



# Activity Based Financial Flows in UN System:

a Study of Select UN Organisations

Volume 2 – Case Studies

Report 9/2011 – Study



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# ACTIVITY-BASED FINANCIAL FLOWS IN UN SYSTEM: A STUDY OF SELECT UN ORGANISATIONS

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# Activity Based Financial Flows in UN System: a Study of Select UN Organisations

## Volume 2 – Case Studies

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Acronym	Meaning
ACABQ	Advisory Committee on Administrative and Budgetary Questions
AIDS	Acquired Immune Deficiency Syndrome
ARL	Accounts Receivable Locally
ASHI	After-Service Health Insurance
BOM	Bureau of Management
CERF	Central Emergency Response Fund
CIS	Commonwealth of Independent States
CPAP	Country Programme Action Plan
DAC	Development Assistance Committee
DEV	Development
DFID	Department for International Development
DOC	Direct Operational Costs
DOS	Division for Oversight Services
DSC	Direct Support Costs
DSCAF	Direct Support Cost Advance Facility
EC	European Commission
EMOP	Emergency Operations
ERP	Enterprise Resource Planning
EU	European Union
FACE	Funding Authorization and Certificate of Expenditure
FAO	Food and Agriculture Organisation
FPF	Forward Purchase Facility
GBV	Gender-Based Violence
GEF	Global Environment Facility
GFATM	Global Fund Against Tuberculosis and Malaria
GLOC	Government Contribution to Local Costs
GMS	General Management Support
GNI	Gross National Income
HIC	High Income Countries
HIV	Human Immunodeficiency Virus
HQ	Headquarters
HR	Human Resources
IAPSO	Inter-Agency Procurement Services Office
IATI	International Aid Transparency Initiative
ICPD	International Conference on Population and Development
ICT	Information and Communications Technology
IDA	International Development Association
IEFR	International Emergency Food Reserve
IFAD	International Fund for Agricultural Development
IFRS	International Financial Reporting Standard
ILO	International Labour Organisation
IMF	International Monetary Fund
IOM	International Organization on Migration
IP	Implementing Partners
IPSAS	International Public Sector Accounting Standards

Acronym	Meaning
IRA	Immediate Response Account
ISC	Indirect Support Costs
ITC	International Trade Centre
JPO	Junior Professional Officer
LDC	Least Developed Countries
LTSH	Landside transport, shipping and handling
MDG	Millennium Development Goals
MDRI	Multilateral Debt Reduction Initiative
MENA	Middle East and North Africa
MOPAN	Multilateral Organisation Performance Assessment Network
MTSP	Medium-Term Strategic Plan
NEX	National Execution
NGO	Non-Governmental Organisation
NIM	Nationally Implemented
NORAD	Norwegian Agency for International Development
ODA	Official Development Assistance
ODOC	Other Direct Operational Costs
OECD	Organisation for Economic Co-operation and Development
OR	Other Resources
OR-E	Other Resources Emergency
OR-R	Other Resources Regular
PCCS	Programme Country Cost-Sharing
PEFA	Public Expenditure Financial Accounting
PRRO	Protracted Relief and Recovery Operation
PSA	Programme Support and Administrative
PSAEA	PSA Equalization Account
RC	Resident Coordinator
RR	Regular Resources
SMART	Specific, Measurable, Accurate, Relevant and Time-Bound
SO	Special Operations
SRH	Sexual and Reproductive Health
STI	Sexually Transmitted Infection
TA	Technical Assistance
TF	Trust Fund
TOR	Terms of Reference
TPA	Third Party Agreement
TPCS	Third Party Cost-Sharing
TRAC	Target Resources Assignment from Core
TTF	Thematic Trust Fund
UK	United Kingdom
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UN BOA	UN Board of Auditors
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework

Acronym	Meaning
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNEG	United Nations Evaluation Group
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees'
UNHRD	United Nations Humanitarian Response Depot
UNICEF	United Nation Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNIFEM	United Nations Development Fund for Women
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
UNODC	United Nations Office on Drugs and Crime
UNRWA	United Nations Relief and Works Agency
UNSAS	United Nations System Accounting Standards
UNV	United Nations Volunteers
US\$	United States Dollars
USA	United States of America
VAM	Vulnerability Analysis and Mapping
WFP	World Food Programme
WHO	World Health Organisation

## Important Note to the Reader

The present study describes financial flows to and from five UN agencies. Its main objective is to describe how funds were utilized during the last decade. It is largely **based on a compilation of existing public documents, complemented by interviews** at headquarters of agencies concerned and two country visits.

The study is **not intended to be a review of efficiency or effectiveness of UN agencies**. However, it makes certain observations and suggests further analysis that might be useful inputs into such future analysis. Similarly, the study is **not an independent audit**. Coverage of audit issues in the report is based on public documents presented and discussed by the agencies' boards and used to highlight the reliability of financial information.

As in any time bound study, **coverage of data and information is limited to documents published between 2000 and 2010**. The UN system has been going through continuous improvements. The authors recognize some of the observations recorded in this report, while valid for the period under consideration, may have been addressed recently or there are plans to do so soon. The report has noted some of these instances, but documenting them all was not feasible. In the interest of being concise, while covering all issues, this volume presents detailed information and analysis and a thorough explanation of sources while the accompanying volume 1 provides a synopsis of the analysis, findings and key sources. Volume 1 also makes certain recommendations aimed at accelerating ongoing reforms, reconsidering specific aspects of how agencies conduct their business and areas where further studies may be warranted.

However, a critical message that should not be lost in the volume of information provided is that UN agencies, notably but not solely those involved in humanitarian aid, operate at times under extremely difficult circumstances providing support to a population that is largely not served by other donors.

# 1. INTRODUCTION

1. Norad has hired IDC SA to carry out a study to contribute to the understanding of financial flows and current financial planning and budgeting processes of a select group of UN entities that are important partners for Norway. Focus in the study of financial flows will be on the structure of expenditures with a more summary mapping of revenues. The scope of this study is limited to **a set of UN entities including UNDP, UNICEF, UNHCR, UNFPA and WFP.**

2. The study shall map the financial flows both at the headquarters and the country level, covering the time period 2001 to 2010. It will focus on developments during most recent years, with more cursory analysis of expenditures for earlier years of the past decade. The study is not intended to be an evaluation of UN development and humanitarian assistance. Thus, assessment of the development results achieved by the concerned organizations is beyond the scope of this study.

3. The study will include a description of the UN budget process and financial information that can inform the debate concerning transparency, organisational efficiency, accountability and effectiveness of the organisations that form the subject matter of this study. It will also point out the potential consequences of earmarked funding on allocation and prioritization decisions. The current study will also make recommendations for further analysis. Finally, the study may provide a basis for **future programming of Norwegian participation in the governing bodies of the concerned organisations**, in particular with respect to their **ongoing budgetary process reforms and earmarking.**

4. As this report is neither an evaluation nor an audit there was no need to develop a **specific methodology** beyond following the approach highlighted in the terms of references, as clarified in the Inception Report. Specifically, the review period 2000s and the selection of agencies were pre-defined in the TORs. Furthermore, the study is based solely on public documents, with factual and qualitative interpretations validated through a series of exchanges with the UN agencies concerned. The report is thus a compilation in a reader friendly format of information from various sources that are not readily available in consolidated form in other documents. The approach followed, described in detail in the **Annex**, involved no a priori judgement or hypothesis and was largely a process of discovery . The task assigned to the consultants was to track expenditures to its various components and building blocks, with as much details as possible provided. Standard ratios and formats were used to facilitate any cross-agency comparison. In addition, as explained in the Inception Report, the consultants have summarized factors that underpin the observed expenditure patterns. These include budgetary and fiduciary systems, as well as information on allocation systems, cost recovery, staffing and so on. Some of the recommendations of the report originate from UN documents and are restated only to the extent they had not been fully addressed at the time the review of documents was undertaken. The others observations are either direct results of the findings or areas that in the opinion of the consultants would warrant further analysis.

5. The present volume incorporates our findings on UNFPA, UNICEF, WFP, UNHCR and UNDP. It is focused on financial flows, builds on review of publicly available documents supplemented by exchanges with UN officials at each agency's headquarters and in Uganda and Vietnam. While every effort has been made to use the most up-to-date data in the analysis, **the bulk of the analysis of the report was undertaken during January-April 2011 when key data was only available till end 2009.** The present volume does not incorporate 2010 figures or time series revised recently. Furthermore, as each agency uses a different terminology for the same concept (e.g. core or non-core) we have as much as possible harmonized the language used in the synthesis report. However, each agency's own terminology is still used in Volume 2 because of its greater focus on individual institutions.

UNFPA

## 2. UNFPA

### a. Role in Development

6. The United Nations Population Fund (UNFPA) describes its mission – defined mainly by the International Conference on Population and Development in 1994 and the Millennium Development Goals -- as to promote “the right of every woman, man and child to enjoy a life of health and equal opportunity.” In this pursuit, the UNFPA “supports countries in using population data for policies and programmes to reduce poverty and to ensure that every pregnancy is wanted, every birth is safe, every young person is free of HIV and AIDS, and every girl and woman is treated with dignity and respect.” UNFPA provides assistance to 155 countries and territories, employing some 2000 staff worldwide in 2010. A major reorganization in 2008 reinforced UNFPA’s decentralized structure; as a result, today 80 percent of UNFPA’s staff work outside Headquarters. National execution of UNFPA funded projects is a high priority in the current strategic plan. UNFPA shares its Executive Board with the UNDP.

7. While a number of UN organizations have common objectives, they all have clear mandates, and work together to complement each other in achieving these objectives. For example, UNFPA, UNICEF and WHO are by their mandates active in combatting HIV and all contribute to MDG 6; as another example, UN Women, UNFPA, UNICEF and UNDP are all active in promoting gender equality, and thus all contribute to MDG 3. UNFPA Headquarters and country offices collaborate with other UN agencies to avoid the risk for duplication of activities and to complement and support each other in implementing programmes at all levels.

8. This report essentially builds on reviews of public documents available on the Internet, supplemented with information received in meetings with UNFPA officials at Headquarters in New York. This has made possible a fairly detailed tally of expenditures for programme assistance by focus area as well as for countries by regional groupings. Information regarding administrative expenditures (the Biennial Support Budget) by broad expenditure categories (salaries, consultants, operational expenditures, etc.) is also documented in this report.

### b. Trends in resources<sup>1</sup>

9. **Table 2.1** shows trends in UNFPA’s income over the past decade. As a result of substantial contributions from its major donors, overall resources have increased by, on average, 9.8 percent annually during the 2001 – 2009 period, despite a decline in earmarked resources in 2009 associated with the downturn in the global economy. Until 2009, regular resources contributions increased significantly slower than other, or earmarked, resources, resulting in a gradual decline in regular resources as a share of total resources. (UNFPA also uses the term “co-financing resources” for what UNICEF terms “other resources”.) It may be noted that the increase in regular resources share in total

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<sup>1</sup> Volume 2 of the report follows the terminology for income and expenditures used by the respective agencies in the study. Thus, in the case of UNFPA the term “regular resources” is used for what is called “core resources” in the Volume 1 Synthesis Report; similarly, the term “other resources” is used for what is called “non-core resources” in Volume 1.



income noted in 2009 is due to the decline in other resources. As a result, regular resources accounted for nearly two-thirds of total resources in 2009.

**Table 2.1 - UNFPA resources by type of revenue**

US dollar millions, current prices

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Regular resources</b>	<b>268.7</b>	<b>260.1</b>	<b>292.3</b>	<b>331.7</b>	<b>365.8</b>	<b>389.3</b>	<b>457.1</b>	<b>469.5</b>	<b>486.4</b>
Contributions	258.3	250.1	288.5	322.5	351.2	360.5	437.3	428.8	469.4
Interest income	9.7	5.8	2.6	3.5	6.3	10.8	18.3	14.0	10.7
Other income	0.6	4.2	1.2	5.6	8.3	18.0	1.5		6.3
<b>Other resources</b>	<b>127.8</b>	<b>113.0</b>	<b>105.6</b>	<b>174.5</b>	<b>199.2</b>	<b>216.2</b>	<b>295.2</b>	<b>375.8</b>	<b>296.7</b>
Contributions	123.5				132.1	210.0	286.2	366.1	269.2
Interest income	4.1	3.5	2.0	3.1	5.5	6.2	8.6	9.6	20.5
Other income	0.2		b/	b/	b/	b/	0.4	0.2	7.0
									b/
<b>Total resources</b>	<b>396.4</b>	<b>373.1</b>	<b>397.9</b>	<b>506.1</b>	<b>565.3</b>	<b>605.5</b>	<b>752.2</b>	<b>845.3</b>	<b>783.1</b>
Contributions	381.8			493.9	544.9	570.5	705.2	794.9	758.2
Interest income	13.8						26.9	23.5	17.7
Other income	0.8						1.9	26.8	6.3
<i>Of which Norway</i>									
Contribution	24.3	25.1	32.9	33.2	37.8	40.8	58.7	47.6	48.1
Rank as donor	4	4	3	5	3	3	3	4	3
<b>Indicator</b>									
<b>Regular resources as share of total contributions (%)</b>	<b>67.8</b>	<b>69.7</b>	<b>73.5</b>	<b>65.3</b>	<b>64.5</b>	<b>63.2</b>	<b>59.4</b>	<b>53.9</b>	<b>62.1</b>

Notes: a/ Private endowment trusts are included in Contributions, including a donation of US\$18.7 from the Mars Trust in 2007

b/ Other income included in interest income. Other resources includes co-financing (trust funds, thematic trust funds, and other trust funds) Junior Professional Officers programme and procurement services.

Sources: UNFPA. Annual report of the Executive Director for 2008. Statistical and financial review, 2008 [DP/FPA/2009/2 (Part I, Add.1)]. Annex I. Table 21; UNFPA Annual Report 2009; Global Policy Forum [http://www.globalpolicy.org/images/pdfs/UNFPA\\_Top\\_Ten\\_Donors\\_2009.pdf](http://www.globalpolicy.org/images/pdfs/UNFPA_Top_Ten_Donors_2009.pdf)

10. Contributions to regular and other resources have surpassed the annual targets in the UNFPA Strategic Plan. Compared to e.g. UNICEF, UNFPA still receives a higher proportion of its income in the form of voluntary regular contributions (hereafter regular contributions) thus allowing for more flexibility in planning for future activities. UNFPA's Annual Reports publish pledges as well as amounts actually paid by donor countries, revealing wide and systematic under-payment in many cases.

11. **Table 2.2** below provides information on top 10 donors to UNFPA during the second half of the 2000s. This list is quite stable over time with Netherlands, Sweden and Norway (except for 2008) the top 3. The US became the fourth largest donor in 2009, while UK slipped from fourth to seventh and Japan moved up from eighth to fifth. The latest UNFPA funding report<sup>2</sup> notes a possible concern on

<sup>2</sup> <http://www.unfpa.org/webdav/site/global/shared/executive-board/2011/DP%20FPA%202011%204.doc>

sustainability of current levels of funding: “In view of the current global financial constraints, UNFPA appeals to the Executive Board and all members of the donor family of the Fund to maintain their financial support to UNFPA.”

**Table 2.2 - Top 10 major donors to UNFPA regular resources**  
for the period 2006 to 2010, US\$ million

Year	Ranking									
	1	2	3	4	5	6	7	8	9	10
2006	Netherlands (the) \$75.2	Sweden \$55.2	Norway \$40.8	United Kingdom of Great Britain and Northern Ireland (the) \$37.7	Japan \$33.4	Denmark \$31.0	Germany \$19.5	Finland \$17.2	Canada \$12.7	Switzerland \$10.0
2007	Netherlands (the) \$80.0	Sweden \$60.7	Norway \$58.7	United Kingdom of Great Britain and Northern Ireland (the) \$40.3	Japan \$33.3	Denmark \$32.6	Germany \$25.3	Finland \$20.6	Spain \$13.9	Canada \$12.8
2008	Netherlands (the) \$75.7	Sweden \$60.9	Denmark \$48.0	Norway \$47.6	United Kingdom of Great Britain and Northern Ireland (the) \$30.7	Japan \$29.7	Germany \$26.7	Finland \$24.2	Spain \$18.1	Canada \$14.6
2009	Netherlands (the) \$80.9	Sweden \$59.0	Norway \$48.0	United States of America \$46.1	Denmark \$39.5	United Kingdom of Great Britain and Northern Ireland (the) \$34.5	Japan \$30.1	Finland \$27.9	Germany \$25.3	Spain \$20.7
2010	Netherlands (the) \$73.6	Sweden \$60.6	Norway \$54.1	United States of America \$51.4	Denmark \$37.1	Finland \$33.7	United Kingdom of Great Britain and Northern Ireland (the) \$30.2	Japan \$25.4	Spain \$21.4	Germany \$19.5

Source: Funding commitments to UNFPA - DP/FPA/2011/4

12. UNFPA relies almost exclusively on government contributions for its activities funded by regular resources; moreover, 95 percent of regular resources income comes from a very limited number of donors.<sup>3</sup> At the beginning of each year, inquiries regarding expected donor contributions are made; in particular, multi-year commitments from major donors are solicited. Transfers from other UN agencies (US\$78.9 million in 2009) are also important and currently account for about one quarter of total revenues. In its ongoing dialogue with donors, UNFPA stresses the advantages of core financing; if efforts to solicit such funding are not successful, thematic funding (or pooled donor funds) is proposed as a “second best” alternative; efforts are made to ensure that earmarked contributions are aligned with the medium term strategy. Thematic funding accounted for US\$93.9 million of the nearly US\$300 million in other resources in 2009. Country offices are allowed to raise funds locally.

13. The value of goods and services provided in kind to assist in defraying costs associated with UNFPA-supported projects in 2009 was not significant.<sup>4</sup> Interest income on unspent fund contributed around US\$30 million (or about 4 percent) to UNFPA’s resources in 2009. However, despite a growing

<sup>3</sup>UNFPA. Report on contributions by member states and other to UNFPA and revenue projections for 2010 and future years. [DP/FPA/2010/18]; and UNFPA. Funding commitments to UNFPA. Reports on contributions by member states and others to regular and co-financing resources for 2009 and future years. Report of the Executive Director. [DP/FPA/2009/3]

<sup>4</sup>General Assembly. Financial report and audited financial statements for the biennium ended 31 December 2009 and Report of the Board of Auditors. [A/65/5/Add.7]

<http://ods-dds-ny.un.org/doc/UNDOC/GEN/N10/461/87/PDF/N1046187.pdf?OpenElement>

stock of fund balances and reserves (close to US\$500 million in 2008) interest income has fallen in the past two years due to depressed financial markets.

14. As noted above, the Norwegian government has remained one of UNFPA's top donors throughout the past decade, consistently ranking among the top 3-5 donors. Over 80 percent of Norway's contribution in 2009 was for regular expenditures. The Mars Trust made a donation of US\$18.3 million in 2007; other private donations totalled US\$1.5 million.

15. Except for 2009, UNFPA's income has exceeded expenditures in recent years. Reserves and fund balances have been on a steadily rising trend, and were about US\$500 million. The operational reserve, at US\$93.5 million, or 20 percent of contributions to regular resources, was in line with UNFPA financial rules. Fund balances and reserves under other resources, however, were US\$277.9 million in 2009. While high, this is still relatively lower than in the previous years. Headquarters staff attributes the level of unspent balances to several factors, the most important one being that UNFPA "wants to get value for the money" and that the ability to use expenditures efficiently in step with contributions is limited in many countries, in particular in Africa. Staff has also noted that much of the unspent balances are funds received from donors under binding legal agreements and committed to specific programmes where implementation would extend to longer than one financial year. These are not fungible.

### **c. Current Planning and budgeting processes**

16. **The role of planning.** The UNFPA Strategic Plan, covering the medium-term period, sets the strategic direction and provides the overall framework for UNFPA's support to assist countries to achieve nationally-owned development objectives. The Plan, originally for the years 2008 – 2011, has been extended to 2013 as part of the harmonization of activities with those of UNDP and UNICEF. It focuses on three interrelated areas: (i) population and development; (ii) reproductive health and rights; and (iii) gender equality. Activities within these areas are linked to the Millennium Development Goals as well as to special decisions setting the direction for UNFPA's mission. The plan consists of (a) a development results framework, which outlines goals and outcomes for UNFPA and guides all programme development and monitoring of performance and progress; (b) a management results framework that constitutes the accountability framework for organizational performance at all levels; and (c) an integrated financial resources framework that outlines the estimated financial resource requirements for a given period. It identifies nine management outputs in the management results framework and thirteen outcomes in the development results framework. The management results (for example, creation of a cadre of motivated and capable staff) support the development results by strengthening the ability of UNFPA to manage its resources towards programme goals. The budget functions follow a harmonized format agreed by UNDP, UNFPA and UNICEF. Regions have flexibility to adjust outcomes in line with their priorities. The UNFPA global and regional programme provide the details of the outputs for which UNFPA will be fully accountable. The Plan, in addition to

setting the direction for the use of resources, also serves as the main policy document for management and accountability<sup>5</sup>.

17. The Plan document gives quantified expenditure estimates only in highly aggregated form for the Plan period. In addition, these estimates are stated as “proposed requirements” for regular and other resources as well as for the Biennial Support Budget for the Plan period. It is unclear whether this refers to resources that are expected to be available or, more likely, to resources that will be needed in order to meet some, not quantified – goals for service delivery. This renders assessments of Plan achievements hard to attribute.

18. The Annual Report of the Executive Director to the Executive Board reports on the implementation of the strategic plan. While a review of the first year report on implementing the Plan, reported in 2009<sup>6</sup> was predominantly a *description of activities* for outcome areas in the Plan, the reports<sup>7</sup> have improved since then, and become more analytical and results-based. While the challenge of showing attribution to the organization remains, this should be resolved to a large extent with the new results approach introduced in the mid-term review of the strategic plan<sup>8</sup>, with the introduction of *outputs*, which are intended to show better UNFPA’s concrete contribution to higher level results (outcomes).

19. **Budget (expenditure appropriation) and implementation process.** The steps in the UNFPA process for budgeting and monitoring its expenses can be summarized as follows:

Planning and budgeting process

- Preparation and adoption of four year Plan July 27, 2007
- Estimates for the biennial support budget for 2008-2009 September, 2007
- Executive Board approval of biennial support budget 2008-2009 November 5, 2007

Implementation and follow-up

- Statistical and financial review for 2008 May 19, 2008
- Report on progress in implementation the Five Year Plan for 2008-2011 April 22, 2009
- Annual Statistical and financial review for 2009 May 10, 2010

<sup>5</sup> UNFPA. Strategic plan, 2008-2011: Accelerating progress and national ownership of the ICPD Programme of Action. Report of the Executive Director. The Plan document is succinct, but focused document that also includes a frank section in “lessons learnt”, including the need for more clearly defined goals and outcomes and a stronger analysis of attribution.

[http://www.unfpa.org/exbrd/2007/secondsession/dpfpa\\_2007\\_17\\_eng.pdf](http://www.unfpa.org/exbrd/2007/secondsession/dpfpa_2007_17_eng.pdf)

<sup>6</sup> Report of the Executive Director for 2008: Progress in implementing the strategic plan 2008 – 2011. DP/FPA/2009/2 (Part I)

<sup>7</sup> Annual report of the executive director for 2010. <http://www.unfpa.org/webdav/site/global/shared/executive-board/2011/DP%20FPA%202011%203%20%28Part%20I%29.doc>

<sup>8</sup> Report of the Executive Director: Midterm review of the UNFPA strategic plan, 2008-2013. <http://www.unfpa.org/webdav/site/global/shared/executive-board/2011/CORRECTED%20FINALIZED%20UN%20VERSION%20MTR%20OF%20THE%20UNFPA%20STRATEGIC%20PLAN,%20Single-spaced.doc>

20. The UNFPA utilizes a classification of countries according to their relative need for the services it provides. The current system for allocating resources to individual countries, adopted in 2007, emphasizes countries in emergencies, transition and recovery. Amount allocated is based on eight indicators. At the same time, steps were taken to harmonize the country allocation cycle with the strategic plan cycle. A redefined system for grouping countries according to the relative need for UNFPA assistance was also adopted. An even higher priority is now given to countries that are furthest away from achieving the UNFPA goals, simultaneously with continued support for addressing the highest priority issues within countries that are not ranked first priority. Since some Group A countries had been unable to spend the share of resources allocated to them, steps were also taken to enhance their absorptive capacity.

