activities to avoid inappropriate subsidies from the regular budget or general-purpose fund to field technical assistance operations (ibid., para. 16).

12. The impact of full cost recovery and the related transitional measures proposed for the biennium 2014-2015 are provided in tables 1 and 2 of the report of the Executive Director. Table 1 indicates that a total amount of $14.5 million of expenditures, previously funded by the general-purpose funds, would be charged to special-purpose funds ($12.5 million) and programme support cost funds ($2 million). Similarly, table 2 indicates that a total of $14.2 million of expenditures, previously funded by programme support cost funds, would be allocated to direct programme costs to be funded from the special purpose funds. Table 2 also shows that an amount of $ 9.1 million is being charged to programme support cost by way of transfers from general-purpose funds ($2 million) and new charges ($7.1 million) related to strengthening of indirect support functions and the local implementation of initiatives led by the Headquarters. The two tables further indicate that while the expenditure transfers of $9.1 million from general-purpose funds to programme support costs are proposed to be effected in full in biennium 2014-2015, the transfer of expenditures from general-purpose and programme support cost funds to special purpose funds is partial and envisaged to be completed in the following biennium. The expenditures planned to be transferred to special purpose funds during the following biennium are: from general-purpose funds, in the amount of $5.8 million; and from programme support cost funds, in the amount of $11.4 million (ibid., para. 19-20).

13. **The Advisory Committee recalls that the General Assembly in its resolution 67/226 acknowledges the principle of full cost recovery, and stresses 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 Committee therefore does not object to the efforts made by UNODC towards developing a system of full cost recovery based on a clear and precise recognition of direct and indirect costs of its programmes and projects.**

14. The review of its funding model by UNODC further coincided with the promulgation of revised policies by the United Nations Controller in June 2012 on cost recovery and programme support costs. The revised policies foresee a strict adherence to the 13-per-cent programme support cost rate, restricts the use of programme support cost to headquarters support functions and corporate initiatives and further clarifies that programme support revenue must be used where costs can not be readily and directly attributable to, or recovered from individually extrabudgetary funded substantive activities, projects or programmes (ibid., para. 5). The Executive Director indicates that UNODC continues to strictly adhere to the 13 per cent rate, which is aligned with the Organization's policy and procedures with respect to programme support costs, and to apply the criteria, prescribed by the Controller, in granting exceptions to the standard 13 per cent rate (ibid., para. 8).

15. The Advisory Committee was informed upon enquiry that the 13 per cent rate for programme support cost is not uniformly applied throughout the United Nations system entities and that even within the same entity, including UNODC, varying rates of programme support cost exist. The Committee was further informed that:

(i) The funding sources of some United Nations system entities are exclusively voluntary, but for the United Nations Secretariat, it is a combination of both assessed and voluntary contributions.

(ii) In most inter-agency arrangements the programme support cost is limited to 7 per cent for each organization to cover indirect costs to the extent possible.

(iii) Some of the UN system entities that apply a rate of 7 or 8 per cent for programme support cost use a combination of other measures such as: (i) charging part of the project costs as direct costs, which are typically considered to be indirect (e.g., recruitment and procurement); (ii) retaining accrued interest earned on the contributions; (iii) charging the programme support cost of the implementing partner as direct costs to the project; (iv) not applying the normal rate restriction when entrusting the projects to implementing partners for execution, and (vi) outsourcing some activities to external consultants due to limited core resources, and charging these costs directly to projects.

16. The Advisory Committee was also informed, upon enquiry, that the review of the UNODC funding model in conjunction with the Controller's revised policies indicated that:

(i) Costs directly attributable to programmes, such as the posts of UNODC representatives, deputy office representatives, field office administrative support and Vienna programme specific desk support, had not been charged to special purpose funds, but instead to unearmarked, general purpose funds.

(ii) Various indirect and overhead costs such as strategic planning and the provision for the Board of Auditors and the Office for Internal Oversight Services had not been covered by programme support costs.

(iii) UN-wide initiatives, involving local implementation costs of Umoja and IPSAS should be covered by programme support costs.

17. The Committee was further informed that the transition towards a new funding model entails, among other measures, gradual transfer from general purpose funds to special-purpose funds of the posts of deputy representatives and field office representatives. According to the supplementary information provided to the Committee, the deputy representatives posts are directly and mainly related to the management, implementation, monitoring and reporting of on-going as well as the development of new special-purpose funded programme activities and the field office representative posts are related to programme-specific functions. The Committee was also informed that the programme support cost funding for field office support cost would be reduced from $9.7 million in biennium 2012-2013 to $6.9 million in 2014-2015, after the transfer of $2.8 million to special purpose funds.