21. **Table 2.3** below specifies the shares of regular resources destined for each priority group. As seen, the highest priority country group (A) gets a significantly higher share of regular resources than their share of the population. The share of regular expenditures dedicated to Group A countries is also significantly higher than their actual allocation in 2004 – 2006.

22. The documentation<sup>9</sup> regarding the revised system for allocation of expenditures between country groups lacks specification as regards the mechanisms for distribution of funds between countries *within* each group. The weight of each variable in the formula for allocating regular resources is not specified. It is also unclear whether ample access to other resources reduces the allocation of regular resources. Another issue is UNFPA’s presence in relatively advanced countries due to the fact that they may be lagging on one “high priority” indicator; as the associated limited country programs carry a relatively high overhead cost.

**Table 2.3 - Principles for allocation of UNFPA regular resources by country group**

<b>Group</b>	<b>Number of countries</b>	<b>Share of population (%)</b>	<b>Planned share of resources (%)</b>	<b>Actual share of resources 2005-2006 (%)</b>
A	66	43	71-73	51
B	41	21	21-22	42
C	26	35	6-7	6
Total	133	100	100	100

*Note:* Principles adopted by Board decision 2007.

*Source:* UNFPA. Review of the system for the allocation of UNFPA resources to country programmes [DP/FPA/2007/18]

<sup>9</sup> The documentation says that the “actual needs and priorities of individual countries as determined through the United Nations Development Assistance Framework would be paramount in defining individual country allocations. Other factors that would be taken into account would be related to, inter alia, the country’s population size and income, the availability of significant funding from other donors...”

#### d. Mapping expenditures at Headquarters, Regional and Country level – Programme Expenditures

23. **Overall trends in expenditures.** In tandem with the increase in revenues, UNFPA's expenditures have grown at a rapid rate, with regular expenditures increasing at 7.9 percent per year on average, and other expenditures, or earmarked donor contributions, growing at 13.2 percent per year. A decade ago, regular programme expenditures were almost twice as large as other programme expenditures, see **Table 2.4**. Due to very large increases in earmarked donor funds, other resources programme expenditures are today nearly as large as programme expenditures funded from regular resources. Another noteworthy trend is the stability in expenditures for the Biennial Support Budget as a share of regular resources, about 22 percent.

24. **Table 2.5** below provides details regarding programme expenditures funded by regular resources. Programmes for reproductive health and rights -- although falling markedly as a share of total regular expenditures -- over the 2006-2008 period, remain the dominant expenditure category, accounting for nearly half of all spending. UNFPA also presents the same information for regional groupings.<sup>10</sup>

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<sup>10</sup> See UNFPA. Annual report of the Executive Director for 2008. Statistical and financial review, 2008: [DP/FPA/2009/2 (Part I, Add.1)]. UNFPA's agency Annual Report for 2009 also presents a table over project expenditures (funder by regular and other resources) for individual countries. In this respect UNFPA compares favorably with some other UN agencies.

**Table 2.4 - Trends in regular and other resources expenditures, 2001–2009**  
(US\$ million, current prices)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Regular expenditure</b>	254.3	293.7	270.8	318.6	335.2	357.2	385.4	451.3	467.2
<i>of which:</i>									
Programme	194.4	226.2	195.3	241.3	253.3	265.9	284.3	340.5	347.8
Support budget	57.1	67.5	75.5	77.3	82.0	92.2	101.1	110.8	104.5
<b>Other expenditure</b>	123.3	117.1	109.2	132.9	188.2	180.0	243.6	249.5	332.7
<i>of which:</i>									
Programme	123.3	117.1	108.3	132.9	188.6	178.7	n/a	246.6	332.7
<b>Total expenditure</b>	377.8	410.9	380.0	451.5	523.4	537.2	629.0	700.8	799.9
<b>Total resources</b>	396.4	373.1	397.9	506.1	565.3	605.5	752.2	845.3	783.1
<i>Regular expenditures as share of total expenditures (%)</i>	67.3	71.5	71.3	70.6	64.0	66.5	61.3	64.4	58.4
<i>Support budget as share of regular expenditures (%)</i>	22.5	23.9	27.9	24.3	24.5	25.8	26.2	24.6	22.4

Note: The 2007 Annual Report is not available on the Internet. Some numbers for 2007 derived from several sources.

Sources: UNFPA. Annual report of the Executive Director for 2008. Statistical and financial review, 2008 [DP/FPA/2009/2 (Part I, Add.1).Annex I. Table 21; UNFPA Annual Reports.

**Table 2.5 - Expenditures by focus area, 2001 - 2009**  
US\$ million, current prices

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Regular expenditure</b>	<b>171.7</b>	<b>293.7</b>	<b>270.8</b>	<b>221.9</b>	<b>234.3</b>	<b>245.7</b>	<b>273.6</b>	<b>340.5</b>	<b>347.8</b>
Reproductive health	119.2	129.2	108.4	139.3	144.1	148.1	146.6	165.0	160.9
Population and development	34.2	39.8	34.8	47.9	49.9	50.9	52.2	68.9	94.6
Gender equality; women empowerment				21.3	28.2	15.9	20.8	35.6	46.3
Programme coordination				13.4	12.2	30.8	54.0	71.1	46.0
<b>Other expenditure</b>		<b>117.2</b>	<b>109.2</b>	<b>132.9</b>		<b>146.0</b>	<b>204.2</b>	<b>213.5</b>	<b>332.7</b>
Reproductive health						117.4	135.1	135.5	n/a
Population and development						19.8	56.7	55.1	n/a
Gender equality; women empowerment						6.9	13.0	23.5	n/a
Programme coordination									n/a
<b>Total expenditure</b>		<b>410.9</b>	<b>380.0</b>	<b>451.5</b>	<b>523.4</b>	<b>391.7</b>	<b>477.8</b>	<b>554.0</b>	<b>680.5</b>
Reproductive health						265.5	281.7	300.5	n/a
Population and development						70.7	108.9	12.4	n/a
Gender equality; women empowerment						22.8	33.8	59.1	n/a
Programme coordination						32.7	53.4	70.4	n/a

Note: With the adoption of a Midterm Review by the Executive Board in September 2011, UNFPA no longer maintains a “three focus areas” presentation of its activities.

Sources: UNFPA Annual report of the Executive Director for 2008. Statistical and financial review.2008 [DP/FPA/2 (Part I. Add 1)].UNFPA Annual Report 2009.

25. Another noteworthy trend is the sharp increase in the expenditures on programme coordination and assistance in recent years.

26. **Tables 2.5** above and **2.6** below show a breakdown of expenditures by focus area. Support for reproductive health services is by far the dominant expenditure item, accounting for well over half of total expenditures in 2008.

**Table 2.6 - UNFPA assistance by strategic plan outcome, 2008**

US\$ million, current prices

	Regular resources	Other resources
<b>Population and development</b>	<b>68.9</b>	<b>55.1</b>
1.1 Population dynamics and inter-linkages incorporated in public policies and expenditure frameworks		14.4
1.2 Young people's rights and multi-sectoral needs in public policies and expenditure frameworks	7.1	3.8
1.3 Data analysis and use at national and subnational level	28.0	35.9
1.4 Emerging population issues	5.3	1.0
<b>Reproductive health and rights</b>	<b>165.0</b>	<b>135.5</b>
2.1 Reproductive rights and SRH demand promoted in essential SRH package and integrated in public policies of development	30.1	39.6
2.2 Access and utilization of quality maternal health services increased in order to reduce maternal mortality and morbidity	86.5	53.7
2.3 Access to and utilization of quality voluntary family planning services by individuals and couples increased according to reproductive intention	14.5	12.8
2.4 Access to and utilization of quality HIV and sexually transmitted infection (STI) prevention services, especially for women, young people and other vulnerable groups	16.6	18.2
2.5 Access of young people to SRH, HIV and gender-based violence (GBV) prevention services improved	17.3	11.2
<b>Gender equality</b>	<b>35.6</b>	<b>23.5</b>
3.1 Gender equality and the human rights of women and adolescent girls, particularly their reproductive rights integrated in national policies, development framework and laws	10.7	23.5
3.2 Gender equality, reproductive rights and the empowerment of women and adolescent girls promoted through an enabling socio-cultural environment that is conducive to male participation and the elimination of harmful practices	12.5	6.9
3.3 Human rights protection systems and participatory mechanisms strengthened to protect reproductive rights of women and adolescent girls, including the right to be free from violence	2.1	3.8
3.4 Responses to gender-based violence, particularly domestic and sexual violence, expanded through improved policies, protection systems, legal enforcement and sexual and reproductive health and HIV prevention services, including emergency and post-emergency situations	10.3	3.8
<b>Programme coordination and assistance</b>	<b>71.1</b>	<b>9.0</b>
<b>Total</b>	<b>340.5</b>	<b>213.5</b>

Source: UNFPA. Annual report of the Executive Director for 2008. Statistical and financial review, 2008

27. As seen in **Table 2.7**, priorities for programmes funded by UNFPA regular resources – as reflected in shares for actual expenditures – differ significantly from priorities funded by earmarked



donor resources. Thus, while reproductive health accounts for less than half of regular resources expenditures, nearly two-thirds of donor-funded programmes are for reproductive health. This difference is most likely explained by the political sensitivity that surrounds family planning and other reproductive health interventions in many countries. However, another possible explanation is that increased earmarked donor funding resulted in lower UNFPA funding for the same activity.

**Table 2.7 - Structure of expenditures by programme areas for regular and other resources, 2008**  
US\$ million, current prices

Programme area	Regular resources		Other resources	
	US\$ million	Percentage share	US\$ million	Percentage share
Reproductive health	165.0	48.4	135.5	63.5
Population and development	68.9	20.2	55.1	25.8
Gender equality and women's empowerment	35.6	10.5	23.5	11.0
Programme coordination and assistance	71.1	20.9	(0.7)	(0.3)
<b>Total</b>	<b>340.5</b>	<b>100.0</b>	<b>213.5</b>	<b>100.0</b>

Source: UNFPA. Annual report of the Executive Director for 2008. Statistical and financial review, 2008

28. In meeting the consultants, UNFPA staff estimated that projects typically disburse over a 3 – 5 years period; according to staff, the size of each intervention varies significantly around a median of roughly US\$2 million. Calculations based on data from the Annual Report 2009 confirm the relatively small size of UNFPA projects, but give a higher average for projects, around US\$3.8 million.

29. Sub-Saharan Africa was the largest recipient of UNFPA regular expenditures at US\$136.2 million in 2009, followed by Asia and the Pacific at US\$87.8 million. The share of regular resources going to African countries also increased rapidly during the 2004-2009 period (**Table 2.8**).

30. It is noteworthy that in about twenty percent of the countries where UNFPA has a presence, spending is below US\$1 million, implying that overhead costs for maintaining country presence may be high compared to total country allocation (**Figure 2.1**).

**Table 2.8 - UNFPA regular resources expenditures by region, 2006 - 2008 (US\$ million, current prices)**

Region	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Sub-Saharan Africa</b>	57.0	73.3	63.5	78.1	78.0	83.8	95.3	141.3	136.2
<b>Arab States, Europe and Central Asia</b>	22.6	23.8	23.0	28.7	28.4	32.5	34.3	-	-
<b>Arab States</b>	-	-	-	-	-	-	-	26.2	31.0
<b>Eastern Europe and Central Asia</b>	-	-	-	-	-	-	-	15.1	14.9
<b>Asia and the Pacific</b>	55.9	63.8	53.3	65.9	75.5	74.7	79.5	85.0	87.8
<b>Latin America and the Caribbean</b>	16.9	21.8	13.5	21.1	22.4	21.1	25.4	34.3	34.1
<b>Total</b>				<b>221.9</b>	<b>234.3</b>	<b>245.6</b>	<b>273.6</b>	<b>340.4</b>	<b>347.8</b>

Sources: UNFPA. Annual report of the Executive Director for 2008. Statistical and financial review, 2008. [DP/FPA/2009/2 (Part I, Add.1)]

. UNFPA. Annual Report 2009.

Note: In 2008, the UNFPA geographical division for Arab, States, Europe and Central Asia was split into two regional offices covering, respectively: (a) Arab States; and (b) Eastern Europe and Central Asia.

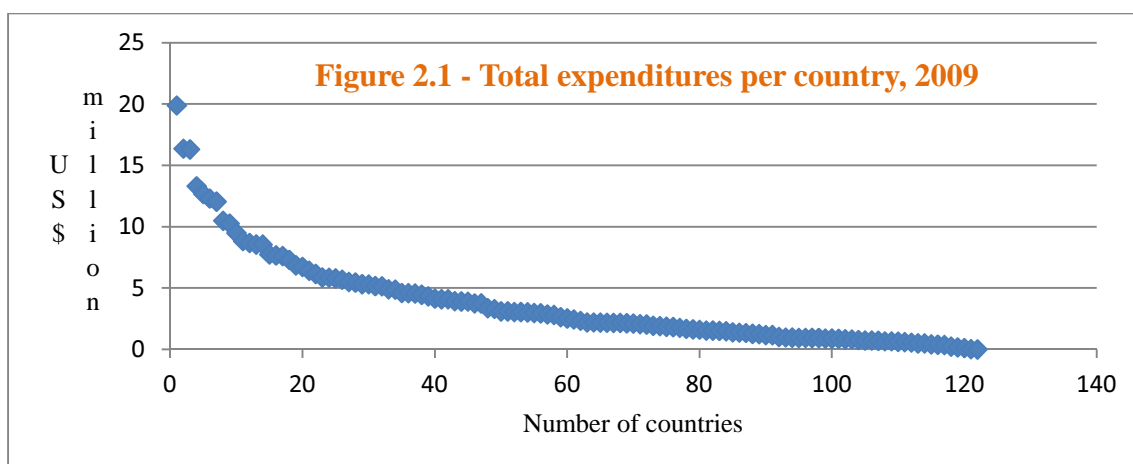
31. UNFPA implements close to two-thirds of the projects funded under regular expenditures, and a somewhat higher share of projects funded by earmarked donor contributions (**Table 2.9**). The governments' lower role in implementing projects funded by donor earmarked resources is noteworthy. The reason for this is unclear. One possible explanation is that while donors want to support the UNFPA priorities in poor countries, they may be somewhat hesitant about governments' ability to handle funds.

**Table 2.9- UNFPA assistance by implementing agency, 2009**

	Share of total (percent)	
	Regular resources	Other resources
<b>Governments</b>	23.8	15.7
<b>United Nations agencies</b>	0.8	0.4
<b>UNFPA a/</b>	65.4	69.2
<b>Non-government organizations</b>	10.0	14.7
<b>Total</b>	100.0	100.0
<b>Value of programme (US\$)</b>	<b>347.9</b>	<b>302.4</b>

Note: a/ Includes assistance to procurement for government projects

Source: UNFPA. Annual report of the Executive Director for 2009. Statistical and financial review, 2009 [DP/FPA/2010/17 (Part I, Add.1)]



32. Africa accounts for well over one-third of UNFPA total programme and support budget expenditures followed by Asia and the Pacific with about a quarter of total expenditures (**Table 2.10**). The difference in prioritization between UNFPA as an agency and the aggregate of donor earmarked funding for, in particular, Africa and Latin America is striking with the latter region receiving more than twice as much in earmarked funding as it receives in the form of regular allocations. The causality explaining this is unclear – does UNFPA offset priorities reflected in donor earmarked funding, or do donors want to offset what they see as insufficient allocations for their priority countries?

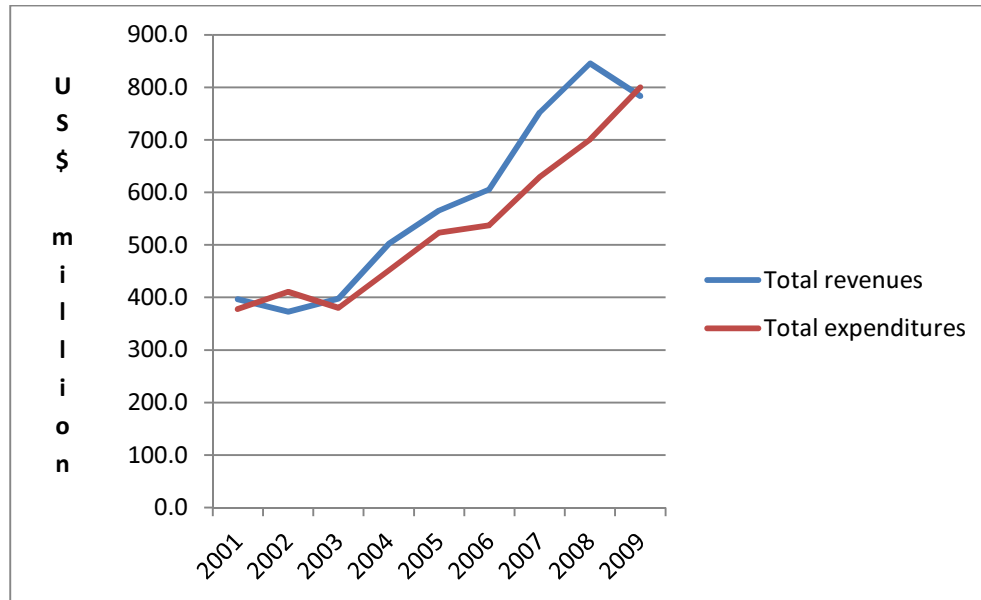
**Table 2.10 - Regional distribution of expenditures 2008 - 2009**  
US\$ million, current prices

Region	Regular resources	Other resources	Total
	%	%	%
Africa	37.0	27.6	34.0
Arab States	8.0	12.7	9.5
Eastern Europe and Central Asia	4.1	2.6	3.6
Asia and the Pacific	24.6	20.1	23.1
Latin America and the Caribbean	10.1	21.2	13.7
Other	16.2	15.8	16.1
	US\$	US\$	US\$
<b>Total resources (US\$ million)</b>	<b>905.8</b>	<b>430.1</b>	<b>1335.9</b>

*Note:* Calculations based on data given in UNFPA Regional Resource plan. Summary Table 1 as presented in UNFPA Estimates for the biennial support budget, 2010-2011. Totals for the different cost categories exclude costs for Headquarters relocation, re-organization, etc. Thus, they differ somewhat from corresponding numbers in the source document.

*Source:* UNFPA. Estimates for the biennial support budget, 2010-2011, op. cit. DP/FPA/2009/10

**Figure 2.2 - Excess of total income over expenditures, 2001 -2009**



Sources: UNFPA. Annual report of the Executive Director. Statistical and financial review, 2008 and 2009 [DP/FPA/2009/2 (Part I, Add.1)], and DP/FPA/2010/17 (Part I, Add.1)

33. There has been a large build-up of fund balances and reserves (**Figure 2.2** and **Table 2.11**). A significant portion of these balances and reserves may have been committed and, as noted earlier, earmarked funding appears to have been a major contributory factor.

**Table 2.11 - Reserves and fund balances 2004 – 2009 (US\$ million)**

	2004	2005	2006	2007	2008	2009
Programmable fund balances	174.1	205.7	188.6	292.6	411.5	343.9
Operational reserve	64.5	70.2	72.1	72.8	81.1	93.9
Reserve for field accommodation	5.0	5.0	5.0	5.0	5.0	5.0
<b>Total</b>	<b>243.6</b>	<b>280.9</b>	<b>265.7</b>	<b>370.4</b>	<b>497.6</b>	<b>442.8</b>
<i>of which:</i>						
Regular resources	94.5	123.8	78.4	143.4	162.6	164.9
Other resources	149.1	157.1	187.3	227.0	335.0	277.9
<b>Year's total income</b>	<b>493.9</b>	<b>544.9</b>	<b>570.5</b>	<b>705.2</b>	<b>794.9</b>	<b>758.2</b>
<b>Fund balance relative to year's total income</b>	<b>49.3</b>	<b>51.6</b>	<b>46.6</b>	<b>52.5</b>	<b>62.6</b>	<b>58.4</b>

Sources: UNFPA. Annual report of the Executive Director. Statistical and financial review, 2008 and 2009 [DP/FPA/2009/2 (Part I, Add.1)], and DP/FPA/2010/17 (Part I, Add.1). Calculation based on UNFPA data.

34. The rate in the build up is roughly the same for regular and other resources.<sup>11</sup> A reason for the increase in fund balances and reserves may be an increase in mandatory funding for e.g. the operational

<sup>11</sup>UNFPA's total reserves and committed fund balances amounted to close to US\$500 million by end-2008 and were made up of US\$80 million in operational reserves (as required by Executive Board regulations to cover unforeseen and/or

reserve. UNFPA receives funds, based on binding legal agreements with its partners, in advance of allocations for the implementation of planned specific activities and these programmes typically disburse over several years. These funds are not fungible.

**e. Current cost recovery practices for program activities funded through core and non-core revenue streams**

35. **The regulatory framework and main issues.** The Biennial Support Budget -- as approved by its Executive Board, following review by the Advisory Committee on Administrative and Budgetary Questions -- allocates resources to fund management and leadership functions that support UNFPA's regular and other resources programme activities at central, regional and local level for a two-year period.<sup>12</sup> Thus, programme activities follow a different budgetary process compared to management functions. UNFPA's Support Budget preparation process takes approximately nine months (including external and internal discussions). The support budget is financed from regular resources and cost recoveries from other resources. With the Biennial Support Budget fixed for a two year period, this means that an unexpected increase in programmes funded from other resources has to be offset by a reduction in regular resources project assistance. The net support budget is the portion funded from regular resources. The support budget follows a "results-based" format where the resources required to reach targets within each budget function are specified. In contrast to the UNICEF, estimates for programme resources and the support budget are done simultaneously, allowing for better coordination of these two functions.

36. The main principles underlying UNFPA's cost recovery policy as aligned with the UNDP/UNICEF are to "...compensate agencies fairly [for implementing non-core projects] ...and prevent unreasonable competition amongst agencies." Accordingly, UNFPA uses the standard rate of 7 percent harmonized with other UN agencies in calculating cost recoveries for the main part of its programmes. However, a lower rate of 5 percent is charged on expenditures financed by countries contributing to their own country programme. In a meeting with UNFPA staff, the consultants were told that if a UN agency asks UNFPA to implement its program, UNFPA would charge that agency at a rate of 7.5 percent. Symmetrically, UNFPA would pay another UN agency implementing its programmes the same rate. (See also **Box 2.1** and **Box 2.2** for additional comments on UNFPA cost recovery policy.)

37. A 2010 review applying the formula for calculating total variable indirect cost recoveries agreed with other UN agencies estimated these costs at 7.1 percent for the 2007 – 2008 period, slightly higher than the costs actually recovered for the same two years, implying that contributions to regular

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temporary liquidity difficulties), US\$5 million in reserve for field accommodation and US\$412 in funds received from donors under binding agreements and committed to specific programs that would be implemented over more than one fiscal year.

<sup>12</sup>As of 2012-2013, the Biennial Support Budget will be re-baptized "Institutional Budget", following new cost classification approved by the Executive Board.

resources do subsidize earmarked donor funding to some extent.<sup>13</sup> While highlighting this result, Norway has also emphasized the need for detailed information regarding how indirect cost charges are actually calculated. Norway has also requested an assessment regarding the justification for including fixed indirect costs in the base for calculating cost charges on earmarked contributions.<sup>14</sup>

38. UNFPA has highlighted the constraint imposed on its operational flexibility by the two-year cycle for the support budget in the face of uncertain programme expenditures. For example, if donor contributions make other resources increase beyond the level assumed in the support budget, it will be necessary to have a corresponding increase in the capacity to implement programmes in order to avoid delays in execution of programmes. However, during the course of the two-year budget cycle, UNFPA cannot increase resources for strengthening its implementing capacity beyond the limit set by the Biennial Support Budget. The scope for finding administrative resources to handle an expanding program through efficiency gains is also limited, especially in countries with smaller UNFPA offices. Transferring the responsibility for implementing UNFPA programs to local governments often run into constraints in the form of limited government capacity. This may well be one of the causes for the build-up in fund balances.

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<sup>13</sup> Review of the implementation of the UNFPA policy on indirect cost recovery. [DP/FPA/2010/16]. An earlier estimate attributed this difference to the lower rate of 5 percent on cost-sharing projects funded by programme countries. UNFPA concluded that there was no cross-subsidization and stated it did not want to amend the agreed rates policy. See Review of the UNFPA policy on indirect cost recovery. [DP/FPA/2007/09]

<sup>14</sup> Norway. Utenriksdepartementet. Instruks. ONDP/UNFPA styrelsemote. New York 19-22 januar 2010.

### Box 2.1 - Cost recovery essentials

In calculating cost recovery charges, UNFPA applies definitions agreed upon with other UN agencies aimed at harmonizing and improving cost-recovery policies. The overarching principle for these policies is that each source of funding should bear all associated costs in order to avoid cross subsidization of different funding modalities. In calculating the costs for implementing programmes and projects on behalf of other partners, UNFPA applies the following cost categories:

- Direct costs are directly related to activities associated with an agency's fulfillment of its mandate (salaries/wages, project premises, travel). These costs are charged directly to the programmes.
- Fixed indirect costs are incurred regardless of an agency's scope or level of activity (top management, etc.) Defined for country offices as minimum core cost of presence.
- Variable indirect costs, usually referred to as *programme support costs*, are incurred as a result of an agency's support of its activities but which cannot be traced unequivocally to specific activities or programmes. Indirect variable costs should be funded from regular resources and other resources in the same proportion as these resources fund programme costs.

The standardized cost-recovery rates applied by UNFPA are:

- 5 percent on expenditures financed by programme countries contributing to their own country programme;
- 7 percent for all other co-financed, or non-core, programmes; and
- 5 percent on third-party procurement expenditures.

The view taken by the UNFPA is that indirect variable costs by their nature cannot be directly linked to specific co-financing activities (hence, they are calculated indirectly as a residual). Thus, they can only be viewed as a single pool of costs and cannot be attributed to any particular programme. UNFPA therefore concludes that it is not possible to determine categories of co-financing activities that have significantly higher or lower indirect costs. However, the Executive Board has requested further harmonization of budget methodologies, including the attribution of costs between programme and support budgets. In the same vein, the Advisory Committee counsels that the basis for splitting costs between regular and other resources be kept under review to ensure that current arrangements are not a disincentive for donors to contribute regular resources. Among donors, Norway has noted the lack of information about how the rules for estimating cost charges are actually used, but at the same time takes the firmer view that current cost charges imply subsidization of earmarked donor contributions.

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*Sources:* Review of the implementation of the UNFPA policy on indirect cost recovery. [DP/FPA/2010/16].

Review of the UNFPA policy on indirect cost recovery. [DP/FPA/2007/09]. Norway. Utenriksdepartementet. Instruks. ONDP/UNFPA styrelsemote. New York 19-22 January 2010.

### Box 2.2 - The new support-budget format

The 2010-2011 Biennial Support Budget is the second budget following the results-based format agreed with the UNDP and UNICEF. A results-matrix specifies administrative goals within sixteen budget functions to be reached to realize the management outputs required to reach the programme goals specified in the Medium-term Plan.

The 2010-2011 budget represents a simplification compared to the overly complex format used in the previous support budget (which introduced the results-based format). As agreed with the UNDP and UNICEF, it uses one common results-indicator for each one of the 16 budget functions in the presentation, together with indicators specific to UNFPA. However, the Executive Board has, as steps towards a single integrated budget, requested the UNFPA to provide information on the calculation of cost recoveries from extra-budgetary resources, including updated information on UNFPA variable costs. The Board has also requested that a distinction between volume changes and statutory changes is made in presenting proposed budgetary changes. The Advisory Committee also sees the need for further harmonization of the support budgets for the three organizations, and specifically point to the need for the budget to focus on expected management results and strengthening of the linkages between resources and results. The UNFPA also presents proposed budgets in the context of previous budget without reference to actual expenditures. As is the case with other UN organizations, focus in the presentation of goals is on lengthy descriptions of activities instead of clear statements of results to be reached.

The Board of Auditors in their audit of the financial statements for the Biennium that ended in 2009 notes that not all output indicators in the individual units' office management plans had baselines and targets set. UNFPA in its response indicated that the omission of some of the baselines and targets "was an oversight by the respective units." [page 30] The UK/DFID in a recent report concluded that "UNFPA reports comprehensively against its global objectives, but are mainly set at the activity and outcome level".

*Sources:* UNFPA. Estimates for the Biennial Support Budget for 2010-2011. Report of the Advisory Committee on Administrative and Budgetary Questions

[http://www.unfpa.org/exbrd/2009/second\\_session/acabq.pdf](http://www.unfpa.org/exbrd/2009/second_session/acabq.pdf)

General Assembly. Financial report and audited financial statements for the biennium ended 31 December 2009 and Report of the Board of Auditors. [A/65/5/Add.7] [http://ods-dds-](http://ods-dds-ny.un.org/doc/UNDOC/GEN/N10/461/87/PDF/N1046187.pdf?OpenElement)

[ny.un.org/doc/UNDOC/GEN/N10/461/87/PDF/N1046187.pdf?OpenElement](http://ods-dds-ny.un.org/doc/UNDOC/GEN/N10/461/87/PDF/N1046187.pdf?OpenElement)

[UK/DFID. Multilateral Aid Review.](#)

39. **Cost recoveries: trends and structure.** Over the past decade, administrative expenditures (Biennial Support Budget and management and administration) increased by an average of 6.8 percent in current prices (**Table 2.12**). Net support budget expenditures in 2009 (US\$104.5 million) were significantly lower than assumed in the Plan (on average, US\$132 million).



**Table 2.12 - Gross Biennial Support Budget, 2001 -2009 (US\$, current prices)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Gross Biennial Support Budget</b>	67.9	73.7	76.9	81.0	88.5	97.0	101.1	114.8	123.1
<i>Of which:</i>									
<b>Support services</b>	47.5	51.3	55.0	58.5	64.2	70.4	76.5	85.3	93.1
<b>Management and administration</b>	20.4	22.4	21.9	22.5	24.3	26.6	24.6	29.5	30.0
<i>Gross Biennial Support Budget as share of regular expenditures</i>	26.7	25.2	28.4	25.4	26.4	27.1	26.2	25.4	26.3
<i>Gross Biennial Support Budget as share of total expenditures</i>	18.0	18.0	20.2	18.0	16.9	18.1	16.1	16.4	15.4
<i>Of which:</i>									
<i>Support services</i>	12.6	12.5	14.5	13.0	12.3	13.1	12.2	12.1	11.6
<i>Management and admin.</i>	5.4	5.5	5.8	5.0	4.6	6.0	3.9	4.3	3.8

Source: Annual Report of the Executive Director. Statistical and financial review [DP/FPA/2010/17 (Part I, Add. 1)]

40. While costs for support services nearly doubled in tandem with the increases in regular and other programme expenditures, costs increases for management and administration were contained at below fifty percent (**Figure 2.3**). There is no discernible trend in gross administrative costs (i.e. support cost plus management and administration) as a share of regular expenditures during the period 2001 - 2009. There has been a marked decline in the cost for management and administration expressed as a share of total expenditures during the past few years. The support budget for 2010 – 2011 implies a further decline in support cost as share of total expenditures. This assessment of trends in expenditures assumes that there has been no change in the methodology for allocating expenditures between support budget functions and projects. While recognizing progress made, the Advisory Committee, in a review of the budget for 2010 – 2011 (and repeating its wording as in its review one year earlier), encouraged the UNFPA to “continue to scrutinize programme support cost in order to ensure higher allocation of funds to programmes.”<sup>15</sup>

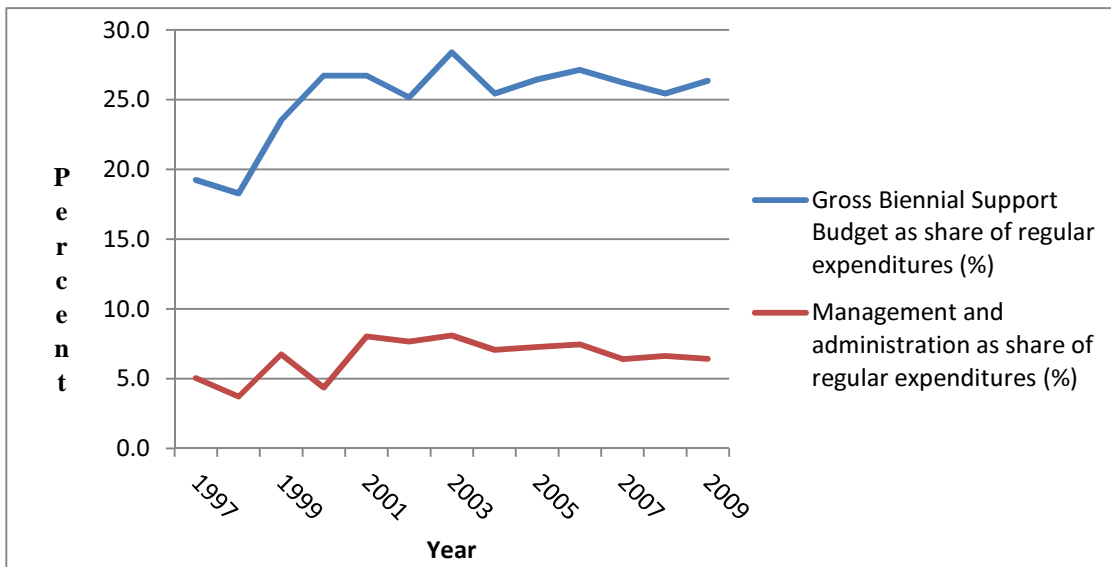
<sup>15</sup>UNFPA. 2008. Estimates for the Biennial Support Budget for 2008-2009. Report of the Advisory Committee on Administrative and Budgetary Questions. 2008. DP/FPA/2008/2. UNFPA. Estimates for the Biennial Support Budget for 2010 - 2011. Report by the Advisory Committee on Administrative and Budgetary Questions. [E/FPA/2009/11]. The Biennial Support Budget for 2010 – 2011 assumes negative growth in the expenditures, despite statutory cost increases. The 2005 audit of UNFPA accounts noted that the costs for staff working under the support budget were charged to project-funded posts. The audit of the accounts for 2008 – 2009 does not bring up this issue. At the same time, UNFPA staff informed the consultants that the classification of costs for employees between the support budget and programmes is “fluid”.

[http://www.unfpa.org/exbrd/2009/second\\_session/acabq.pdf](http://www.unfpa.org/exbrd/2009/second_session/acabq.pdf)

Financial report and audited financial statements for the biennium ended 31 December 2009 and Report of the Board of Auditors [A/65/5/Add.7]

<http://ods-dds-ny.un.org/doc/UNDOC/GEN/N10/461/87/PDF/N1046187.pdf?OpenElement>

**Figure 2.3 - Overhead expenditures as share of regular expenditures, 2001 -2009**



Source: Annual Report of the Executive Director. Statistical and financial review [DP/FPA/2010/17 (Part I, Add. 1)]

41. As seen in **Table 2.13**, salaries and wages account for the overwhelming share of support budget expenditures. According to information given in UNFPA Annual Reports for 2007 and 2008, gross support budget costs increased by 18.9 percent in 2007-2008. Taking the average of total gross expenditures in the budget for 2010 – 2011, a further increase in gross support budget expenditures by 9.9 percent over actual expenditures in 2009 is implied. Reflecting a proposed increase in the wage bill by 12 percent over actual expenditures in 2009, the share of salaries and wages in total gross expenditures is also set to go up significantly. The increase in the wage bill reflects the impact a reorganisation that UNFPA undertook in 2008-2009, salary-scale adjustments, within-grade salary increases as well as inflationary adjustments. It should be noted that the Advisory Committee in 2008 expressed its concern over the large number of regular positions proposed for reclassification and reiterated its previously expressed concerns that these changes constitute recurrent cost commitments that will impact on future availability of resources for programme activities.<sup>16</sup> The cut in the share allocated to operating expenses is also striking.

42. In a reaction to what it perceives as less than full transparency in the format for presentation of support budget expenditures pertaining to 2008-2009, the Advisory Committee stated that “In order to ensure greater budgetary transparency, it is important to include in the support budget submission information on major objects of expenditure under post and non-post costs. Within non-post costs, information should be provided on subheadings (other staff costs, non-staff compensation, consultants and experts, travel of representatives, travel of staff, contractual services, general operating expenses, hospitality, supplies and materials, furniture and equipment, grants and contributions) as is being done by the United Nations Secretariat. The Advisory Committee recommends that these changes to the

<sup>16</sup> UNFPA. 2008. Op. cit.

format of budget submissions be considered by the Executive Boards of all funds and programmes.”<sup>17</sup> In the 2010-2011 budget proposal, UNFPA addressed the recommendation of the ACABQ report, including the requested table in its proposal. In the context of the proposed allocation for travel in 2008-2009 budget proposal, the Administrative Committee, while acknowledging the importance of travel for functional reasons, also noted that substantial investment has been made in information and communications technology and that given the expansion of UNFPA’s field presence and its decentralization strategy, the need for staff to travel from headquarters should be much reduced. See UNFPA. Estimates for the Biennial Support Budget for 2010 -2011. In response, UNFPA proposed a significant reduction in provisions for travel for the 2010-2011 biennium.

**Table 2.13 - Biennial Support Budget, 2007 – 2009**

US\$ million, current prices

	Actual expenditures			Budget estimate	
	2008	2009	Share	2010 -2011	
	US\$ million		(%)	US\$ million	Share (%)
Posts	85.3	93.1	74.0	208.8	76.1
Operating expenses	13.0	13.8	14.7	34.5	12.6
Reimbursement to UN agencies	8.2	7.7	7.5	16.5	6.0
Furniture and equipment	2.2	1.9	0.9	4.6	1.7
Travel	2.6	2.4	1.6	4.9	1.8
Consultants	2.3	2.7	1.2	1.6	0.6
Other staff costs	1.0	0.3	0.0	0.6	0.0
Insurance and security		1.2	-	3.9	1.4
<b>Gross total</b>	<b>114.8</b>	<b>123.1</b>	<b>100.0</b>	<b>274.5</b>	<b>100.0</b>
Credit to Gross Biennial Support Budget	(13.0)	(18.8)		(38.3)	
<b>Net Biennial Support Budget</b>	<b>101.8</b>	<b>104.3</b>		<b>236.3</b>	

Note: Actual data for 2008 and 2009 are per annum; budgeted data are biennial estimates. In presenting a proposed budget, UNFPA uses the previous budget instead of actual expenditures as a frame of reference. This reduces the scope for a meaningful analysis of proposed expenditures.

Sources: UNFPA. Statistical and financial review, 2009. DP/FPA/2010/17 (Part I, Add 1). UNFPA. Estimates for the biennial support budget, 2010-2011. DP/FPA/2009/10

[http://www.unfpa.org/exbrd/2009/second\\_session/acabq.pdf](http://www.unfpa.org/exbrd/2009/second_session/acabq.pdf)

43. **Table 2.14** illustrates significant variations between regions concerning support costs as a share of total expenditures. The relatively high share of support cost for Eastern Europe and Central Asia is associated with the regions small share of total expenditure allocation (3.6 percent), implying high unit costs for country offices.

<sup>17</sup>UNFPA. Estimates for the biennial support budget, 2010-2011

<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N09/377/53/PDF/N0937753.pdf?OpenElement>

**Table 2.14 - Biennial Support Budget as share of total expenditures 2008 -2009 (%)**

Region	Biennial Support Budget as share of total expenditures (%)
Africa	16.2
Arab states	14.0
Eastern Europe and Central Asia	22.4
Asia and the Pacific	11.7
Latin America and the Caribbean	15.2
Inter-country/global programmes	18.2

Source: UNFPA. Estimates for the biennial support budget, 2010-2011, op. cit.

<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N09/377/53/PDF/N0937753.pdf?OpenElement>

#### f. Estimates of Staffing Structure and Costs

44. Different systems and headcounts give conflicting information regarding the number of UNFPA employees. According to the audit of the accounts for 2009, UNFPA had 2,044 encumbered positions as at January 1, 2010 of which 340 were Headquarters staff and 1,704 staff in regional and country offices. Some 48 percent of staff was funded under the Biennial Support Budget and the rest under regular expenditure programme expenditures (see **Table 2.14**). Nearly 40 percent of all staff worked in the Africa region. As far as comparisons are possible (structuring of data differs and the tallies are a few months apart) these numbers are broadly in line with the ATLAS management records.<sup>18</sup> According to UNFPA Annual Report, there were 1,119 staff in approved posts in 2009 without further comments.<sup>19</sup>

**Table 2.14 - Encumbered positions as at January 1, 2010**

	Biennium Support Budget	Programme	Total
<b>Headquarters</b>	180	160	340
<b>Regional/Sub- regional offices</b>	78	119	197
<b>Country offices</b>	715	792	1507
<b>Total</b>	973	1071	2044

Note: Staff funded from regular resources only.

Source: General Assembly. Financial report and audited financial statements for the biennium ended 31 December 2009 and Report of the Board of Auditors, op. cit.

<sup>18</sup> UN General Assembly. Financial report and audited financial statements for the biennium ended 31 December 2009 and Report of the Board of Auditors, op.cit. The ATLAS management system give similar numbers for staff as of September 2010, but with further details regarding location, gender, etc. See ADDITIONAL DATA ON UNFPA WORKFORCE. Data source: UNFPA Staff in ATLAS as of 30 September 2010 under regular resources. UNFPA.Report of Human Resource Management in UNFPA. [DP/FPA//2011/2

<sup>19</sup> **Chief Executives Board for Coordination. HIGH-LEVEL COMMITTEE ON MANAGEMENT (HLCM).Headcount of Field Staff available as of 31 December 2007 for the Cost-sharing of Field Costs of the UN Security Management System.** 9 December 2008. CEB/2008/HLCM/26.

45. **Table 2.15** provides data on staff funded by regular resources. No information regarding staff working under programmes funded by co-financed, or other, resources is available. However, in interviews with the consultants, Headquarters staff confirmed that employees working on projects funded by other resources are typically paid from the project in question, although exceptions make the situation a bit fluid. Staff also mentioned that the same fluidity is, to some extent, also the case as concerns people working on projects funded under regular resources.

**Table 2.15 - Staff funded under regular resources by category and location as of September 30, 2010**

	<b>General services</b>	<b>National professional</b>	<b>International professional</b>	<b>Total</b>	<i>Percent of total staff</i>
<b>Africa</b>	364	267	130	761	38
<b>Arab states</b>	80	40	42	162	8
<b>Asia and Pacific region</b>	215	123	62	400	20
<b>Eastern</b>	67	40	21	128	6
<b>Europe and Central Asia</b>					
<b>Latin America and the Caribbean</b>	127	72	39	238	12
<b>Headquarters</b>	126	0	202	328	16
<b>Grand total</b>	979	542	496	2017	100
<i>Percent of total staff</i>	49	27	25	100	

Source: UNFPA ATLAS system.

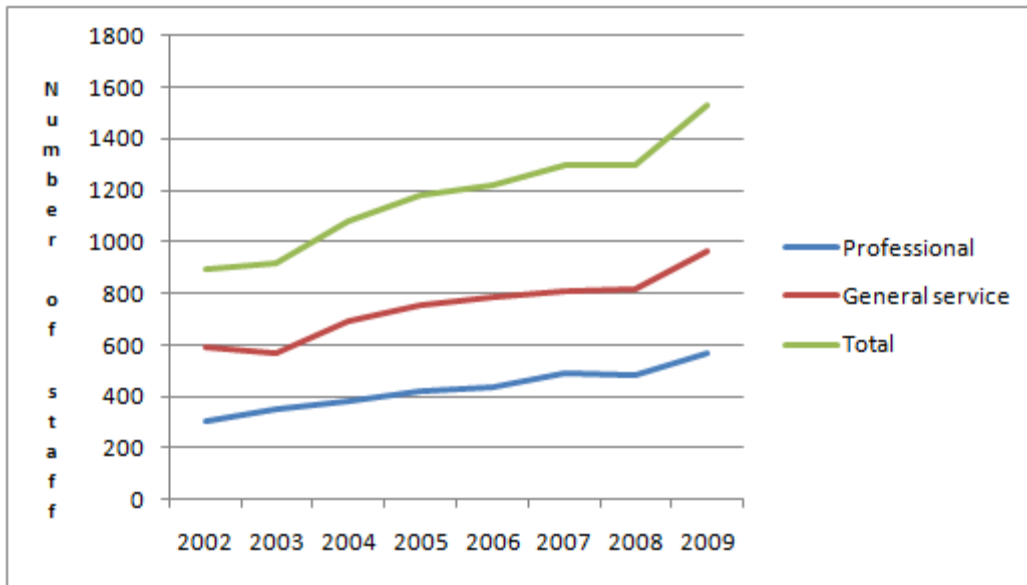
46. The number of staff funded by regular resources increased by 70 percent during the 2002 -2009 period, with the number of staff in professional grades seeing an increase by 86 percent (**Figure 2.4**).

47. In the context of the 2008 reorganization, UNFPA upgraded a number of staff positions, in response to a more demanding aid environment and UNFPA's shift into a more advisory role. UNFPA's new organizational structure - as approved by the Executive Board - placed emphasis on strengthening field capacities which was offset by post reductions at UNFPA Headquarters. UNFPA states that their staff members are systematically positioned in lower grades than staff with equivalent functions in other UN organizations and that competition from other UN agencies was the reason for the need to upgrade positions. The wage bill in the 2010 – 2011 biennium budget proposes an increase in total salaries of 7.6 percent, primarily due to salary revisions and within-grade salary increments.

48. The Advisory Committee has expressed concern over the large number of positions being proposed for reclassification, reminding that these reclassifications constitute a recurrent cost to UNFPA, with a potential impact on the future availability of resources for programme activities. The

Advisory Committee also requested UNFPA management to reconsider its proposal.<sup>20</sup> At that session, UNFPA explained that the upgrades/reclassifications being proposed at that time were based on a purposeful study of post profiles along specific criterion. The study was conducted with the assistance of outside expertise. The findings resulted in a need to redesign post profiles that were then submitted to external, independent expert classifiers who follow established ICSC Classification Standards. Results of the exercise were presented to ACABQ and subsequently approved by the Executive Board. UNFPA also had a high vacancy rate of 20 percent under programme funded post and 17 percent overall, which has raised the Board’s concern regarding the impact on the implementation of UNFPA projects. According to UNFPA, despite the challenges faced in recruitment - such as less attractive employment conditions due to the decrease in remuneration packages for international professionals at hardship duty stations- UNFPA is making progress in reducing the vacancy rate. As of 1 October 2011, the overall vacancy rate has dropped to 16 percent and the vacancy rate for programme funded posts is at 18 percent. These include posts that are temporarily put on hold for recruitment in light of current cost constraints.

**Figure 2.4 - Number of staff by category, 2002 – 2009**



Source: UN. Chief Executives Board for Coordination. Matrix of personnel statistics report tables. Staff of United Nations Common System Organizations (Tables).