18. The report of the Executive Director indicates that to ensure a successful implementation of the full cost recovery based funding model, UNODC is currently conducting a series of comparisons between the field offices and global programmes. The report states that during the 2014-2015 transition period, UNODC would need to evaluate the types of field offices, the cost structures at headquarters and the field, renegotiate funding agreements, identify cost efficiencies, improve guidelines and procedures on cost recovery, develop monitoring tools, and incorporate Umoja cost centre functionality in UNODC accounts (ibid., para. 21).

19. The report of the Executive Director further indicates that the new funding model will have significant implications, especially on subprogramme 8, technical cooperation and field support, and on the way UNODC programmes operate. As a result, over the 2014-2015 biennium, the need may arise for UNODC to review and adapt the scope and location of its field offices and operations and of related headquarters costs to the new circumstances which may arise from the implementation of full cost recovery policies. Consequently, the Executive Director indicates that the implementation of the new model will be closely monitored by his senior-level management team reporting to the Executive Director (ibid., para. 22). **The Advisory Committee recognizes that UNODC intends to monitor the implementation of its new funding model, if approved, and expects that UNODC will strictly adhere to the established policies concerning the programme support costs and full cost recovery. The Advisory Committee looks forward to receiving further information on the new funding model in the next report on the consolidated budget of UNODC.**

VI. Other matters

Increased expenditures under post resources

20. The consolidated budget reflects increased expenditures under post resources, and relates part of this increase to increased salary costs. Upon enquiry the Advisory Committee was informed that with effect from 2013, the salary costs include a provision of 6 per cent of staff costs towards a new reserve for after-service health insurance (ASHI) to cover future cash commitments for ASHI. The level of the provision is based on actuarial valuations of the present value of the future commitments for ASHI, and is intended to set aside funds, in a timely manner, from

the relevant funding source (general-purpose, special-purpose or programme support costs). The Committee was further informed that this funding strategy for meeting the ASHI liabilities in relation to its extrabudgetary resources was implemented by UNODC to address the Board of Auditors recommendation for developing a comprehensive and effective solution to the funding of future commitments to its staff (A/67/5/Add.9 and Corr.1 para. 46).

21. **The Advisory Committee notes the creation of a reserve by UNODC to cover future cash commitments for ASHI, which has resulted in an overall increase in its staff costs, independent of salaries. In this connection the Committee recalls its recent comments and observations concerning ASHI included in its report A/68/550.**

Technical assistance for regional programmes

22. As indicated in the Executive Director’s report, project delivery supported by the drug programme fund is expected to increase by $60.5 million (24.8 per cent), from $244.1 million in 2012-2013 to $304.6 million in 2014-2015. The increase reflects the expanded delivery of technical assistance in, inter-alia, the regional programme on Afghanistan and neighbouring countries, West Africa and Nigeria, Latin America and South East Asia ibid., para. 27). A breakdown of the allocation of special-purpose voluntary contributions by geographical region and programme area is provided in annex I of the report on the consolidated budget of UNODC. The Advisory Committee was informed, upon enquiry that in respect of the joint West Africa Coast Initiative (WACI), the five WACI partner countries, the UN partner agencies and Interpol agreed upon the new regional WACI project, which is expected to commence in December 2013/January 2014. The Committee was further informed that WACI received extensive attention at the High Level Regional Donor Conference for West Africa held in October 2013. **The Advisory Committee notes the enhanced level of project delivery proposed by UNODC on regional programmes, including WACI, and the increased donor confidence for its projects.**

Partnerships with United Nations system entities

23. The Executive Director indicates that increased activities undertaken by UNODC in collaboration with other UN entities have led to enhanced coordination and coherence in communicating on issues related to the implementation of the various crime, drug, terrorism, and corruption-related conventions, treaties and protocols. Joint activities undertaken with specific UN entities such as the Joint United Nations Programme on HIV/AIDS (UNAIDS), the World Health Organization and the Department of Peacekeeping Operations are detailed in paragraphs 40-43 of the report. The Advisory Committee was informed, upon enquiry, that UNODC is a co-sponsor of UNAIDS and the convening agency for HIV prevention, treatment and care for people who use drugs and for people in prison settings. Together with other UNAIDS cosponsors, national and international partners, including civil society organizations, UNODC assists countries in achieving universal access to comprehensive HIV services for people who use drugs and for those in prison settings. **The Advisory Committee supports the system-**

wide cooperation and coherence promoted by UNODC through the joint activities undertaken with its partners.