<sup>20</sup> Estimates For The Biennial Support Budget For 2008-2009. Report of the Advisory Committee on Administrative and Budgetary Questions. [DP/FPA/2008/2]

### g. Assessment of the Quality of Current Financial Data, Compilation Practices, Instrument, Procedures and Reporting Practices

**General comments on UNFPA accounting.** The Board of Auditors assessed the UNFPA accounts for the 2008- 2009 biennium and issued a “qualified opinion”. Specifically, the results of the nationally executed expenditure audit process for 2008 and 2009 were unsatisfactory, as UNFPA was not able to accurately assess the results of programmes executed by governments and NGOs at the time of the audit. Auditors also noted the absence of adequate supporting documentation in the reporting of expenditures under nationally executed programmes. In addition, the auditors noted inadequate controls to ensure that the database that records audit reports was accurate and complete. UNFPA measures to rectify these shortcomings were not completed at the conclusion of the auditors work. In all other essential aspects, the auditors found that the accounts fairly presented the financial aspects of UNFPA’s activities.

These issues have been addressed through different corrective actions implemented by UNFPA Management in response to the recommendations provided by the UN Board of Auditors (UN BOA) and UNFPA’s Division for Oversight Services (DOS), as evidenced by an audit recently completed by DOS of the Nationally Executed Expenditure audit process, which rated the process as “Satisfactory”. Progress achieved has also been acknowledged by the UN BOA in the course of their 2011 external audit activities. Specifically, the follow-up to the report of the United Nations Board of Auditors<sup>21</sup> for 2008-2009 notes that As of 30 September 2011, UNFPA had implemented 73 of 93 recommendations. UNFPA is committed to ensuring accountability at all levels of the organization, and has established dedicated mechanisms to follow up external and internal audit recommendations on a regular basis. It is also addressing the root causes of the problems identified by the Board of Auditors.

49. For 2008, the auditors also “noted significant shortcomings” in a number of areas during visits to four country offices. The controls in two country offices were particularly weak. Against this background, the auditors proposed “urgent strengthening of field-based controls as well as regional and headquarters reviews...to manage the exposure of UNFPA to risk.” An audit of 34 country offices undertaken by UNFPA’s internal auditors rated over a quarter of these offices as “unsatisfactory”, while half the offices were rated “partially satisfactory”.<sup>22</sup> Ten percent of audit reports were qualified,

<sup>21</sup> DP/FPA/2012/5 [http://www.unfpa.org/webdav/site/global/shared/executive-](http://www.unfpa.org/webdav/site/global/shared/executive-board/2012/FINAL%20UN%20version%20of%20report%20on%20Board%20of%20Auditors%20-%20single-spaced.doc)

[board/2012/FINAL%20UN%20version%20of%20report%20on%20Board%20of%20Auditors%20-%20single-spaced.doc](http://www.unfpa.org/webdav/site/global/shared/executive-board/2012/FINAL%20UN%20version%20of%20report%20on%20Board%20of%20Auditors%20-%20single-spaced.doc)

<sup>22</sup>UNFPA. Financial report and audited financial statements for the biennium ended 31 December 2009 and Report of the Board of Auditors [A/65/5/Add.7]

<http://ods-dds-ny.un.org/doc/UNDOC/GEN/N10/461/87/PDF/N1046187.pdf?OpenElement>

The Board of Auditors in their 2005 report expressed almost identical concerns regarding nationally executed in their in their review of the accounts for 2004–2005, stating that “The nationally executed expenditure project audit reports provided by independent auditors reflected a significant number of qualifications.” The exact extent of project audit qualifications and the impact thereof could not be determined for the biennium, as these had not been analyzed by UNFPA. In addition, the effectiveness of internal controls and procedures in respect of nationally executed expenditure could be further improved. See UNFPA. Financial report and audited financial statements for the biennium ended 31 December 2005 and Report of the Board of Auditors [A/61/5/Add.7]

<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N06/440/24/PDF/N0644024.pdf?OpenElement>

covering expenditures in the amount of \$35.4 million, equivalent to 27.6 percent of audited expenditures and 4.7 percent of total programme expenditures for 2008.

50. The amount of unsupported expenditures for which the reports were qualified was US\$1.8 million, or 1.4 percent of expenditures. Unsupported expenditures identified in the course of the 2009 and 2010 NEX audits were somewhat higher, representing 3.0 percent and 3.8 percent, respectively, of expenditures. UNFPA management has also implemented a process to clear unsupported NEX audit expenditures, by obtaining and reviewing additional documentation subsequently provided by the IPs. In addition, UNFPA has also put in place a policy whereby cash advances to implementing partners with negative audits reports or unsupported expenditures are suspended until the issue has been resolved.

51. In a wider perspective, it should be remembered that where UNFPA-funded programme activities are implemented by governments and non-government organizations, these implementing partners provide UNFPA with reports documenting their use of UNFPA resources. These reports form the basis for recording programme expenditure in the UNFPA accounts.<sup>23</sup> The use of UNFPA resources after they have been advanced to implementing governments and non-government organizations is also a relevant issue. FACE (Funding Authorization and Certificate of Expenditure) forms are used by implementing partners (IPs) to report expenditures and are subject to a detailed review and approval process by programme and operations staff, and the projects are subject to regular monitoring by the concerned programme officers. In addition, all IPs with expenditures greater than US\$100,000 in a given year are subject to a NEX audit, which provides visibility and assurance on the ultimate destiny of the funds provided to the IPs – as mentioned above the shortcomings noted in NEX audits have been addressed.

52. **Implementation of previous recommendations.** Progress has been achieved since 2009 in implementing pending recommendations of the Board of Auditors<sup>24</sup>. By January 2010, UNFPA had implemented 46 out of a total of 59 accepted recommendations (78 percent) of the 2006/7 audit. Ninety-nine percent of the internal audit recommendations have been implemented by UNFPA management. UNFPA has explained that remaining issues are being addressed and implementation of the recommendations is also monitored by the Audit Monitoring Committee.

53. **Specific comments.** In addition to these more general findings, the Board of auditors in their review of the accounts for 2008-2009 also made more than 50 specific recommendations. There is a detailed discussion of these recommendations in the audit report (148 pages). The main observations and recommendations are that UNFPA:

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UNFPA. Financial report and audited financial statements for the biennium ended 31 December 2009 and Report of the Board of Auditors [A/65/5/Add.7]

<sup>23</sup> UN General Assembly. Financial report and audited financial statements for the biennium ended 31 December 2009 and Report of the Board of Auditors, op.cit.

<sup>24</sup>Status of implementation of recommendations

[http://www.unfpa.org/exbrd/2010/first\\_regular\\_session/report\\_board\\_auditors.doc](http://www.unfpa.org/exbrd/2010/first_regular_session/report_board_auditors.doc)



- firm up the process for full implementation of the International Public Sector Accounting Standards (IPSAS);
- had notified the auditors of 20 cases of fraud and presumptive fraud, which had resulted in financial losses of US\$394,055, with 5 cases that could result in further losses still under investigation. One case involved a government employee who “misappropriated” US\$100,000 in funds intended for an institute;
- reflect the aging for the other accounts receivable balances;
- review its process with Global Payroll Services to ensure timely recovery of staff advances through payroll deductions; and assess the payroll system (Atlas) to ensure it is correctly configured to recover advances;
- implement procedures for the monitoring and follow-up of accounts payable that would include an age analysis for all accounts payable;
- provide country offices with clear guidance on how to analyze and review accounts that are under the responsibility of country offices and monitor performance of such reviews;
- follow up with donors to ensure that available donor funds are utilized for program implementation, or paid back to donors in a timely manner;
- monitor the issuing of progress reports to donors for projects by country offices, as required by the donor agreements;
- address, through its operational and management processes, the matter of ensuring that operationally complete projects are financially closed in a timely manner;
- take appropriate measures to ensure the validity, accuracy and completeness of the data used in the computation of all post-retirement and end-of-service liabilities in the future financial periods by ensuring that the information pertains to the correct reporting period; and develop a funding plan for the end-of-service liabilities;
- reconcile and review all country office bank accounts.

54. **International Public Sector Accounting Standards (IPSAS).** The UNFPA, following a phased approach, is aiming at full implementation of the international public sector accounting standards (IPSAS) by 2012. The Board noted that that plan did not have measurable milestones to assist in the monitoring of the plan. The Board identified areas of improvement in the plan, including defining the roles of the UNFPA regional and sub-regional offices and other structures of UNFPA, and full consideration of the requirements for post-implementation training.<sup>25</sup>

55. **Procurement and contract management.** UNFPA maintains a specialist Procurement Services Section in Copenhagen, which also performs third-party procurement. In their review of the 2008-2009 accounts, the Board of Auditors noted that UNFPA, against its rules, continued to record procurement transactions by including also the cost of goods as income and expenditure, instead of recording only the fees earned in carrying out these transactions. Nor has UNFPA appropriately recorded receivables for amounts that are refundable by third parties or payables for advances made by third parties where UNFPA was still to procure inventories on their behalf. UNFPA maintains that its

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<sup>25</sup> An interesting comment concerning the adoption of IPSAS is the observation how UNFPA can “provide adequate assurance that the money transferred to national implementing partners is used for the intended purpose.” See UNFPA INTERNAL AUDIT AND OVERSIGHT ACTIVITIES IN 2008, Report of the Executive Director. [DP/FPA/2009/5]

accounting treatment is not that of a procurement agent, but rather as part of its overall country program and as part of its IPSAS implementation, reconsideration will be given to this matter.

56. The Board of Auditors identified 16 trust funds with a fund balance of US\$11.2 million that were not active in 2009. The Board further noted 22 trust funds with insignificant fund balances that needed to be resolved, as well as trust funds that had negative balances.

57. In their review of the 2008-2009 accounts, the Board of Auditors recorded instances at country offices where UNFPA did not maintain adequate documentation with regard to the registration of vendors. The Board noted instances where vendor identification numbers were duplicated and where vendor evaluations were not performed. The Board also noted instances where country offices did not comply with UNFPA bidding procedures and maintenance of documents that support procurement activities. The Board observed serious and frequent deficiencies in the controls and general record keeping of procurement activities at the UNFPA country offices in Yemen and Nigeria.

#### **h. Assessment of Information Gaps**

58. **Overview.** An Executive Board Annual Session website provides a well-organized overview of recent UNFPA documents. The Executive Board Decisions Database provides an equally clear, historical overview of UNFPA publications, organized by year and clearly defined topics, even though there are no entries for 2009 and 2010.<sup>26</sup> The Annual Reports, UNFPA's flagship publication for the general public, gives a selective account of activities, but is short on details as regards income and expenditures. The fact that the same information is given both in the form of tables and charts does not facilitate understanding of how UNFPA is using donor contributions. The annual "Statistical and Financial review" by the Executive Director's office also contains some useful information, but at a highly aggregated level.

59. **Functional classification of expenditures.** Programme expenditures according to a functional (focus area) classification are available on the Internet, according to broad categories ("Reproductive health and rights") or detailed subcategories (Emerging population issues"). UNFPA also publishes information on both regular and other expenditures by country groupings as well as for individual countries with a good level of detail.

60. Administrative costs by broad expenditure categories (salaries, travel, material expenses, etc.) under the support budget are also available on the Internet by seven broad expenditure categories ("posts", "travel", etc.) in some detail. However, as requested by the Advisory Committee, there is a need for more detailed information regarding expenditures under the support budget. Data are published on an annual basis, which should be considered adequate. In contrast to UNICEF, Headquarters expenditures for management and administrative rarely appear in UNFPA documents; it

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<sup>26</sup> See, for example, Executive Board, Annual Session 2009.

<http://www.unfpa.org/public/cache/offonce/home/exbrd/pid/3415.jsessionid=6E6F23DF73499B9ED9E520840DB786FE>

is not clear if these expenses are amalgamated into the support budget. The adoption of a new cost classification system, jointly with UNDP and UNICEF, may address this.<sup>27</sup>

61. **Major gaps in information.** There is no public information regarding expenditures for programme assistance by economic classification (wages/salaries, travel, consultants, material expenses, etc.). Since programme assistance expenditures account for the overwhelming share of UNFPA expenditures, making such information publicly available would be important.

62. A second major gap is the lack of information regarding activities at country level. Information regarding total allocations to individual countries is published. However, comprehensive economic information, disaggregated by both focus area and economic classification, about UNFPA programs at country level is not publicly available. In the same vein, UNFPA does not publish economic information about its projects in a comprehensive way (i.e., with information about grant amount, disbursement period, costs broken down by wages/salaries, consultants, etc.).

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<sup>27</sup> In a comment to the consultants report, UNFPA informs that it has been following the same classification of expenditures as UNDP and UNICEF in the context of “supplementary information” to its proposal for the support budget given to the Advisory Committee on Administrative and Budgetary Questions. Furthermore, UNFPA also informs that this harmonized classification, as of 2010-2011, is part of its formal budget proposal.

UNICEF

### 3. UNICEF

#### a. Role in Development<sup>28</sup>

63. United Nations Children's Fund (UNICEF) began as a relief organization for children after World War II, but its mandate soon expanded to helping children in developing countries. Today, UNICEF promotes children's rights to health, clean water, education and protection, and, more recently, also the rights of women. UNICEF increasingly emphasizes its advisory role in enhancing local capacities.<sup>29</sup> Of the 60 indicators of progress towards the Millennium Development goals, UNICEF is contributing for progress in 20 indicators spread across 7 MDGs.

64. UNICEF is active in 190 countries and territories around the world, operating out of 127 country offices and 7 regional offices in addition to its headquarters in New York, Copenhagen and Geneva. It is a decentralized organization with nine out of 10 staff members working in the field<sup>30</sup>. Over 10,000 (including consultants and volunteers) of the staff are in the field. Unlike development institutions that allocate support based on country performance, UNICEF takes pride in its presence in "orphaned countries". While this approach may carry with it high overhead costs for UNICEF, at the same time it ensures monitoring of key indicators on child well-being and rights, as well as a safety net for children and women in these countries and thus complements the policies followed by other development institutions.

65. UNICEF is also a very significant agency in terms of spending with US\$3.63 billion in expenditures for 2010. If trust funds, managed as pass-through, are included, UNICEF's spending in 2010 comes to around US\$4.6 billion. Out of the US\$3.63 billion mentioned above, about US\$3.53 billion of UNICEF's regular and other resources in 2010 were spent for programmes (i.e., programme expenditures), US\$78 million for administration and management, and US\$23 million for security (i.e., support costs).

66. Like other UN agencies, UNICEF's reporting on revenues is rather detailed. Information about expenditures is available in detail in the annual financial report to the Executive Board<sup>31</sup>. This report in Statement VII gives information on expenditures by country. In addition, the annual report of UNICEF and its data companion provides information by region, by key result area and focus area of the strategic plan.<sup>32</sup> Table 3.8 in this report is from the 2009 annual report. The level of detail in the biennial support budget is significantly less today than it was five years ago.

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<sup>28</sup> [http://www.unicef.org/mdg/28184\\_28229.htm](http://www.unicef.org/mdg/28184_28229.htm). This draft is based on reviews of information available on the Internet and incorporates information received during interviews with UNICEF Headquarters staff, February 22-24, 2011. The present version of this report contains numerous footnotes that will be either removed or worked into the text in the final version.

<sup>29</sup> United Nations Children's Fund. 28-30 September 2005. The UNICEF medium-term strategic plan, 2006-2009 Investing in children: the UNICEF contribution to poverty reduction and the Millennium Summit agenda

[http://www.unicef.org/about/execboard/files/05-11\\_MTSP.pdf](http://www.unicef.org/about/execboard/files/05-11_MTSP.pdf)

<sup>30</sup> See <http://www.unicef.org.uk/Documents/Publications/Achievements2010.pdf>

<sup>31</sup> For 2010 see: [http://www.unicef.org/about/execboard/files/2011-ABL6\\_Interim\\_Financial\\_Report-ODS-English.pdf](http://www.unicef.org/about/execboard/files/2011-ABL6_Interim_Financial_Report-ODS-English.pdf)

<sup>32</sup> This can be accessed at: [http://www.unicef.org/about/execboard/files/2011-9-ODS-ExDir\\_report-English.pdf](http://www.unicef.org/about/execboard/files/2011-9-ODS-ExDir_report-English.pdf).

67. UNICEF's disclosure of information regarding expenditures by focus area is good, enabling the consultants to tally programme expenditures as well as support and management and administrative expenses according to a functional (focus area) classification of expenditures – using information available on the Internet -- in minute detail. Support cost broken down in broad categories by economic classification (salaries, travel, material expenses, etc.) is also publicly available. However, the same level of detail is not available in public information regarding expenditures for programme assistance.

68. The observations made in this study are in line with a recent assessment by a network of donors, which came out with a generally positive view of the UNICEF.<sup>33</sup> However, the assessment also gives UNICEF inadequate rating as concerns use of country systems for procurement, audit and financial reporting. The UNICEF 2009 audit report contains a review of procurement and contract management.<sup>34</sup> It notes a number of deficiencies in relation to competitive bidding. (For further comments, see chapter VIII in this report.) Additionally, DFID completed in March 2011 a Multilateral Aid Review, which includes an assessment of UNICEF.<sup>35</sup> (See section VIII in this chapter for further detail.) The review concludes that UNICEF is a well-performing agency, which gives UK “value for the money.” As a result, it will receive an increasing portion of UK aid. It also gives a satisfactory rating to the aspects of procurement covered by the review.

## b. Resources

69. UNICEF's income in 2009 was US\$3.2 billion, down 4 percent from 2008 due to the economic recession in main donor countries. Seen over the past decade, resources have, however, increased at a very high rate -- on average by 13 percent annually -- a testimony to UNICEF's ability to mobilize resources. In the year 2005 alone, its resources increased by 40 percent due to a surge in private donations in response to the Tsunami catastrophe of December 26, 2004. However, while earmarked donor contributions have been increasing at a rate of over 12 percent annually, contributions to UNICEF's regular resources have stagnated over the past few years and now account for less than one-third of total revenues, down from nearly 50 percent in 2002 (see **Table 3.1**).

70. Governments account for roughly 60 percent of UNICEF's total, regular and other, contributions and a somewhat smaller share, 55 percent of regular, or non-earmarked, resources. Inter-organisational arrangements such as CERF, Multi-donor Trust Funds and UN Joint Programmes also contribute to UNICEF income. Other resources today account for two-thirds of UNICEF income; according to UNICEF staff, these contributions to other resources come in a variety of forms, with a common form being direct support for projects identified by UNICEF country office in dialogue with the donor (within the framework of the country program). Significant other emergency contributions

<sup>33</sup> [http://www.mopanonline.org/upload/documents/UNICEF\\_Final\\_February\\_19\\_issued.pdf](http://www.mopanonline.org/upload/documents/UNICEF_Final_February_19_issued.pdf)

<sup>34</sup> [http://www.unicef.org/about/execboard/files/A-65-5-Add2-Financial\\_report-audited\\_financial\\_statements-report\\_of\\_Board\\_of\\_Auditors.pdf](http://www.unicef.org/about/execboard/files/A-65-5-Add2-Financial_report-audited_financial_statements-report_of_Board_of_Auditors.pdf)

<sup>35</sup> <http://www.dfid.gov.uk/Documents/publications1/mar/unicef.pdf>.

An evaluation of UNICEF programme funded by the Swedish Sida was generally positive in its conclusions, but highlighted the need to focus on ultimate results, not output. This study, however, did not concern itself with financial aspects of the programme. Final report on the evaluation of Sida support to the UNICEF Country Programme in Kenya  
[http://www.unicef.org/evaldatabase/files/2006-005\\_Evaluation\\_of\\_SIDA\\_supported\\_interventions.pdf](http://www.unicef.org/evaldatabase/files/2006-005_Evaluation_of_SIDA_supported_interventions.pdf)

are made directly to UNICEF Headquarters, often by initiative from donors or as a result of country level contacts, particularly in situations of extended emergencies<sup>36</sup>. Nearly one-third of UNICEF's income comes from private "National Committees" and other private contributions. Private sector contributions are split between core and non-core income, with US\$492 million given to core activities and US\$533 million given to non-core activities in 2009, even though such split fluctuates over time due to sudden humanitarian crises. Compared to other agencies, UNICEF receives a large number of small contributions (over 80 percent of the total number of other resources contributions were below US\$1 million in 2005)<sup>37</sup>. Incentives to encourage larger contributions had not yet yielded expected results by 2006.

71. Norway is a significant contributor to the UNICEF, ranking consistently among the top 2-3 donors, despite its limited population. Norway, with nearly US\$200 million in contributions, was the second largest donor to UNICEF in 2009. In addition, nearly 35 percent of Norway's contribution in 2009 was in form of funding for regular resources, which gives UNICEF flexibility for using resources in line with its mandated priorities. Norway also makes multi-year pledges, which aids in ensuring stability in expenditures.

72. Due to the build-up of large unspent balances, UNICEF has had significant interest income in recent years. For example, in 2008 UNICEF had US\$109 million in interest income. In contrast to the UNDP where interests earned have to go back to the project fund that generated the income, UNICEF adds this income to its regular resources pool with flexibility as to use of the money, as stated in its Financial Regulations and Rules.<sup>38</sup>

73. Given the constraints on the use of other resources, donors are being encouraged to contribute thematic funding as a "second-best option". Thematic funds offer more flexibility for country offices how to use the resources within the framework of the country programme. One of several versions is global thematic funding, which is distributed by an internal senior level committee among specific country programs<sup>39</sup>. This type of thematic funding offers a vehicle for funding programs close to priorities approved by the UNICEF Board. UNICEF received close to US\$300 million in thematic funding in 2009, 40 percent of which from Nordic countries.

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<sup>36</sup> The key documents for UNICEF's humanitarian fundraising are: The UN Consolidated Appeals and UNICEF's annual 'Humanitarian Action for Children' document. <http://www.unicef.org/hac2011/index.html>

<sup>37</sup> See [http://www.unicef.org/about/execboard/files/06-ABL4\\_costrecovery.pdf](http://www.unicef.org/about/execboard/files/06-ABL4_costrecovery.pdf) para 4, page 4.

<sup>38</sup> Regulation 11.4 spells it out: "Regulation 11.4: Interest derived from placement of funds shall be credited to the UNICEF Account and shall be recorded in the Regular Resources sub-account. Unless otherwise authorized by the Executive Director, no interest shall be payable on funds administered by UNICEF."

Document can be found in Executive Board Library on the Internet. [http://www.unicef.org/about/execboard/files/2011-ABL8\\_Regulations\\_and\\_Rules-ODS-English.pdf](http://www.unicef.org/about/execboard/files/2011-ABL8_Regulations_and_Rules-ODS-English.pdf)

<sup>39</sup> An easy guide to understand Thematic Contributions:

[http://www.unicef.org/pfo/files/Thematic\\_funding\\_guidelines\\_final\\_version\\_\(2\).pdf](http://www.unicef.org/pfo/files/Thematic_funding_guidelines_final_version_(2).pdf)

**Table 3.1 - UNICEF resources by type of revenue**  
US\$ millions, current prices

	2001	2002	2003	2004	2005	2006	2007	2008	2009	
<b>Regular resources</b>	551	709	730	796	812	1056	1106	1085	1066	
<b>Other resources</b>	674	746	958	1182	1949	1725	1907	2305	2190	
of which:										
<i>Regular</i>	439	505	515	791	820	1126	1378	1570	1527	
<i>Emergency</i>	235	241	443	391	1129	599	529	735	663	
<b>Total resources</b>	<b>1225</b>	<b>1455</b>	<b>1688</b>	<b>1978</b>	<b>2761</b>	<b>2781</b>	<b>3013</b>	<b>3390</b>	<b>3256</b>	
Of which:										
Interest income	<b>27.8</b>	<b>16.9</b>	<b>13.5</b>	<b>24.0</b>	<b>68.1</b>	<b>122.5</b>	<b>139.6</b>	<b>109.3</b>	<b>60.8</b>	
Norway contribution	64.3	82.9	112.8	135.1	205.5	178.6	197.6	196.9	199.1	
Norway rank as donor	5	4	3	4	2	3	2	3	2	
<b><u>Memo item</u></b>										
<i>Trust contributions</i>	<i>fund</i>	481	345	635	591	767	821	743	1243	
<b><u>Indicator</u></b>										
<i>Regular resources as share of total resources (%)</i>		<b>41.6</b>	<b>48.7</b>	<b>43.2</b>	<b>40.2</b>	<b>29.4</b>	<b>38.0</b>	<b>36.7</b>	<b>31.6</b>	<b>32.8</b>

Source: UNICEF Annual Reports. Global Policy Forum.

[http://www.unicef.org/publications/files/UNICEF\\_Annual\\_Report\\_2009\\_EN\\_061510.pdf](http://www.unicef.org/publications/files/UNICEF_Annual_Report_2009_EN_061510.pdf)

<http://www.globalpolicy.org/un-finance/tables-and-charts-on-un-finance/the-financing-of-the-un-programmes-funds-and-specialized-agencies.html>

74. Some US\$900 million, or close to 30 percent of UNICEF income in 2009, came from private donors and non-government organizations. National committees, independent civil society organizations in association with UNICEF, have proved particularly useful in mobilizing financial resources during cases of emergencies when quick response is a necessity.

75. UNICEF also handled some US\$1.2 billion in trust fund resources in 2009. These funds are resources entrusted to UNICEF by various entities, including governments, other United Nations organizations and non-governmental organizations, to cover mainly expenses for procurement of medicines and other supplies but also other services undertaken by UNICEF on behalf of these entities. Thus, trust fund income is essentially a pass-through item. They also include funds provided by sponsors to cover the costs of Junior Professional Officers. UNICEF commissions for this service are recorded under “other income”. UNICEF fees, around US\$12 million in recent years, vary with the value of procured supplies; averaging some 0.6 percent of value. Regulations require that trust funds do not form part of the income of UNICEF. They are therefore recorded separately to distinguish them



from the funds that are received for and are spent on programmes approved by the UNICEF Executive Board. UNICEF's total trust fund receipts amounted to US\$1.2 billion in 2009.

76. **Private fundraising.** Compared to other UN organizations, UNICEF relies to a very high degree on private donations. As shown in section 5 below, support cost charges on non-thematic funding raised by private sector in programme countries are lower than UNICEF's standard charge (7 percent). Private donations raised by National Committees in donor countries – which by far comprise the bulk of private fundraising – are subject instead to the 7 percent recovery rate. Despite the relatively high fundraising cost for such donations, over 27 percent of income mobilized in 2007 according to **Table 3.2** below, private contributions are mostly accompanied by fewer restrictions/conditionalities, and lighter reporting requirements than earmarked contributions from governmental donors.

**Table 3.2 - Private fundraising and Partnership Division**

US\$ million, current prices

	2007	2008	2009	2010
Income				
Gross proceeds from sales	<b>156.2</b>	130.1	119.6	101.3
Private fundraising	360.0	336.7	385.2	393.7
Other income	22.6	18.7	27.6	17.9
<b>Total</b>	<b>538.6</b>	<b>485.4</b>	<b>532.3</b>	<b>512.9</b>
Total expenditure	147.6	124.8	152.9	178.8
<b>Net income</b>	<b>391.0</b>	<b>360.6</b>	<b>379.4</b>	<b>334.1</b>

Source: Interim financial report and statements for the year ended 31 December 2008, the first year of the biennium 2008-2009. Statement IV.

[http://www.unicef.org/about/execboard/files/09-ABL3-interim\\_financial\\_report-ODS-English\(1\).pdf](http://www.unicef.org/about/execboard/files/09-ABL3-interim_financial_report-ODS-English(1).pdf)

### c. Current Planning and budgeting processes

77. UNICEF's activities are framed within the context of its medium-term strategic plan, which estimates core and non-core resources expected to be available and states focus areas for the use of these resources for usually a fixed period of four years (**Table 3.3**). The current Plan was approved in 2005, but has subsequently been extended and rolled forward from 2006 – 2009 to 2013 as part of the harmonization of the activities of UNICEF, UNDP and UNFPA.<sup>40</sup>

78. **Allocations for focus areas.** The Plan identifies five (six, if a category “Other” is included) strategic or focus areas as one of the basis to be combined with national priorities to determine specific programmes at the country level. Further, while normally a strategic plan of this nature is prepared and

<sup>40</sup> UNICEF medium-term strategic plan (MTSP), 2006-2009. Investing in children: the UNICEF contribution to poverty reduction and the Millennium Summit agenda. [http://www.unicef.org/childsurvival/files/05-11\\_MTSP.pdf](http://www.unicef.org/childsurvival/files/05-11_MTSP.pdf)  
Medium-term strategic plan for the period 2003-2006: financial plan and related recommendation. The Plan document shows expenditure targets for regular and other expenditures in the form of a highly condensed chart. <http://www.unicef.org/spanish/about/execboard/files/2003-ABL-7.pdf>

approved every four years, country programmes are prepared and approved every five years – with 15-30 of them brought to the Executive Board each year. . Under the UNICEF system of planning, quantitative targets are set at country level, based on national targets; thus, the statement in the Plan (page 48) that direct programme core expenditure for “*Young child survival and development* will be at a level similar to the level estimated in 2004” should be understood as an expectation regarding the outcome at global level for the individual focus areas based on past expenditure status, rather than as a global financial target for the focus area. The same interpretation should also be given to the Plan statements that “Shares of regular resources for other focus areas are to also remain close to or equivalent to levels under the previous plan.” and that “Expenditures on focus area *Policy Advocacy*, an entry introduced in 2004, are projected at 11 percent.” The Plan document also gives a number of very detailed sub-targets, based on globally agreed targets (for example: “No. of new pediatric infections reduced by at least 40 percent.”) for interventions *within* these five broad focus areas (see below),<sup>41</sup> (See **Box 3.1** for further comments on the setting of UNICEF’s results targets).

79. As a result of the trend towards increasing share of earmarked contributions in total resources, the Plan today sets priorities for only one-third of total expenditures. Moreover, UNICEF at Headquarters level does not have any mechanism for allocating core resources among these focus areas.<sup>42</sup> Core resources at aggregate level for countries are allocated based on a formula approved by the executive board. Country offices in consultation with partners allocate core resources to different programmes (related to MTSP focus areas) based on country level priorities. Thus, the Plan’s statements about priorities only serve as guidelines for country offices, where the *de facto* decisions regarding the allocation of resources are made (within the framework of the total country allocations and the success of UNICEF’s advocacy efforts). At the same time, while the total of non-core, or earmarked, contributions may be planned with some accuracy, it is not possible for UNICEF to anticipate the detailed priorities of these contributions as stipulated by donors. And, as shown above, earmarked resources now account for the dominant part of the resources UNICEF disposes over. Despite these constraints, earmarked funds still relate to MTSP focus areas.

80. **Medium term financial plan.** A “rolling” financial plan, which estimates the overall regular (core) and other (non-core) financial resources that are expected to be available over the coming four years, forms the central part of the Medium-Term Financial Plan. The financial plan provides the basis for the detailed planning of regular resources programme expenditure for the coming year. It also provides a basis for the management of UNICEF’s liquidity requirements.

81. In contrast to the Medium-Term Strategic Plan, the financial estimates are reviewed and updated annually on a “rolling basis” to reflect the most current income estimates. Since it takes into

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<sup>41</sup> Country Offices are required to report on achievement of results annually and at the end of the programme cycle. Although global aggregation is not feasible, there are efforts to do so in the new information system (VISION).

<sup>42</sup> Exchanges with UNICEF revealed an agreement with donors to allocate non-core resources as pooled funding to support the achievement of results in an MTSP thematic area, without further earmarking of the contribution does, however, provide a vehicle for UNICEF to align resources with Headquarters priorities. Thematic funds — whether at the global, regional or country level — are allocated to support results related to the respective MTSP Focus Areas

account most recent information, the financial plan is a more useful planning instrument in assessing total resource availability than the Medium-Term Strategic Plan exercise. The Executive Board makes appropriations for the funding of regular resources programme expenditures for the coming year based on these estimates. The support budget, in contrast, is approved on a biennial basis.<sup>43</sup>

**Table 3.3 - UNICEF planning and budgeting process, an overview**

The relations between the Plan document and the appropriations for programme and support budget expenditures can be summarized as follows	Frequency
<b>A. Budget approvals</b>	
<u>1. Institutional Budget</u> – previously known as Biennial support budget for the entire organization (country offices, regional offices and headquarters divisions) – covers costs for management, administration, security and development effectiveness	Biannual
<u>2. Advocacy, programme development and inter-country programme-</u> for programme related budgets with a small (about US \$25 million) part of core resources and the rest in other resources to be raised from donors for programme related costs to be raised and spent at headquarters and regional office locations	Biannual
<u>3. Country programme budgets</u> – Normally once in five years (or for the duration dependant on national development cycle) for country programmes of cooperation. UNICEF operates in 155 countries through programmes of cooperation utilizing either core resources (RR) or other resources (OR-R and OR-E). An indicative resource envelope from core resources is approved by the executive board. The actual core resources on a yearly basis is determined based on the total core resources and the Executive Board approved formula. Any adjustments to the last year of the budget to accommodate for difference in what may have been approved at the start of the country programme and what actually becomes available is further approved through the instruments noted below	Once in five years
<u>4. Consolidated country allocation of Regular resources for country programmes in the final year of previously approved country programmes of cooperation</u> to accommodate for differences between previously approved amounts and what became actually available based on the allocation formula	Annual for some countries only
<u>5. Consolidated country allocations of Regular and Other resources for country programmes of cooperation, which may have been extended by either one year or two years</u>	Annual

<sup>43</sup> UNICEF. Medium Term Strategic Plan. Planned financial estimates for the period 2009-2012. E/ECEF/2009/AB/L.5. <http://www.unicef.org/about/execboard/files/09-ABL5-MTSP-ODS-English.pdf>. From the perspective of transparency and accountability it can be noted that the Executive Board has felt compelled to request that “the UNICEF to include in the Annual Report of the Executive Director, on a biennial basis; a summary of financial results per biennium versus those originally budgeted for.”

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6. Periodic requests for approval of country programmes of cooperation that require enhancement of 'Other Resources' ceilings Occasionally for some countries only (once a year)

**B. Approval of Plan frameworks (including results framework)**

1. Medium-term strategic plan- as a global programme framework that sets parameters for global aggregation and reporting on UNICEF's programme performance, cross-cutting strategies. It has indicative levels expected for different focus areas, but is not a part of the approval process Normally for four years (Extended twice by two year each)

2. Results framework – is prepared with the MTSP and with the Institutional budget as a performance and reporting framework for the programmes and budgets Biannual

3. Allocation formula for core resources to country programmes - this is done in response to requests from the Executive Board. The latest revision was done in 2009. Occasional

4. Medium-term financial framework - this is done on a rolling basis for four years at any point of time. The actual approval by the executive board is of the financial framework for four years and the total programme submissions for one year using the formula noted in 3 above. Annual

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### Box 3.1 - Setting results targets the UNICEF Medium-Term Strategic Plan.

A central function of UNICEF 's Medium-term strategic plan is to specify results to be achieved for each focus area as part of a move to a results-based mode of operation. Very detailed specific targets, which will provide a basis for assessing progress during 2006-2009 “with a significant level of organizational contribution” are listed. No less than four result areas, 12 sub-targets and 33 indicators are specified under focus area Young Child survival and development alone. According to UNICEF’s program for methodological development, these targets are to be further disaggregated by gender, urban/rural area, wealth quintiles, etc.)No relative priorities are given for these sub-targets.

Without any information regarding relative importance of different target areas and sub-targets, and cost for achieving each target, it is not possible to assess ex post if the Plan realized its objectives or not. Most of the results are ‘Shared results’ to be achieved jointly with national partners. Additionally, there is no link between stated objectives and the resources required to realize these objectives; thus the Plan is not a plan in the conventional meaning of a document that states the resources necessary to achieve stated targets. Moreover, UNICEF Headquarters does not have instruments to ensure that its indicative ratios for core expenditure are adhered to when all programme expenditures by focus areas are aggregated at country level. UNICEF’s planning for core expenditures covers only a limited share of its total expenditures. From this perspective, UNICEF planning at Headquarters level at best serves as a framework only. The essential instruments of UNICEF’s allocation of expenditures at the central level is the financial plan that estimates the total amount of core resources expected to be available for the coming year (and beyond) and the country allocation mechanism. The de facto allocation of resources by focus area are made at the country level as concerns core expenditures and in donor capitals as concerns other (earmarked) funds. Additional details on management and administration, programme support are available at aggregate levels (for all countries together) in the Executive Board document on ‘Institutional Budget’. This information is currently not available disaggregated by country offices. Further the nature of programme assistance in terms of technical assistance, supplies, capacity development, programme communication, data and analysis vary from country to country depending on the capacities of the country as well as the focus area supported from UNICEF programme funds. Moreover, with numerous donors active in the same field, it is not possible to assess the extent to which UNICEF has contributed to progress. Thus, unless UNICEF is a dominant donor, attribution is difficult.

*Note:* Results are achieved at country level. Country Offices are required to report on achievement of results annually and at the end of the programme cycle. Although global aggregation is not feasible, there are efforts to do so in the new information system.

82. **Planned versus actual expenditures.** Table 3.4 compares the Plan’s financial estimates for total regular resources and other resources expenditures, respectively, with actual expenditures. While the Plan’s estimates are accurate in projecting the first few years’ expenditures and revenues, it underestimates expenditures for the final year of the plan period by nearly one-third. As changes in economic climate cannot be predicted 5 years into the future, the medium term financial plan, presented to the Executive Board, is updated annually. The estimates for emergency expenditures,

however, have consistently understated actual expenditures by a significant margin during the period under consideration. This might be explained by unprecedented humanitarian crises such as the Indian Ocean Tsunami, Pakistan earthquake, Haiti Earthquake followed by Cholera epidemics, Pakistan floods and two ongoing wars in Afghanistan and Iraq that have led to unprecedented commitments for Other resources-emergency from governments, national committees and private sector for UNICEF. Another observation is the stability of actual emergency expenditures, showing that major donors are able to rapidly mobilize and set aside considerable amounts for emergencies year after year. The most significant deviation between planned and actual expenditures is for other regular resources, which increased by no less than 80 percent over the Plan period versus an expected increase of a more modest 16 percent.

**Table 3.4 - The 2005 Medium-Term Strategic Plan: Planned versus actual expenditures for 2005 – 2009 (US\$ million, current prices)**

	2005	2006	2007	2008	2009
<b>Regular resources</b>					
<i>Programme</i>					
Plan	511	520	545	572	599
Actual	485	533	743	747	769
<i>Support cost and management and administration</i>					
Plan	271	290	302	311	320
Actual	225	218	250	251	321
<i>Total programme expenditures</i>					
Plan	782	810	847	883	919
Actual	710	751	993	998	1090
<b>Other resources</b>					
<i>Regular</i>					
Plan	675	702	702	764	780
Actual	815	913	1081	1316	1478
<i>Emergency</i>					
Plan	660	550	510	498	507
Actual	666	672	693	746	696

Source: The UNICEF medium-term strategic plan, 2006-2009. Investing in children: the UNICEF contribution to poverty reduction and the Millennium Summit agenda. July 11, 2005. UNICEF Annual Reports 2005-2009.

83. **Table 3.5** compares planned versus actual allocation of regular programme expenditures. The significant differences between plan targets and actual expenditures for different focus areas are notable. One interpretation of this outcome is that country priorities differ from UNICEF’s institutional expectations and that UNICEF at Headquarters level does not have means to “enforce” its projected expenditures by focus areas’.

**Table 3.5 - Planned versus actual allocation of regular (core) programme expenditure by focus area, 2006-2009** (Percentage shares, US\$ million, current prices)

	<b>Plan</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Young child survival and development</b>	46	39.8	44.0	46.0	39.8
<b>Basic education and gender equality</b>	21	16.4	15.0	15.1	14.4
<b>Policy advocacy and partnership</b>	11	23.6	18.2	18.6	28.4
<b>Child protection</b>	9	10.9	11.0	11.2	9.8
<b>HIV/AIDS</b>	12	7.1	8.4	6.7	6.5
<b>Other</b>	1	2.2	3.4	2.4	1.0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Total expenditures</b>		<b>533.2</b>	<b>743.4</b>	<b>746.5</b>	<b>769.1</b>

Source: UNICEF Annual report of the Executive Director: progress and achievements. Various issues.

84. **Priorities for country allocation.** The Strategic Plan gives “priority to children in low-income countries, in particular least developed countries (60 percent of regular resources) and those of Sub-Saharan Africa (50 percent of regular resources)”. It also stipulates that at least two-thirds of regular resources for programme expenditures are to be allocated on the basis of three main criteria: (i) under-five mortality rate; (ii) gross national product; and (iii) child population. From 2009 another stipulation is that upper middle-income countries with a UNICEF-supported country programme shall receive a minimum allocation of US\$750,000 (increased from US\$600,000 in previous years) in core programming until achieving ‘high income’ status. It is interesting to note that in 2008, allocations for UNICEF’s operations in upper middle-income countries amounted to only 2 percent of total allocation of regular resources. Actual allocations (including the minimum allocation) to country programs are made according to a formula, consistent with these priorities.

85. The actual use of the country allocations are governed by bilateral country program agreements between UNICEF and the recipient countries. The programs are harmonized with national planning cycles. UNICEF’s country program typically runs for 5 years.<sup>44</sup> According to information from UNICEF staff, country allocations not spent at the end of the programme cycle (because of, for example, civil unrest) go back to the central pool of funds. However, within the programme cycle period, funds can be re-programmed according to changing national priorities.

86. A donor has expressed the view that the alignment of UNICEF’s economic and administrative procedures with national systems was limited, even if the central modality for the UNICEF is the country programme of cooperation implemented by national partners with UNICEF technical assistance. More generally, country priorities are not necessarily identical to those stated in the UNICEF Plan. Likewise, earmarked donor contribution may not be top priorities according to national

<sup>44</sup> These country programs belong to UNICEF’s client countries; in line with UNICEF policy to “protect” its partner countries, country programs are not officially available.

plans. UNICEF supported activities within the programme of cooperation in some countries can bypass national systems, if so agreed in Country Programme Action Plan (CPAP).

87. UNICEF also uses a system of supplementary allocation during ongoing fiscal years. For instance, as a result of available resources for programmes being higher than originally estimated and approved for 2010, the Executive Board approved US\$186 million as a ceiling for additional regular resources for 29 countries in 2010 (as noted in the revised Table 3.3 A4).<sup>45</sup> These allocations are based on three criteria: U5MR (number of under-five deaths per 1000 live births), GNI per capita in US\$ and child population in thousands. As an example, Sierra Leone with a planning level of US\$8.6 million for regular resources, got an additional allocation of US\$5.6 million in 2010.<sup>46</sup> Such technical enhancements of regular resources allocation is necessary in the last year of the programme cycle to adjust the approvals to the actual allocations based on the formula. Flexibility in adjustment of country programmes is maintained in order to allow changes in programmatic interventions agreed with governments. However, there is a risk that the system with supplementary allocation could constrain an orderly implementation of programmes, where there is weak institutional capacity, as the additional allocation is large in comparison with the original one and preparation is rapid. Whether or not these risks materialize in practice would be worth studying. However, UNICEF does not allow more than a 3 percent decrement or a 2 percent increment in country programme allocations, even if the calculated share based on the formula is different, thus ensuring that the above potential risks for programme implementation are never major.

d. **Mapping expenditures at Headquarters, Regional and Country level – Programme Expenditures**<sup>47</sup>

88. **Overall picture.** UNICEF's total expenditures have increased at a very fast rate during the past decade, nearly tripling in current prices (see **Table 3.6**). However, trends in regular (core) and other

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<sup>45</sup> The current system for allocation of regular resources was introduced in 2008 and builds on a “modified” system introduced in 1997. See Report on implementation of the “modified system for allocation of regular resources for programmes” approved by the Executive Board in 1997\*\*. Despite attempt to bring clarity to the issue in a meeting with UNICEF officials, the exact working of the country allocation formula is still somewhat diffuse, in particular as concerns the role of the minimum US\$750,000 allocation.

[http://www.unicef.org/about/execboard/files/08-20-allocation\\_RR-English.pdf](http://www.unicef.org/about/execboard/files/08-20-allocation_RR-English.pdf)

<sup>46</sup> It is interesting to note that Zambia with a per capita income of US\$950 gets a higher allocation (US\$8.3 million) for 2010 than Vietnam with a per capita income of US\$890 (an allocation of US\$3.6 million). Vietnam with low mortality (14), GNI of US\$890 and child population of 28.6 m still gets lower regular resources when compared with Zambia because the latter has a child mortality of 148 (ten times higher), GNI per capita of 950 (just marginally higher) and a child population of 8.6 million (three times lower). See UNICEF. Programming Planning Levels for Regular Resources in 2010. December 11, 2009.

[http://www.unicef.org/about/execboard/files/Programme\\_Planning\\_Levels\\_for\\_RR-2010-JI-formatted.pdf](http://www.unicef.org/about/execboard/files/Programme_Planning_Levels_for_RR-2010-JI-formatted.pdf)

<sup>47</sup> As already mentioned, UNICEF reporting on expenditures is extremely weak. For example, the 2001 issue of its flagship publication for official consumption, the UNICEF Annual Report, has fifteen (15) lines on actual expenditures (most of which irrelevant information). The 2002 Annual Report is an improvement in information disclosure, discussing expenditures in 16 lines (a 6.7% expansion of text), and also reporting actual costs under the Biennial Support budget. The 2001 and 2002 report mentions expenditures for “Country programme cooperation” but does not make clear how much is funded under regular and other resources, respectively.

As a matter of policy, UNICEF does not have expenditures for investment in real assets. However, since host governments sometimes do not live up to their obligation to provide offices for UNICEF, it currently owns “more property than it wants to”. These assets are not amortized; thus, they do not show up in UNICEF's financial flows.



(earmarked) expenditures have differed significantly. While regular resources expenditures more or less stagnated, other resources expenditures have continued at a very high rate as a result of a growing number of donors and channels. Core expenditures now account for only one-third of total expenditures. The very large allocation of emergency expenditures in 2009 (about 56 percent of total) gives ground for the interpretation that donors have a very wide definition of “emergencies”.

**Table 3.6 - Trends in actual regular and other resources expenditures 2001 - 2009**

US\$ million, current prices

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Regular resources</b>	n/a	n/a	n/a	657	712	752	994	998	1090
<i>Programme cooperation</i>	n/a	n/a	n/a	563	485	533	743	747	769
<i>Programme support</i>	n/a	145	155	164	137	142	156	167	201
Management and administration.	81	79	87	92	88	76	94	84	120
<b>Other resources</b>	n/a	n/a	n/a	945	1485	1591	1788	2061	2174
<i>Regular</i>				586	816	916	1090	1315	1478
<i>Emergency</i>				359	669	675	698	746	696
<b>Total expenditure</b>	<b>1246</b>	<b>1273</b>	<b>1480</b>	<b>1606</b>	<b>2197</b>	<b>2344</b>	<b>2782</b>	<b>3098</b>	<b>3298</b>
<i>Regular resources expenditures as share of total expenditures (%)</i>				40.9	32.4	32.1	35.7	32.9	33.1
<b>Memo item:</b>									
Trust funds		346	489	579	715	839	n/a	802	1050
of which:									
Procurement services		145	204	379	423	635	n/a	715	970
Other activities		201	285	200	292	195	n/a	87	80

Note: n/a means that data not available. The data for expenditures in 2001 uncertain since comments to numbers in the source (Annual Report) very ambiguous. The table does not specify write-offs and other minor adjustments to costs. Hence, numbers for regular and other resources do not add up to total expenditures.

Sources: UNICEF Annual Reports. UNICEF. Medium Term Strategic Plan. Planned financial estimates for the period 2009-2012. [E/ECE/2009/AB/L.5]. <http://www.unicef.org/about/execboard/files/09-ABL5-MTSP-ODS-English.pdf>; and UNICEF. Medium-term strategic plan: planned financial estimates for the period 2010-2013 <http://www.unicef.org/about/execboard/files/10-ABL7-MTSP-ODS-English.pdf>

89. Last decade’s trend in the structure of resources is therefore a source of concern both within the UNICEF and among major donors. UNICEF’s ability to disburse funds in line with priorities established by the General Assembly and its Executive Board depends on a strong and reliable core income base. On current trends, the UNICEF is increasingly becoming an agency, whose primary role is to implement programmes according to requirements set by donor government rather than the stated priorities of the UNICEF as an organization. Some donors are therefore increasingly channelling their non-core contributions into so called thematic funds (which are much more flexible as regards use) jointly with other donors. The increase in the number of smaller donations and extensive earmarking could also adversely impact UNICEF’s aid effectiveness<sup>48</sup> – at the headquarters, regional and country level – and strain the implementation capacity of recipient countries.<sup>49</sup>

<sup>48</sup> The impact of earmarking is well documented in academic literature. See for example, Bilodeau, M., & Slivinski, A. (1998). *Rational nonprofit entrepreneurship*. Journal of Economics and Management Strategy, 7, 551-571; or Toyasaki,

90. It is also noteworthy that UNICEF has a lower share of core expenditures (16 percent) than most other UN agencies for which information is available. Core expenditures accounts for 25 percent of total spending for both UNDP and WHO<sup>50</sup>. The fact that UNICEF funds field projects and programmes under its programme assistance budget rather than the administrative budget, contributes to this lower share.

91. According to information from staff, the size of UNICEF programmes varies significantly. An ongoing emergency (flooding disaster) programme in Pakistan runs at US\$250 million; at the same time there are UNICEF activities in the amount of US\$1,000 only. However, UNICEF staff highlights that one should not see UNICEF in terms of number of programs, but as interventions within a comprehensive framework.

92. **Expenditures by focus area.** Table 3.7 show recent trends in the structure of actual expenditures by focus areas for regular and other expenditures, respectively.<sup>51</sup> Young child survival and development is the dominant expenditure category; but allocation has consistently been below target (except in 2008). The fluctuations in the expenditure shares for young child survival is also noticeable, given that it is funded by a presumably stable base of core contributions. The high share for policy advocacy compared to target is also noticeable. UNICEF spent US\$400 million – US\$218 million under regular resources and US\$182 million under other resources -- on policy advocacy in 2009. A considerable proportion of the expenditure noted as ‘Advocacy’ is actually for strengthening data, evidence and situation analysis and the capacity thereof.<sup>52</sup> For example, UNICEF staff informed us that while the multi-indicator cluster surveys used to be carried out with UNICEF support once in five years, they are now supported once in three years to enhance the data and evidence on situation of children and women and thus enhance the ability of programmes to target the most poor and marginalized. A major part of the work in recent years has been to undertake analysis on key indicators by wealth quintiles and thus gather evidence on the reach of programmes for children to the poor.

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Funimori (2010), *An Analysis of Impacts Associated with Earmarked Private Donations for Disaster Relief*, York University, York.

<sup>49</sup> In response to these trends, UNICEF has negotiated with donors contributions to global regional and country thematic funds to keep the non-core resources flexible. According to comments by the UNICEF Headquarters, global thematic resources give UNICEF HQ the required flexibility to direct resources where it should “focus” based on the national priorities or burden. Thematic funds facilitate programme funding in a more strategic manner, with an equity focus, in order to achieve MD/MDGs and MTSP results, by increasing flexibility in the allocation of resources to areas of highest programme needs. These funds provide a more flexible, longer and harmonized time-span for using contributions, an arrangement which also helps to reduce transaction costs. They enable UNICEF to allocate funds in sufficient amounts to strengthen results-based planning and effective implementation. They also provide an avenue for directing resources to critically under-funded country programme areas.

<sup>50</sup> United Nations Secretariat. Funding operational activities for development at the United Nations system. March 8, 2010

<sup>51</sup> Reclassification of expenditures prevents showing data for earlier years.

<sup>52</sup> UNICEF work on Policy advocacy covered a) Support national capacity to collect and analyze strategic information on the situation of children and women (US\$187.2 million); b) Research and policy analysis on children and women, with special consideration of children poverty and disparities, social budgeting and legislative reform for implementation of the Conventions (US\$ 44.3 million); c) Policy advocacy, dialogue and leveraging (US\$51.1million) and d) Enhanced participation by children and young people (US\$37.7 million).

**Table 3.7 - Programme expenditures by focus area for regular resources and other resources, 2006-2009 (US\$ million, current prices)**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Young child survival and development</b>	<b>1081</b>	<b>1319</b>	<b>1418</b>	<b>1366</b>
Of which:				
Regular resources	212	327	343	306
Other resources	868	991	1075	1060
<b>Basic education and gender equality</b>	<b>451</b>	<b>511</b>	<b>598</b>	<b>629</b>
Of which:				
Regular resources	87	112	113	111
Other resources	363	400	485	518
<b>Policy advocacy and partnerships</b>	<b>233</b>	<b>234</b>	<b>267</b>	<b>400</b>
Of which:				
Regular resources	126	135	139	218
Other resources	108	98	129	183
<b>Child protection</b>	<b>216</b>	<b>264</b>	<b>309</b>	<b>343</b>
Of which:				
Regular resources	58	82	83	76
Other resources	158	183	224	267
<b>HIV/AIDS</b>	<b>117</b>	<b>161</b>	<b>188</b>	<b>188</b>
Of which:				
Regular resources	38	63	50	50
Other resources	79	98	137	138
<b>Other</b>	<b>23</b>	<b>28</b>	<b>31</b>	<b>17</b>
Of which:				
Regular resources	12	25	18	8
Other resources	11	3	12	9
<b>Total</b>	<b>2119</b>	<b>2517</b>	<b>2808</b>	<b>2943</b>
Of which:				
Regular resources	533	743	746	769
Other resources	1586	1774	2062	2174

Source: UNICEF Annual reports 2006-2009.

**Table 3.8 - Use of resources by “Key results area”, 2009**

US\$ million

<b>Focus area/Key results area</b>	<b>2009</b>
<b><i>Young child survival and development</i></b>	
Support national capacity to achieve Goal 1 by improving child nutrition through improved practices and enhanced access to commodities and services	56.3
Support national capacity to achieve Goals 4 and 5 through increased coverage of integrated packages of services, improved practices and an enhanced policy environment	754.9
Support national capacity to achieve Goal 7 by increasing access to and sustainable use of improved water sources and sanitation facilities	262.9
In declared emergencies, every child is covered with lifesaving interventions, in accordance with UNICEF’s Core Commitment to Children	229.5
<b><i>Basic education and gender equality</i></b>	
Support national capacity to improve children’s developmental readiness to start primary school in time, especially for marginalized children	52.3
Support national capacity to reduce gender and other disparities to increased access and completion of quality basic education	123.7
Support national capacity to improve educational quality and increase school retention, completion and achievement rates	311.2
Restore education after emergencies and in post-crisis situations	112.5
<b><i>HIV/AIDS and children</i></b>	
Reduce the number of paediatric HIV infections; increase the proportion of HIV-positive women receiving antiretroviral drugs; increase the proportion of children receiving treatment for HIV/AIDS	50.2
Support national capacity to increase the proportion of children orphaned or made vulnerable by HIV and AIDS receiving quality family, community and government support	52.0
Support reduction of adolescent risk and vulnerability to HIV and AIDS by increasing access to and use of gender-sensitive prevention informational skills and services	54.8
<b><i>Child protection from violence, exploitation and abuse</i></b>	
Better national laws, policies, regulations and services across sectors to improve child protection outcomes, in particular justice for children, social protection systems, and services in place to protect, reach and serve all children	108.0
Support development and implementation of social conventions, norms and values that favour the prevention of violence, exploitation, abuse and unnecessary separation for all children	42.8
Better protection of children from the immediate and long-term impact of armed conflict and natural disasters	89.6
Government decisions influenced by increased awareness of child protection rights and improved monitoring, data and analysis of child protection	89.4
<b><i>Policy advocacy and partnerships for children’s rights</i></b>	
Support national capacity to collect and analyze strategic information on the situation of children and women	187.2
Research and policy analysis on children and women, with special consideration of children poverty and disparities, social budgeting...and legislative reform for implementation of the Conventions	44.3
Policy advocacy, dialogue and leveraging	51.1
Enhanced participation by children and young people	37.7
<b>Total above programmes</b>	<b>2480.9</b>

Source: Annual report of the Executive Director:” progress and achievements in 2009. [E/ICEF/2010/9]  
[http://www.unicef.org/about/execboard/files/E-ICEF-2010-9-E-Annual\\_report\\_of\\_ExecDir.pdf](http://www.unicef.org/about/execboard/files/E-ICEF-2010-9-E-Annual_report_of_ExecDir.pdf)

93. **Table 3.9** below summarizes priorities as evidenced by actual expenditures shares for core resources and non-core activities (funded by earmarked donor contributions but implemented by UNICEF) for different focus areas in 2009. As seen, expenditure shares differ significantly between core activities and non-core activities. For example, the share for non-core expenditures for basic education and gender equality is nearly twice as high as core expenditures for the same focus area. Donor priority for young child survival and development is also significantly higher than core spending for the same area. Generally, the table shows that priorities guiding earmarked donor contributions are different from those guiding UNICEF's projected expenditure of core resources, which were reviewed and discussed by UNICEF's Executive Board and the General Assembly.

**Table 3.9 - Programme expenditure priorities by focus area core and non-core resources, 2009**  
US\$ million, current prices

Focus area	Regular (Core) resources		Other (Non-core) resources		
	Million US dollars	Share (Percent)	Million dollars	US	Share (Percent)
Young child survival and development	306	39.8	1060		48.8
Basic education and gender equality	111	14.4	518		23.8
Policy advocacy and partnerships	218	28.3	182		8.4
Child protection	76	9.9	267		12.3
HIV/AIDS	50	6.5	138		6.3
Other	8	1.0	9		0.4
<b>Total</b>	<b>769</b>	<b>100.0</b>	<b>2174</b>		<b>100.0</b>

*Note:* Core expenditures largely reflect UNICEF's priorities as an institution, while non-core or ear-marked resources are the aggregate outcome of individual donors contributions.

*Source:* UNICEF Annual Report 2009.

[http://www.unicef.org/publications/files/UNICEF\\_Annual\\_Report\\_2009\\_EN\\_061510.pdf](http://www.unicef.org/publications/files/UNICEF_Annual_Report_2009_EN_061510.pdf)

94. As is shown in **Table 3.10** below, the regional allocation of UNICEF regular expenditures for Sub-Saharan Africa (at nearly 60 percent) is well above the Plan target (50 percent). Earmarked donor funds for other regular expenditures and emergency expenditures also give priority to Africa. Globally, however, UNICEF with actual allocation of 51 percent did not meet its expenditure target (60 percent) for support to Least Developed Countries (LDCs) in 2009. UNICEF has indeed allocated 65 percent of total regular resources to LDCs, but amounts of 'Other resources' spent in a given country are dependent on the extent to which donors support fundraising for these countries, thus lowering the total shares to LDCs. Another observation is that UNICEF spending per child is significantly less for LDCs

than High Income Countries (HICs), see **Table 3.11**. High income countries (where there is a programme presence) as noted elsewhere would receive as per Board decision US\$750,000 from 2009, even if their calculated share is lower. The type of programme that is pursued is distinctly different and predominantly around advocacy, data, monitoring and upstream activities. Such activities require high caliber technical assistance to look at laws, budgets and policies for sustainable investment by countries themselves in the longer run. Such work is obviously different and distinct from those pursued in other countries.

**Table 3.10 - Direct programme assistance by region, 2009**  
US\$ million, current prices

Region	Regular resources	Other resources		Total
		Regular	Emergency	
<b>US\$ million</b>				
CEE/CIS	26.2	59.2	5.3	90.6
Asia	205.6	398.7	205.7	810.1
Sub-Saharan Africa	457.4	756.0	389.6	1603.0
Inter-regional	23.1	116.1	5.1	144.2
Middle East and North Africa	28.3	46.2	73.4	147.9
Americas and the Caribbean	28.4	101.7	17.3	147.4
<i>Total</i>	<i>769.0</i>	<i>1477.8</i>	<i>696.4</i>	<i>2943.2</i>
<b>Percentage distribution</b>				
CEE/CIS	3.4	4.0	0.8	3.1
Asia	26.7	27.0	29.5	27.5
Sub-Saharan Africa	59.5	51.2	55.9	54.5
Inter-regional	3.0	7.9	0.7	4.9
Middle East and North Africa	3.7	3.1	10.5	5.0
Americas and the Caribbean	3.7	6.9	2.5	5.0
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Note: UNICEF Report on regular Resources [2010] give slightly different numbers.

Source: Annual report of the Executive Director: progress and achievements in 2009 and report on the in-depth review of the medium-term strategic plan 2006-2013 [E/ICEF/2010/9]

[http://www.unicef.org/about/execboard/files/E-ICEF-2010-9-E-Annual\\_report\\_of\\_ExecDir.pdf](http://www.unicef.org/about/execboard/files/E-ICEF-2010-9-E-Annual_report_of_ExecDir.pdf)

95. According to UNICEF's Report on Regular Resources, the top 50 recipient countries of regular programme cooperation assistance received a total of US\$650.6 million in 2009 (with programmes/projects ranging in size from US\$55.4 million for the Democratic Republic of the Congo to US\$3.1 Philippines).<sup>53</sup> This leaves a residual of US\$118.4 million (total regular resources programme expenditures of US\$769 minus US\$650.6) to be split between the remaining 140 countries in which UNICEF is present, implying an average programme of only US\$846,000 per country under funding from regular resources in this group of countries. (See Figure 3.1). Even if one takes into account availability of other resources, the UNICEF input in these countries is a very small fraction of the actual expenditure on development in the country. In our discussions with UNICEF, these were

<sup>53</sup> UNICEF. Report on Regular Resources, 2009. [http://www.unicef.org/publications/index\\_55888.html](http://www.unicef.org/publications/index_55888.html)

described as having considerable influence on national policies, legislation and budgets and thus the leveraging potential of such investments would need to be identified and quantified in the future..<sup>54</sup> A future evaluation should also consider the gains of reducing UNICEF’s presence in relatively advanced countries against the need to protect disadvantaged children in these countries.

**Table 3.11 - Allocation of regular expenditures by country group, 2009**

Country Group	Share of total expenditures (%)	Spending per child (US cents)
Low income	50	376
Lower middle income	33	85
Upper middle income	6	66
High income	0.3	487
Total global and other regional funds	10	--

Source: Annual Report of the Executive Director [I/ICEF/2010/9], op. cit.

96. **Unspent fund balances.**<sup>55</sup> As mentioned above, UNICEF’s resources have increased dramatically over the recent past, in particularly for other regular revenues and income for emergencies. This has led to a piling up of unspent funds, well above UNICEF’s requirement to keep a liquidity reserve of 10 percent. For example, by end-2008, UNICEF had an unspent balance of US\$2.4 billion of which US\$833 million in regular resources and US\$1,610 in accumulated funds under other resources. Unspent other resources by end-2007 amounted to close to 90 percent of revenues during the same year; unspent funds under regular resources were somewhat smaller but still amounted to 75 percent of the year’s income.<sup>56</sup> This has resulted in significant interest income for UNICEF.<sup>57</sup>

97. There are several reasons for this build-up of unspent funds. In interviews at Headquarters, staff emphasized UNICEF’s conservative approach to spending in an environment of fluctuating

<sup>54</sup> The consultants were informed by UN staff that in the wake of the UN One reform, specialist UN agencies are setting up 1-2 person offices, although they have only a limited share of the country program. While UNICEF has had a decentralized structure for a long time, this trend may represent a constraint on future attempt to rationalize presence in countries with small programmes.

<sup>55</sup> Spending in excess of appropriated resources does not seem to be a major issue in UNICEF. A tally for 2007 showed such overspending at US\$3.8 million, or 0.2% of the US\$1,907 million spent from other resources. Report on funds allocated from regular resources to cover over-expenditures for completed projects financed from other resources. [http://www.unicef.org/about/execboard/files/09-ABL9-overexpenditures-ODS-English\(1\).pdf](http://www.unicef.org/about/execboard/files/09-ABL9-overexpenditures-ODS-English(1).pdf)

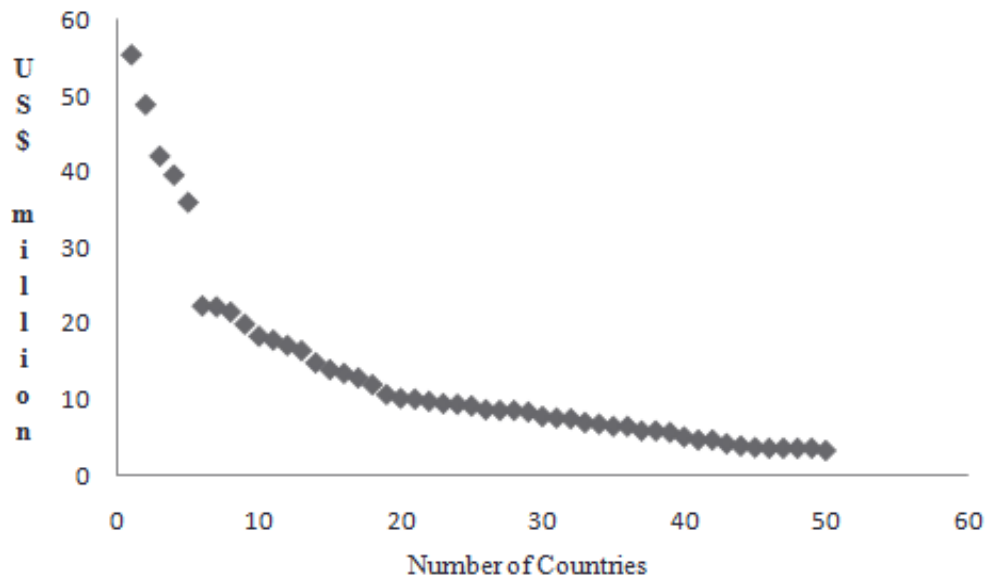
<sup>56</sup> According to information provided by UNICEF/Headquarters in October 2011, UNICEF had US\$289 million in reserves (which have to be used for specific purposes, e.g. to cover end-of-service liabilities) as of end-2010. Total unspent cash balance, after reserves, as at end-2010 was US\$2,734 million, of which US\$422 under regular resources and US\$1,845 under other resources and US\$467 under trust funds. The balances for other resources is provided for restricted programme activities and cannot be used to supplement regular resources. UNICEF must receive all other resources donor and trust fund funds in advance of any allocation for its spending.

<sup>57</sup> Progress report on specific steps taken to implement the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 2006-2007\*\*. The accumulation of unspent funds continued in 2008. Thus, by end-2008, UNICEF had “Reserves and fund balances” of over US\$2.9 billion, almost identical to total expenditures for the same year. Its cash and term deposits were US\$1.7 billion, most of it under other regular resources.

<http://www.unicef.org/about/execboard/files/09-ABL10-ODS-English.pdf>

contributions and a large part of donor commitments typically made late in the fiscal year -- in particular as concerns other resources income (which have to be received in advance of implementation) – as the main reasons for this build-up of unspent fund balances. The reality that earmarked contributions come with binding conditions -- which slows down disbursement – was also highlighted. To this can be added, as the Executive Board points out, capacity constraints at both Headquarters and country level.

**Figure 3.1: - Size of UNICEF country programme for fifty largest recipients of regular expenditures**



Source: Financial report and audited financial statements for the biennium ended 31 December 2009 and Report of the Board of Auditors

<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N10/450/45/PDF/N1045045.pdf?OpenElement>

98. The UNICEF Executive Board has expressed its “concern about the increase in total end-year unexpended funds for programme activities, partially with regard to regular resources and in this context requested that it be provided with a report, including recommendations, on efforts to address this issue, including barriers at headquarters and country level to expending funds, and ways to expedite expenditures”. A follow-up report found that main cause of this build-up is that other-resource income has been consistently underestimated, especially contributions for emergencies.<sup>58</sup> Unprecedented humanitarian crises such as the Indian Ocean Tsunami (for the period mentioned in such report), Pakistan earthquake, Haiti Earthquake followed by Cholera epidemics, Pakistan floods and two ongoing wars in Afghanistan and Iraq have led to unprecedented commitments for Other

<sup>58</sup> Interim financial report and statements for the year ended 31 December 2008, the first year of the biennium 2008-(This report was issued June 16, 2009. No later report found. 2009. [http://www.unicef.org/about/execboard/files/09-ABL3-interim-financial-report-ODS-English\(1\).pdf](http://www.unicef.org/about/execboard/files/09-ABL3-interim-financial-report-ODS-English(1).pdf) UNICEF financial report and the audited financial statements, op.cit. A follow-up review with more in-depth analysis of causes to the build-up of funds by end-years is given in Progress report on specific steps taken to implement the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 2006-2007\*\*

<http://www.unicef.org/about/execboard/files/09-ABL10-ODS-English.pdf>



resources-emergency from governments, national committees and private sector for UNICEF. It is interesting to note that while Central Asian and European countries had unspent fund balances of 84 percent and 59 percent, respectively of total expenditures in 2009, East Asian countries had unspent funds of only 41 percent of the same year's expenditures.<sup>59</sup>

**Table 3.12 - Unspent fund balances, 2002/2003 – 2008/2009 (excluding reserves)**

US\$ million, current prices

	2002- 2003	2004- 2005	2006- 2007	2008- 2009
<b>Regular resources</b>	243.1	547.2	475.1	857.0
<b>Other resources</b>	653.0	1356.0	1609.5	1835.1
of which				
Other regular	439.5	652.1	1149.1	1431.5
Other emergency	213.5	703.9	460.4	403.6
<b>Indicator: Unspent balance as share of year's income (%)</b>				
Regular resources	17.1	34.7	22.3	40.5
Other resources	38.4	43.2	44.3	40.8

Note: The indicators are defined as unspent balance by end-biennium divided by income during the second year of the biennium.

Sources: 2008/2009 audit report - [http://www.unicef.org/about/execboard/files/A-65-5-Add2-Financial\\_report-audited\\_financial\\_statements-report\\_of\\_Board\\_of\\_Auditors.pdf](http://www.unicef.org/about/execboard/files/A-65-5-Add2-Financial_report-audited_financial_statements-report_of_Board_of_Auditors.pdf)

2006/2007 Audit: [http://www.unicef.org/about/execboard/files/Financial\\_report-report\\_Board\\_of\\_Auditors.pdf](http://www.unicef.org/about/execboard/files/Financial_report-report_Board_of_Auditors.pdf)

2004/2005 audit report - [http://www.unicef.org/about/execboard/files/A\\_61\\_5\\_Add2\\_financial.pdf](http://www.unicef.org/about/execboard/files/A_61_5_Add2_financial.pdf)

2002/2003 audit report - [http://www.unicef.org/about/execboard/files/A\\_59\\_5\\_add2.pdf](http://www.unicef.org/about/execboard/files/A_59_5_add2.pdf)

99. **Unfunded pensions obligations.** An actuarial survey found UNICEF had an after-service health insurance liability of US\$483 million as of December 2007. Through regular transfers of US\$30 million annually since 2003, the balance was US\$180 million by end-2008. UNICEF made transfers to cover the ASHI liability in 2009 and 2010.

100. **Project implementation.** UNICEF uses both NGOs and client governments for programme implementation, funded through cash transfers via the Country Offices. According to information given by UNICEF staff, of the programmes implemented by other parties, about 65 percent of the programmes are implemented by government entities and the rest, 35 percent, by NGOs, in line with country program priorities. Policy advice is an important part of the delivery mechanism.

<sup>59</sup> Calculations based on information in Financial report and audited financial statements for the biennium ended 31 December 2009 and Report of the Board of Auditors  
<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N10/450/45/PDF/N1045045.pdf?OpenElement>

### e. Current cost recovery practices for program activities funded through core and non-core revenue streams

101. The biennial support budget allocates resources to fund functions that underpin UNICEF's regular and other resources programme activities at central, regional and local level for a two-year period. It also covers headquarters expenditures for program development and delivery to strengthen UNICEF's institutional capacity. The support budget is financed from regular resources and cost recoveries from other resources. Estimates of cost recoveries for other expenditures are based on projected expenditures of other resources and vary according to the implementation rate of projects.<sup>60</sup> The net support budget is the portion funded from regular resources. The support budget follows a "results-based" format agreed with the UNDP/UNFPA as part of ongoing work to harmonize methodologies and planning cycles.

102. The main principles underlying UNICEF's cost recovery policy are:

- recovery rates of other resources should be used to support the priorities of the UNICEF Medium-term Strategic Plan;
- regular resources should not be used to subsidize other resources-funded programmes;
- recovery policy should be structured to encourage reduction in transaction costs.

103. Work to harmonize the methodology and application of cost recovery with UNDP and UNFPA has been going on for several years and is still ongoing. The goal is to establish "...common principles that would compensate agencies fairly for their backstopping costs and prevent unreasonable competition amongst agencies." An agreement to use a harmonized rate of 7 percent has been made with the other UN agencies.

104. A UNICEF assessment in response to donor complaints that regular resources subsidized the costs for implementing programmes funded by earmarked resources concluded that "the new rates have furthered progress towards simplification, harmonization and fiscal prudence [and that] actual cost recovery ensured that regular resources did not subsidize support cost for other programmes. Standardized rates have also reduced transaction costs and provided donors with greater clarity regarding the rate structure..."<sup>61</sup>

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<sup>60</sup> Biennial support budget for 2010-2011 E/ICEF/2009/AB/L.8.

[http://www.unicef.org/about/execboard/files/09-ABL4-biennial\\_support\\_budget-ODS-English.pdf](http://www.unicef.org/about/execboard/files/09-ABL4-biennial_support_budget-ODS-English.pdf)

<sup>61</sup> However, a 2006 report [E/ICEF/2006/AB/L4] claims that "There was consensus among the [UN] agencies about definition of direct... costs used in assessing cost recovery. There was no consensus, however, on how to recover costs, except that all direct costs should be charge directly to projects, and that all variable indirect costs should be recovered, if possible as a component of the project budget."

105. Despite this, further work is needed to achieve a systemic common approach to cost recovery. Income from indirect support cost charges contributes to the coverage of functions like finance, administration and fundraising at headquarter and administration, finance and human resources at field level. It also covers costs such as utilities and the posts of the representative and deputy representative in the field.<sup>62</sup>

### Box 3.2 - Cost recovery essentials

UNICEF defines cost recovery as the charge levied on other resources programme expenditures” for the incremental costs to UNICEF associated with taking responsibility for implementing these programs. [E/ICEF/2006/AB/L.4]. UNICEF applies the following cost categories:

- Direct costs are directly related to activities associated with an agencies fulfillment of its mandate (personnel, project premises, travel). These costs are charged directly to the programmes, including costs for salaries/wages, themselves as specific costs.
- Fixed indirect costs are incurred regardless of an agency’s scope or level of activity (top management, etc.) Defined for country offices as minimum core cost of presence.
- Variable indirect costs, *usually referred to as programme support costs*, are incurred as a result of an agencies support of its activities but which cannot be traced unequivocally to specific activities or programmes. Indirect variable costs should be funded from regular resources and other resources in the same proportion as these resources fund programme costs.

The rates applied today are:

- 7% for non-core programmes.
- 5% for thematic contributions. Compared to earmarked non-core income, thematic funds reduces transaction costs and is considered better than earmarking; it also assists in moving away from projects towards programme support. Thematic funding accounts for about 12% of contributions to the UNICEF.
- 5% for non-thematic funding raised by private sector in programme countries.
- A discount of 1% is applied to joint programmes considered to be “in the best interest” of the UN; and when contributions are over US\$40 million”.

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Sources: Review of the UNICEF cost-recovery policy. [http://www.unicef.org/about/execboard/files/06-ABL4\\_costrecovery.pdf](http://www.unicef.org/about/execboard/files/06-ABL4_costrecovery.pdf); and Report on the implementation of the UNICEF cost recovery policy

<http://www.unicef.org/about/execboard/files/2010-ABL3-Costrecovery-ODS-English.pdf>

UNICEF Annual Report 1998. Medium-term strategic plan planned financial estimates for the period 2010-2013.

106. The Strategic Plan gives expenditure estimates for both programme activities and support costs. However, there is no discussion in the Plan document of how these estimates were arrived at and their link to the expected mix of core and non-core expenditures, Plan priorities or activity levels. In the same vein, while programme expenditures are updated and approved annually, support costs are estimated and approved (as part of the Biennial Support Budget) on a two-year cycle, with links to

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<sup>62</sup> Development Initiatives. Good Humanitarian Donorship, op. cit.

proposed programme expenditures. A case in point is the UNICEF report on the first, second and annual sessions of 2008 (para. 259), which proposes that “Agreeing that the biennial support budget should be formulated after the programme has been sufficiently articulated through the development of the draft country programme document for country offices, and the office management plans for headquarters and regional offices”.<sup>63</sup>

107. **Trends in revenues from cost recovery charges.** **Table 3.13** shows recent trends in UNICEF overhead costs. Support costs (also known as “variable indirect costs”) and costs for management and administration increased significantly, by over 20 percent between 2006/7 and 2008/9. As seen in **Table 3.13**, support costs as a share of both regular expenditures and total expenditures have remained fairly constant since 2005.

**Table 3.13 Trends in overhead costs**  
US\$ million, current prices

	2005	2006	2007	2008	2009
Support costs	137	142	156	167	201
Management and administration	88	76	94	84	120
<i>Total support cost and management and administration</i>	<i>225</i>	<i>218</i>	<i>250</i>	<i>251</i>	<i>321</i>
<b>Total regular expenditures</b>	712	752	994	1001	1108
<b>Total regular and other expenditures</b>	2197	2343	2782	3081	3298
<b><i>Indicators</i></b>					
<i>Support cost as share of regular expenditures (%)</i>	19.2	18.9	15.7	16.7	18.1
<i>Support cost as share of total regular and other expenditures (%)</i>	6.2	6.1	5.6	5.4	6.1
<i>Overhead costs as share of total regular and other expenditures (%)</i>	10.2	9.3	9.0	8.1	9.7

*Note.* Total regular expenditures includes write-offs, etc. Overhead cost is the total of support cost and costs for management and administration. UNICEF documents typically relate support budget costs to total resources or expenditures, excluding trust funds.

*Source:* UNICEF Annual Reports.

108. As shown in **Table 3.14**, while significantly down from a decade earlier, the majority (62 percent) of the Biennial Support Budget is still funded from regular resources. While cost recoveries from other resources have seen a six-fold increase over the 1998/99 – 2006/2007 period, support costs charges on regular resources programmes have been roughly constant in nominal terms, despite the

<sup>63</sup> [http://www.unicef.org/about/execboard/files/04-Decisions\\_English.pdf](http://www.unicef.org/about/execboard/files/04-Decisions_English.pdf)  
[http://www.unicef.org/about/execboard/files/08-7Rev.1\\_English\(2\).pdf](http://www.unicef.org/about/execboard/files/08-7Rev.1_English(2).pdf)

increase in regular expenditures during the period.<sup>64</sup> Thus, support cost as a share of regular expenditures has gone down sharply over the period under review.

**Table 3.14 - Actual biennial support costs, 1998/99 – 2006/07**

US dollar million, current prices

	1998- 1999	2000- 2001	2002- 2003	2004- 2005	2006- 2007	2008- 2009
<b>Actual biennial support expenditures</b>	<b>508</b>	<b>522</b>	<b>569</b>	<b>682</b>	<b>718</b>	<b>913</b>
Of which						
From regular resources	465	438	466	481	448	690
From other resources and other recoveries	43	84	103	201	271	223
<i>Memo item: Share of total actual Biennial Support Budget from</i>						
<i>Regular resources</i>	<i>92</i>	<i>84</i>	<i>82</i>	<i>71</i>	<i>62</i>	<i>76</i>
<i>Other resources</i>	<i>8</i>	<i>16</i>	<i>18</i>	<i>29</i>	<i>38</i>	<i>24</i>
<b>Total regular resources</b>	<b>1065</b>	<b>1183</b>	<b>1211</b>	<b>1370</b>	<b>1747</b>	

Source: UNICEF support budget for the biennium 2010-2011. Report of the Advisory Committee on Administrative and Budgetary Questions. (E/ICEF/2009/AB/L.8) <http://daccess-dds-ny.un.org/doc/UNDOC/LTD/N09/483/14/PDF/N0948314.pdf?OpenElement>

109. **Structure of overhead expenditures.** Field offices account for slightly more than half (54 percent) of total UNICEF support expenditures. Total support, in turn, is split between fixed indirect costs (59 percent) and variable indirect costs (41 percent), as shown in **Table 3.15**.

**Table 3.15 - Distribution of support expenditure for 2006-2007 into fixed indirect costs and variable indirect costs (Percentage shares of total support cost expenditures)**

	Total support costs	Fixed costs/core functions	Variable indirect costs
Country offices	40	26	14
Regional offices	11	6	5
Other	3	4	0
<b>Subtotal field offices</b>	<b>54</b>	<b>36</b>	<b>19</b>
<b>Headquarters</b>	<b>45</b>	<b>23</b>	<b>22</b>
Of which:			
Programme support	13	4	9
Management and administration	32	19	13
<b>Total support expenditures</b>	<b>100</b>	<b>59</b>	<b>41</b>

Note: Data based on 2006-2007 actual expenditures. Numbers may not add up due to rounding.

Source: Report on the implementation of the UNICEF cost recovery policy. E/ICEF/2010/AB/L3. <http://www.unicef.org/about/execboard/files/2010-ABL3-Costrecovery-ODS-English.pdf>

<sup>64</sup> Biennial support budget for 2010-2011.

[http://www.unicef.org/about/execboard/files/09-ABL4-biennial\\_support\\_budget-ODS-English.pdf](http://www.unicef.org/about/execboard/files/09-ABL4-biennial_support_budget-ODS-English.pdf)

110. Interesting to note that fixed costs for country offices (26 percentage points) is almost twice as high as their share of variable indirect costs (14 percentage points). Fixed indirect costs include expenses for minimum core presence in a country or regional office. As the simple calculation in **Table 3.16** shows, UNICEF’s presence in many countries with small programs – for example, Belarus, Costa Rica, and Montenegro with programs under US\$1 million – may carry with it high overhead costs at the detriment of its ability to fund programmes. However, as discussed earlier in this chapter, UNICEF offices can have considerable influence on national policies, legislation and budgets.

111. NGOs that are selected as implementing partner can charge up to 25 percent<sup>65</sup> of total funds received to cover overhead expenditures, although the average actually charged by NGOs is close to 7 percent. This charge is to be used to cover solely the costs for work within the country of assistance and not to cover costs for work in other countries. According to UNICEF staff, NGOs implement about 35 percent of UNICEF’s programmes.

**Table 3.16 - Distribution of annual indirect costs between different levels in 2006-2007**  
US\$ million, current prices

	Total indirect costs	of which		Number of offices	Total cost per office
		Variable indirect costs	Fixed indirect costs		
<b>Headquarters</b>	146.5	73.3	73.3	1	146.5
<b>Regional offices</b>	45	17.1	27.9	8	5.6
<b>Country offices</b>	132	58.1	73.9	126	1.0
<b>Total</b>	<b>323.5</b>	<b>148.5</b>	<b>175.1</b>		

*Note:* Data for the biennium 2006-2007 in Table 5.3 has been distributed evenly between the two years.

*Source:* <http://home.wfp.org/stellent/groups/public/documents/resources/wfp202649.pdf>

112. **Use of resources from cost recoveries.** **Table 3.17** is of interest since it illustrates cost recoveries in the context of overall expenditures. It also implies a cost recovery rate of 6.9 percent on other resources, slightly below the target 7 percent.

113. **Table 3.18** gives a breakdown by cost category for programme support for the 2004-2005 and 2010-2011 biennia, respectively, based on budget data. A similar breakdown by actual cost categories is not available.<sup>66</sup> Two trends stand out. One trend is that salaries (post) as a share of total costs for

<sup>65</sup> The provision of upto 25 per cent for management and administration has been indicated only when justifiable locally by the UNICEF country office and the implementing partner. Such situations occur only in very difficult environments such as those affected by war, civil strife, humanitarian crises as in Somalia, Afghanistan or areas where the local capacity and infrastructure limitations make programme delivery very difficult.

<sup>66</sup> UNICEF publishes expenditures under the support budget in great detail. In contrast to expenses for programme assistance (which accounts for the bulk of UNICEF expenditures), the support budget is transparent also when it comes to presentation of costs for salaries, travel, etc. However, the value of this information is reduced by the tendency to present approved budget numbers for the ongoing fiscal year with proposed budget for the coming year, without any reference to

programme and management and administration have increased. This trend is only partly offset by declining shares for “Other staff costs and Consultants”. Another trend is the downward shift in operating expenses. Overall, an increasing share of expenditures is being consumed by salaries and associated costs. Management and administration, at US\$229.8 million, accounted for over one third of gross budget estimates for the 2004-2005 biennium.<sup>67</sup> **Table 3.19** gives a detailed account of support expenditures in 2006-2007.

**Table 3.17 - Appropriations for the biennium 2008-2009 as at December 31, 2008**

	<b>Biennial Support Budget</b>	<b>Actual expenditures 2008</b>			<b>Total</b>
		Programme support	Management and admin.	Security	
<b>Programme support</b>					
Country and regional offices	463	210			210
Headquarters	140	61			61
<b>Subtotal</b>	<b>603</b>	<b>271</b>			<b>271</b>
Management and admin.	310		127		127
<b>Subtotal</b>	<b>913</b>	<b>271</b>	<b>127</b>		<b>398</b>
<b>Security</b>	48			10	10
<b>Total</b>	<b>960</b>	<b>271</b>	<b>127</b>	<b>10</b>	<b>408</b>
<b>Expenditure</b>		<b>271</b>	<b>127</b>	<b>10</b>	<b>408</b>
<i>Less</i>					
Recovery from packing, etc.		8			8
Recovery from other resources		98	41		149
Other (tax reimbursement, etc.)		8	11		19
<b>Subtotal</b>		<b>104</b>	<b>57</b>		<b>157</b>
<b>Net expenditure</b>		<b>167</b>	<b>74</b>	<b>10</b>	<b>251</b>

Source: Interim financial report and statements for the year ended 31 December 2008, the first year of the biennium 2008-2009. Statement IV. [http://www.unicef.org/about/execboard/files/09-ABL3-interim\\_financial\\_report-ODS-English\(1\).pdf](http://www.unicef.org/about/execboard/files/09-ABL3-interim_financial_report-ODS-English(1).pdf)

actual expenditures for previous years. This tendency has also caught the attention of UNICEF’s Advisory Committee on Administrative and Budgetary Questions.

<sup>67</sup> UNICEF emphasizes that it is increasingly focused on providing services in the form of policy advice. Such a trend would naturally result in a higher share for salaries and wages in total expenditures.

**Table 3.18 - Biennial support budget by expenditure category 2004-2005 and 2010-2011**  
US\$ million, current prices

Expenditure category	2004-2005 estimated		2008-2009 approved		2010-2011 estimates	
	US\$ million	Share (%)	US\$ million	Share (%)	US\$ million	Share (%)
Post	475.0	69.4	670.3	75.5	732.7	78.1
Other staff cost	17.1	2.5	15.5	1.7	11.6	1.2
Consultants	21.1	3.1	16.1	1.8	13.2	1.4
Travel	23.8	3.5	30.6	3.4	27.0	2.9
Operating expenses	101.5	14.8	109.9	12.4	104.3	11.1
Furniture and equipment	23.9	3.5	22.5	2.5	21.0	2.2
Reimbursements	22.5	3.3	22.9	2.6	28.1	3.0
<b>Total gross budget estimated excl. investment projects</b>	<b>684.9</b>	<b>100.0</b>	<b>887.9</b>	<b>100.0</b>	<b>938.1</b>	<b>100.0</b>
Investment projects			24.9		36.9	
<b>Total gross budget estimates</b>			<b>912.8</b>		<b>975.0</b>	
<b>Management and administration</b>	<b>229.8</b>					

*Note:* Data for 2004-2005 includes costs for Programme support and Headquarters as well as Management and administration (Table II).

*Source:* Biennial support budget for 2004-2005 and 2010-2011.

<http://www.unicef.org/about/execboard/files/abl14.pdf>

[http://www.unicef.org/about/execboard/files/09-ABL4-biennial\\_support\\_budget-ODS-English.pdf](http://www.unicef.org/about/execboard/files/09-ABL4-biennial_support_budget-ODS-English.pdf)



**Table 3.19 - A. Distribution of support expenditure for 2006-2007 into fixed costs and variable indirect costs US\$ million, current prices**

	Total Support costs	Fixed costs/ core functions	Variable indirect costs	% of variable costs borne by		Variable costs borne by		% of OR support to total OR programme
				RR	OR	RR	OR	
				(1)	(2)	(3)=1-2	(4)	
<b>Field offices</b>								
<b>Country offices</b>	<b>276.4</b>	<b>177.6</b>	<b>98.8</b>	32%	68%	<b>31.6</b>	<b>67.2</b>	<b>2.1%</b>
Termination/after service insurance/others	6.9	6.9						
<b>Regional offices</b>	<b>74.7</b>	<b>43.2</b>	<b>31.5</b>	32%	68%	<b>10.1</b>	<b>21.4</b>	<b>0.7%</b>
Termination/after service insurance/others	1.9	1.9						
Central costs – security	20.7	20.7						
<b>Subtotal, Field offices</b>	<b>380.6</b>	<b>250.4</b>	<b>130.3</b>	<b>32%</b>	<b>68%</b>	<b>41.7</b>	<b>88.6</b>	<b>2.8%</b>
<b>Headquarters (Programme support)</b>								
Innocenti Research Centre	1.0	1.0						
Programme Division	28.0	7.1	20.9	32%	68%	6.7		14.2
EMOPS excluding Operations Centre(incl.Geneva)	<b>9.4</b>	1.3	<b>8.2</b>	32%	68%	2.6		5.6
Division of Policy & Planning - Prog Guidance	<b>2.8</b>	2.8						
Operations Centre	2.4	2.4						
Field support systems (ProMS and Cognos)	<b>5.5</b>	0.8	4.7	32%	68%	1.5		3.2
Investment projects	0.4	0.4						
Supply Division (net of warehouse recovery)	<b>19.2</b>	3.5	<b>15.7</b>	32%	68%	5.0		10.7
Subtotal, HQ prog. Support	68.7	19.2	49.6	32%	68%	15.9		33.7
% distribution		28%	72%			23%		49%
HQ common costs	20.7	5.8	14.9			4.8		10.2
HQ after service insurance + termination	<b>2.8</b>	2.8						
<b>Subtotal, HQ prog. Support</b>	<b>92.2</b>	<b>27.7</b>	<b>64.5</b>	<b>32%</b>	<b>68%</b>	<b>20.7</b>	<b>43.9</b>	<b>1.4%</b>
<b>Headquarters Management and administration</b>								
Office of the Executive Director	<b>9.6</b>	9.6						
GMA	4.2	4.2						
Division of Communication	<b>19.3</b>	19.3						
Office of Japan	<b>3.6</b>	3.6						
Evaluation Office	<b>2.8</b>	2.8						
Office of Internal Audit	7.7	7.7						
Sharing of UN activities	4.6	4.6						
Division of Policy and Planning	10.0	6.1	<b>3.9</b>	32%	68%	1.2		2.7
PFO (excluding units solely for OR)	7.1	3.6	<b>3.5</b>	32%	68%	1.1		2.4
PFO fund monitoring unit/asst. fund-raising	2.2		2.2		100%			2.2
Geneva Regional Office	17.6	7.7	<b>9.9</b>	32%	68%	3.2		6.7
Geneva Regional Office solely for OR	0.6		0.6		100%			0.5
DHR	<b>21.8</b>	8.1	<b>13.7</b>	32%	68%	4.4		9.3
DFAM (excl. units solely for OR and Admin Serv)	<b>16.5</b>	5.7	10.8	32%	68%	3.5		7.4
DFAM units solely for OR	<b>3.5</b>		<b>3.5</b>		100%			3.5
Investment Projects	<b>11.5</b>	11.5						
ITD	46.8	15.5	<b>31.3</b>	32%	68%	10.0		21.3
<b>subtotal,</b>	<b>189.4</b>	<b>110.0</b>	<b>79.4</b>			<b>23.4</b>		<b>55.9</b>
Percentage		<b>58%</b>	42%			12%		30%
HQ common costs	25.6	14.9	10.7			3.2		7.5
DFAM - Administrative Services	7.1	4.1	<b>3.0</b>			0.9		2.1
HQ after service insurance	<b>1.8</b>	<b>1.8</b>						
<b>Total HQ Management and administration</b>	<b>223.8</b>	<b>130.8</b>	<b>93.1</b>	29%	70%	<b>27.4</b>	<b>65.5</b>	2.1%
Recovered from other sources 1/	<b>-3.5</b>		<b>-3.5</b>				<b>(3.5)</b>	-0.1%
<b>Global support expenditure,</b>	<b>693.2</b>	<b>408.9</b>	<b>284.3</b>	32%	68%	<b>89.8</b>	<b>194.5</b>	<b>6.2%</b>
<b>Total Programme expenditure (net of recovery)</b>			4410.6	29%	71%	1276.6		3,134.0

Source: Report on the implementation of the UNICEF cost recovery policy. [E/ICEF/2010/AB/L.3]

## f. Estimates of Staffing Structure and Costs<sup>68</sup>

114. Counting staff funded under the biennial support budget – thus, excluding staff on short term contracts, consultants and under other arrangements -- UNICEF had 6,379 staff as of end 2009, an increase by nearly one thousand from 5,409 staff in 2002.<sup>69</sup> The support budget includes an unknown number of field staff. According to a headcount of field staff, out of a total of 10,114 UNICEF staff (including consultants and volunteers) as of December 31, 2007, of which 1,758 were internationally recruited and 8,356 locally recruited. According to a later source, as of March 2010, UNICEF had 10,919 active staff members.<sup>70</sup>

115. As of end-2009, nearly 1,900, or 18 per cent, of the 10,518 approved posts were vacant. In many field offices and headquarters divisions, the vacancy rates were more than 30 per cent.<sup>71</sup> These high vacancy rates are partly due to contingent posts that will be filled if the associated program funding is secured. Thus, if the funding authorized in the country program approved by the Board arrives, the post is filled. Without funds, there is no program and there are no activities to be adversely affected. The consultants were not provided with the exact number of contingent posts included in the above totals. In addition, the performance evaluation reports were not done within the time frame required in the UNICEF Human Resource Manual and no office/division was responsible for monitoring the completion status of these reports.

116. During interviews with UNICEF staff, the consultants were informed that “100 percent of salaries [for staff working on UNICEF projects and programs] come out of the program budget.” Costs for this group of employees includes subsidies for staff, e.g. for renting a house. Moreover, no recording is made of how individual staff’s time is divided among different tasks, as staff costs are not paid out of the administrative budget.

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<sup>68</sup> Staffing issues is not part of this study, but is briefly commented on here because of their relevance for assessments of expenditure gaps made elsewhere in this report.

<sup>69</sup> UNICEF. Financial report and audited financial statements for the biennium ended 31 December 2009 and Report of the Board of Auditors.

<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N10/450/45/PDF/N1045045.pdf?OpenElement>

<sup>70</sup> The tally of total UNICEF employees here (17,000) assumes that there is no double counting of staff under support budget and the UN headcount of field staff. The UN System. Chief Executive Board for Coordination. Matrix of Personnel Statistics Report. Tables is an excellent source of information on UN staff as concerns numbers. <http://www.unsceb.org/ceb/stats/hr/ps> More specifically, good data is found in Chief Executives Board for Coordination. HIGH-LEVEL COMMITTEE ON MANAGEMENT (HLCM). *Headcount of Field Staff available as of 31 December 2007 for the Cost-sharing of Field Costs of the UN Security Management System*. 9 December 2008. CEB/2008/HLCM/26. Another source from CEB is <http://www.unsceb.org/ceb/stats/hr/ps/years/2009>. The total number off UNICEF staff, based on the UN Human Resources Statistics, and published by ICSC QuickLinks, is available on the Internet. See UNDP report <http://www.undp.org/execbrd/archives/sessions/eb/1st-2002/DP-2001-CRP12.pdf>

<sup>71</sup> According to written statement from UNICEF, rates may include programme (OR) posts

**Table 3.21 - UNICEF staff with appointments of one year or more, 2002 - 2009**

Year	Total staff			of which: Project staff		
	Prof.	GS	Total	Prof.	GS	Total
2002	1817	3592	5409	1040	20	1062
2004	2015	3708	5753	1312	3187	4499
2005	1819	3374	5193	0	0	0
2009	2235	4144	6379	0	0	0

*Note:* From 2004 to 2005 UNICEF aligned reporting of ‘staff organizational location’ with other UN Agencies (UNDP, UNFPA UNHCR etc.) using only two categories: ‘Headquarter’ and ‘Other Established Offices’. In 2004 and prior years UNICEF had also reported staff location under a third category ‘project’. According to current practices, staff at Headquarters, Regional offices and Country offices, budget, finance officers, and administrative staff are funded under the Biennial Support Budget. All technical staff working on programs are funded under programme expenditures.

*Source:* UN CEB Matrix of Personnel Statistics Report. Tables. <http://www.unsceb.org/ceb/stats/hr/ps/matrix>

### **g. Assessment of the Quality of Current Financial Data, Compilation Practices, Instrument, Procedures and Reporting Practices**

117. **Procurement Systems in support UNICEF’s activities.** Sound procurement systems and practices are an important determinant of efficiency and transparency of expenditure flows. UNICEF procurement is analyzed in three recent reviews, which conclude that while adequate this area may warrant further improvement.

118. In 2010, UNICEF was assessed at an institutional level and across nine countries by a network of donors<sup>72</sup>. This generally positive review notes that “on the indicator that assesses use of country systems – i.e., the extent to which the organization uses government systems for procurement, audit, financial reporting, and other procedures – UNICEF receives an inadequate rating overall. However, this finding must also be discussed in light of the specific country contexts in which UNICEF operates.”

119. The 2009 audit report<sup>73</sup> contains a review of procurement and contract management. It notes for certain offices a number of deficiencies in relation to competitive bidding.

120. Finally, in March 2011 DFID completed a Multilateral Aid Review<sup>74</sup>, which includes an assessment of UNICEF. This review concludes that UNICEF is a well-performing agency and as a result will receive an increasing portion of UK aid. It also gives a satisfactory rating to the aspects of

<sup>72</sup> [http://www.mopanonline.org/upload/documents/UNICEF\\_Final\\_February\\_19\\_issued.pdf](http://www.mopanonline.org/upload/documents/UNICEF_Final_February_19_issued.pdf)

<sup>73</sup> [http://www.unicef.org/about/execboard/files/A-65-5-Add2-Financial-report-audited\\_financial\\_statements-report\\_of\\_Board\\_of\\_Auditors.pdf](http://www.unicef.org/about/execboard/files/A-65-5-Add2-Financial-report-audited_financial_statements-report_of_Board_of_Auditors.pdf)

<sup>74</sup> <http://www.dfid.gov.uk/Documents/publications1/mar/unicef.pdf>

procurement covered by the review. Available studies therefore point to relatively well functioning procurement systems and do not identify any systemic issues.

121. **International Public Sector Accounting Standards (IPSAS).** Currently, UNICEF does not follow International Public Sector Accounting Standards. Work to adopt such standards has been ongoing for some time, but suffered delays (partly because of complexities related to the introduction of the VISION ERP system). Full adoption of IPSAS is currently scheduled for 2012.<sup>75</sup> Adoption will introduce similar formats of financial recording and reporting across the UN agencies. UNICEF has been utilizing a combination of accrual and cash based accounting for some time. One of the fundamental benefits of IPSAS implementation would be to require recording of all transactions on accrual basis.

122. **Board of Auditors.** The Board of Auditors made 38 recommendation for the biennium 2006-2007, of which 26 (68 percent) were fully implemented and 12 (32 percent) were under implementation.<sup>76</sup> The Board has noted a 17 percent decrease in the implementation rate compared with the previous biennium. With respect to the 12 recommendations for the 2006-2007 biennium, which were still under implementation, UNICEF has indicated that most of them would be implemented with the roll out of new enterprise resource planning systems and compliance with the IPSAS.<sup>77</sup>

123. **Internal Audit.** During 2008-2009, the Office of Internal Audit conducted 50 audits of country offices and issued 730 audit observations. A total of 18 headquarters, systems, and thematic audits were also carried out during the same period. The key observations made during the audit of country offices:

- weak strategic planning and priority setting;
- lack of systematic approach to risk management;
- weakness in human resource strategy and recruitment;
- deficiencies in relation to the assessment of implementing partners' capacities;
- weakness in evaluation functions;
- insufficient knowledge of the situation of the children and weak advocacy for children's rights;
- weakness in processing of financial transactions and the implementation of financial controls;
- deficiencies in the procurement of supplies and selection of suppliers; and
- deficiencies in the management of inventory and assets.
- The key observations made in the headquarters, systems, and thematic audits included lack of sufficient guidance and support for efficient operation functions in country offices;
- weakness in treasury management;
- deficiencies in relation to management of evaluation in country offices;

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<sup>75</sup> Progress report on implementation of the International Public Sector Accounting Standards. <http://www.unicef.org/about/execboard/files/10-ABL8-IPSAS-ODS-English.pdf>

<sup>76</sup> This section is based on UNICEF external audits. Internal audits are not publicly available.

<sup>77</sup> According to the 2008-2009 office management plan of the Office of Internal Audit, there should be no recommendations outstanding for more than 18 months. However, as at March 31, 2010, there were still seven audit recommendations outstanding for more than 18 months relating to the regional offices and Headquarters audits.

- weakness in oversight and operations support to the country offices and the management of internal operations in the regional office; and
- weakness in the management of the information communication technology function in country offices.

124. Government partners are required to submit audited financial statements to UNICEF once per programme cycle. The Board of External Auditors sampled 15 country offices and found no evidence of any audited financial statements from these offices for the biennium under review. UNICEF has recognized its cash transfers to implementing partners in advance of actual program implementation as expenditures when the cash was disbursed. This is not in keeping with the principle of accrual basis of accounting for expenditures, but it is in line with UNSAS (modified accrual) and with the Executive Board approved Financial Regulations and Rules.. This matter has been brought to the attention of UNICEF by the Board of Auditors in the context of IPSAS compliance in 2012.<sup>78</sup>

**Table 3.22 - Progress on implementation of United Nations Board of Auditors' recommendations**

	Audit report for biennium		
	2004-2005	2006-2007	2008-2009
<b>Total recommendations</b>	96	42	
of which			
Fully implemented	77	34	
Under implementation	19	8	
<b>Main recommendations</b>	18	13	
of which			
Fully implemented	16	9	
Under implementation	1	4	

Source: Progress report on specific steps taken to implement the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 2004-2005 and 2006-2007

[http://www.unicef.org/about/execboard/files/08-ABL9-Board\\_of\\_Auditors-English\(2\).pdf](http://www.unicef.org/about/execboard/files/08-ABL9-Board_of_Auditors-English(2).pdf)

[http://www.unicef.org/about/execboard/files/09-ABL10-Progress\\_report\\_Board\\_of\\_Auditor--LK-JI\\_final\\_sent\\_to\\_UN\\_6\\_Aug.pdf](http://www.unicef.org/about/execboard/files/09-ABL10-Progress_report_Board_of_Auditor--LK-JI_final_sent_to_UN_6_Aug.pdf)

125. Results on progress on implementation of recommendations made by the Board of Auditors on the accounts for 2004-2005 and 2006-2007 are presented in **Table 3.22** above. The report of the Board on the accounts for earlier years, e.g. 2000-2001, does not lend itself to a summary in quantitative form. Three of the four recommendations made in the audit report for the biennium 2008-2009, and which are under implementation, relate to activities under way as part of UNICEF adoption of International Public Sector Accounting Standards (IPSAS), now scheduled for January 2012.

<sup>78</sup> UN Board of External Auditors (UNBOA) has not expressed this as an issue under current standards as UNICEF accounting is UNSAS compliant. However, UNBOA has brought to attention that accounting must be modified under IPSAS.

## h. Assessment of Information Gaps

126. UNICEF's disclosure of information regarding global expenditures by focus area is currently good, albeit sometimes information can be hard to find. Programme expenditures according to a functional (focus area) classification of expenditures are available on the Internet in minute detail. Support cost as well as expenses for management and administration broken down by broad categories by economic classification (salaries, travel, material expenses, etc.) are also available on the Internet in fairly good detail. Data are published on an annual basis, which is considered adequate.

127. At the same time it has to be pointed out that UNICEF's economic information is scattered over many publications. Times series are occasionally broken by changed definitions which make it difficult or impossible to follow trends over a longer period (as is the case with expenditures by UNICEF's broad focus categories back to 2006). Sometimes there is regress: while the Biennial support budget for 2004-2005 contains a wealth of information, the corresponding budget for the Biennium 2010-2011 is more focused on general descriptions of functions rather than providing detailed cost estimates. Terms are sometimes introduced in tables without any explanation.

128. A much more serious limitation is the lack of comprehensive economic information regarding UNICEF's activities at country level. Total allocations to individual countries are published. However, information on how these totals are distributed among different focus areas is not officially available; UNICEF does publish information regarding individual programmes at country level on the Internet as well as in the Annual Reports, but this information is generally fragmented /DFID has also noted that "UNICEF does not publish full information on all its projects".<sup>79</sup>

129. Despite requests at UNICEF Headquarters, the consultants have not been able to access information regarding expenditures for programme assistance by economic classification (wages/salaries, travel, consultants, material expenses, etc.) – information that, according to UNICEF officials, is not readily available and would require to custom run and reconcile reports . Since programme assistance expenditures account for the overwhelming share of UNICEF expenditures, making such information publicly available would be crucial to enhance UNICEF's transparency and accountability,

130. **Scope for greater transparency and comprehensive economic reporting.** Given the significant amounts UNICEF spends every year, it needs a publication where its expenditures are presented in a user friendly way. Its flagship Annual Report could serve this purpose, while the interim financial report and statements are more technical and not as easy to find and understand as the Annual Report. This observation is supported by the abovementioned DFID report that concluded that UNICEF "does not currently have a transparency policy" and "way short of best practice in transparency".

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<sup>79</sup> UK/DFID. Multilateral Aid Review: Assessment of the United Nations Children's Fund (UNICEF) <http://www.dfid.gov.uk/Documents/publications1/mar/unicef.pdf>

Moreover DFID also observes that “there is no evidence that UNICEF proactively encourages transparency and accountability in delivery partners.”<sup>80</sup>

131. UNICEF does not disclose expenditures by economic classification (wages/salaries, travel, materials and supplies) for programme assistance. Such information is available for (broad categories of) support cost only. However, with the adoption of the IPSAS this information will be disclosed in UNICEF’s financial statements.<sup>81</sup>

132. UNICEF does not make public details about expenditures and revenues for the over one billion in trust funds it handles over year. Today the level of detail in its reporting is limited, covering only two items “Procurement” and “Other”. For example, no additional breakdown of procurement among works, goods and services is provided.

133. **Need for longer time series.** Information regarding regular and other resources expenditure by focus area shown separately is not available before 2009. Since the structure by focus area for these two expenditure categories differs significantly, information regarding regular and other resources expenditures is vital for an analysis of long-term trends in UNICEF’s use of funds. After IPSAS implementation, special attention should be given to comparing historical accounting data with forecasts.

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<sup>80</sup> Commenting on an earlier draft of the present report, UNICEF officials pointed out that their agency’s Executive Director made the following opening statement at the Annual Session of the Executive Board in June 2011: “A better UNICEF will be more transparent. UNICEF already makes available considerable data on our programmes and management indicators. And we are committed to becoming even more transparent – with respect to both external and internal processes. For example, last month, for the very first time, we made public the prices UNICEF pays for vaccines – a decision we believe will increase competition in the vaccine market and enable more developing countries to purchase more vaccines. And within the next two months, we will post the 2010 annual reports of all of UNICEF’s Country Offices -- the first time such extensive materials will be available online. Progress towards greater transparency will require a lot of practical work – for example, regarding our internal audits. We believe they should be transparent, while respecting the principles of integrity and necessary confidentiality. And we believe this is not only possible, but a necessity – in principle and in practice. We welcome the decision of the Executive Board of UNDP, UNFPA and UNOPS to disclose audit reports to the Global Fund and to intergovernmental organizations. It’s a good start, and we should build on it.”, [http://www.unicef.org/about/execboard/files/06-20-2011\\_Annual\\_Session\\_UNICEF\\_Executive\\_Board\\_FINAL\\_12pt.pdf](http://www.unicef.org/about/execboard/files/06-20-2011_Annual_Session_UNICEF_Executive_Board_FINAL_12pt.pdf)

<sup>81</sup> Information provided to consultants as a written comment to current report.

WFP



## 4. WFP

### a. Role in Development

134. World Food Programme (WFP), established in 1963, is the world's largest humanitarian agency fighting hunger. In emergencies, WFP is on the frontline, delivering food to save the lives of victims of war, civil conflict and natural disasters. After the cause of an emergency has passed, WFP uses food to help communities rebuild their lives. With over US\$4 billion of expenditure in 2009, WFP is the largest UN agency in our sample. Slightly over 15 percent of its resources are in kind.

135. WFP is an autonomous joint subsidiary programme of the United Nations and the Food and Agriculture Organization (FAO). Its policies and budget are determined and approved by the Board, its governing body consisting of 36 Member States. WFP has its Headquarters in Rome, Italy, and conducts activities through 96 offices around the world in 73 countries in six regions and has a presence in an additional five countries where it monitors food insecurity.

136. WFP's activities are funded by voluntary contributions from Member States, government agencies, intergovernmental bodies and other public, private and non-governmental sources, and by miscellaneous revenue, including interest.

137. The funding model for WFP differs significantly from other United Nations agencies, funds and programmes, in that WFP has no predictable income for the Programme Support and Administrative (PSA) Expenditures it incurs. PSA Expenditures represent all staff and non-staff costs at Rome Headquarters and Liaison Offices, the majority of costs in the Regional Bureaux, as well as some of the management costs of Country Offices - indirect support costs which are not linked to any specific operation - and are funded solely by income derived from a certain percentage - currently set at 7.0 percent - of the voluntary contributions received from donors.

138. WFP is the UN agency that has moved furthest ahead in the implementation of IPSAS that it adopted in 2008. Lesson learnt by WFP in this process, which may be useful for other UN agencies, are described in detail later in this report.

139. As shown in **Table 4.1**, WFP's performance over the period 2003-2008 has been impressive with a 30 percent increase of revenue, a progressive reduction in earmarking of its resources, and an improvement in the share of assessed needs met. This progress has been affected by the international financial crisis in late 2008 that caused a steep decline in revenues, paralleled by an increase in the cost of food distribution due to higher food and oil prices, have led to a decline in food aid delivery.

140. As discussed later, while the totally voluntary nature of donor contributions has kept the agency agile, it also leave it exposed to possible further declines in donor funding due to ODA budget cuts in donor countries.

**Table 4.1 - WFP Performance Indicators<sup>82</sup> (2003/09)**

	2003	2004	2005	2006	2007	2008	2009
Total Revenue (resources raised) (US\$ billion)	n/a	6.3 biennium 2004/05		2.9	3.05.1		4.4
Total value of contributions (US\$ bn)	n/a	2.2	2.8	2.7	2.7	5.0	4.0
% funding received vs. planned (contribution revenue against final budget)	n/a	n/a	n/a	n/a	n/a	89.0	65.0
Cash contributions, as percentage of total contributions (%)	n/a	50.9	56.8	58.5	57.6	60.5	58.6
% multilateral contributions**	11.0	12.0	10.0	9.0	9.5	18.0	8.0
% directed multilateral contributions**	89.0	88.0	90.0	91.0	90.5	82.0	92.0
% unrestricted contributions**	n/a	n/a	3.3	3.7	5.8	16.3	6.5
% Budget implementation rate (Total Budget consumption by cost component) <sup>83</sup>	n/a	n/a	n/a	n/a	n/a	77.7	58.3
Average cost per mt distributed (US\$)	n/a	n/a	599	552	670	863 <sup>84</sup>	807 <sup>85</sup>
Total Food Aid (million mt)	10.3	7.5	8.3	7.0	6.0	6.5	5.7
Food distributed by WFP (million mt)	4.9	3.7	4.5	3.8	3.1	3.9	4.8
% WFP Food Distribution vs. Total Food Aid	47.6	49.3	54.2	54.3	51.7	60.0	84.2
Volume of post-delivery losses, as percentage of food handled (thousand mt)	n/a	n/a	n/a	24.1	16.7	21.7	21.2
Number of NGOs and community-based organizations collaborating with WFP	n/a	1944	2270	3264	2815	2837	2398
Assessed needs met (%)^	n/a	n/a	n/a	67.5	77.7	85.8	n/a

<sup>82</sup> 2004/2005/2006/2007 revenue and expenses are not comparable with 2008/09 figures prepared in line with IPSAS.

Sources:

i): WFP/EB.A/2010/4, WFP/EB.A/2008/6-A/1/1, WFP/EB.A/2009/4, WFP/EB.A/2010/4

ii): WFP/EB.A/2009/4, WFP/EB.A/2010/4, WFP/EB.A/2008/4, WFP/EB.A/2007/4

ii/a) WFP/EB.A/2010/6-A/1, WFP/EB.A/2010/4, WFP/EB.A/2009/6-A/1, WFP/EB.A/2009/4

iii): WFP/EB.A/2007/4, WFP/EB.A/2010/4

iv): WFP/EB.A/2010/4, WFP/EB.A/2010/6-A/1, WFP/EB.A/2007/4

v): WFP/EB.A/2010/4, WFP/EB.A/2007/4, WFP/EB.A/2005/4, WFP/EB.A/2007/4

vi): WFP/EB.A/2009/4

\*\* Contributions to WFP are classified as multilateral, directed multilateral or bilateral depending on the degree of direction and condition imposed by the donor.

-Unrestricted contributions are defined as multilateral cash contributions to food-based operations without procurement restrictions.

(Contributions are based on data drawn from the Resource Mobilization System (RMS) and WINGS II, and are therefore not fully comparable with the contribution revenue shown in the Financial Statements).

^ Contributions include directed and multilateral contributions to the International Emergency Food Reserve (IEFR) and IRA, the PRRO, SO and DEV categories, and the General Fund (unallocated) confirmed against the 2008 pledge year.

<sup>83</sup> Comparison between Budget and actual data on Commitment basis

<sup>84</sup> Higher cost per mt mainly due to impact of high food and fuel prices. In the second half of 2006, international food prices began to increase rapidly, peaking in the first half of 2008. High fuel prices had knock-on effects on food prices, in particular by increasing transport costs.

<sup>85</sup> Global food prices fell slightly in 2009 but the related operational costs remain high, particularly in large operations. Poor infrastructure and costly security requirements also contributed to high operational support costs.

## b. Resources

141. As shown in **Table 4.2**, most of WFP's revenues are contributions from donors, four fifths of which are monetary and one fifth in kind, while other sources of income are minimal. Indirect costs have been mostly in the 6-7 percent range except in 2008 due to a sudden increase in revenues. Resources are managed carefully generating surpluses year on year, and their large size can be partly explained with the totally voluntary nature of the donor contributions it receives.

**Table 4.2 – Summary of WFP's Revenues and Expenditures (2004-2009, US\$ million)**

	2004/2005	%	2006	%	2007	%	2008	%	2009	%
Monetary contributions	5,155.3	81.7	2,353.6	80.3	2,382.8	78.7	4,150.9	81.7	3,445.0	78.8
In-kind contributions	1,039.3	16.5	387.4	13.2	460.8	15.2	887.1	17.5	760.2	17.4
<b>Total contributions</b>	<b>6,194.6</b>	<b>98.2</b>	<b>2,741.0</b>	<b>93.5</b>	<b>2,843.6</b>	<b>93.9</b>	<b>5,038.0</b>	<b>99.1</b>	<b>4,205.2</b>	<b>96.2</b>
Currency exchange differences	n/a	n/a	n/a	n/a	n/a	n/a	-21.9	-0.4	44.2	1.0
Other revenue	n/a	n/a	n/a	n/a	n/a	n/a	76.7	1.5	85.2	1.7
Return on investments	n/a	n/a	n/a	n/a	n/a	n/a	-9.6	-0.2	38.7	0.9
<b>Total other income</b>	<b>115.5</b>	<b>1.8</b>	<b>191.2</b>	<b>6.5</b>	<b>185.6</b>	<b>6.1</b>	<b>45.2</b>	<b>0.9</b>	<b>168.1</b>	<b>3.6</b>
<b>TOTAL REVENUE</b>	<b>6,310.1</b>	<b>100.0</b>	<b>2,932.2</b>	<b>100.0</b>	<b>3,029.2</b>	<b>100.0</b>	<b>5,083.2</b>	<b>100.0</b>	<b>4,373.3</b>	<b>100.0</b>
<b>Total Direct Expenses</b>	<b>5,681.1</b>	<b>90.0</b>	<b>2,664.9</b>	<b>90.9</b>	<b>2,753.4</b>	<b>90.9</b>	<b>3,563.0</b>	<b>70.1</b>	<b>3,932.0</b>	<b>89.9</b>
<b>Indirect support costs (ISC)</b>	<b>393.0</b>	<b>6.2</b>	<b>210.7</b>	<b>7.2</b>	<b>212.9</b>	<b>7.0</b>	<b>162.0</b>	<b>3.2</b>	<b>296.0</b>	<b>6.8</b>
<b>TOTAL EXPENDITURES</b>	<b>6,074.1</b>	<b>96.3</b>	<b>2,875.6</b>	<b>98.1</b>	<b>2,966.3</b>	<b>97.9</b>	<b>3,693.5</b>	<b>72.7</b>	<b>4,228.1</b>	<b>96.7</b>
<b>SURPLUS</b>	<b>236.0</b>	<b>3.7</b>	<b>56.6</b>	<b>1.9</b>	<b>62.9</b>	<b>2.1</b>	<b>1,389.7</b>	<b>27.3</b>	<b>145.2</b>	<b>3.3</b>

General Note: 2008/2009 unaudited data re-cast from WFP internal records, while prior years as per audited UNSAS financial statements. Data cannot be compared

## Contributions

142. **Contributions** represent donations of appropriate commodities, non-food items, acceptable services or cash made in accordance with procedures set out in WFP's Financial Regulations.

143. Most contributions are annual even though WFP has signed multi-year funding agreements with Australia, Canada, Luxembourg, the Russian Federation and the United States of America. In particular, in 2009, a ground-breaking partnership was finalized with Australia for fully flexible multilateral funding over four years; this includes support for WFP's school meals programmes. Eight donors have signed multi-year funding agreements with WFP valued at US\$800 million for 2007–2014 (WFP/EB.A/2010/4). Early provision of predictable cash or in-kind contributions is important as it enables WFP to plan and assist where needed in the most efficient way.

144. WFP may enter into Third party Agreements (TPA) to undertake activities which, while consistent with the objectives of WFP, are outside WFP's normal activities. A third-party agreement is a legally binding contract between WFP and another party in which WFP acts as an agent to provide goods or services at an agreed price. TPAs are not reported as WFP revenue and expenses. At the year end, the net balance owing to or from third parties is reported as a payable or receivable in the Statement of Financial Position under the General Fund. Service fees charged on TPAs are included within indirect support cost revenue. The indirect support costs (ISC) element of these contributions is used to fund Programme Support and Administrative (PSA) budget.

145. WFP revenues are represented by contributions from donors with a very small portion (ranging from 1 to 6.5 percent over the period 2004-2009) derived from income represented by returns on investments, currency exchange revenues and other income.

146. Prior to 2001, fund-raising was highly centralized in WFP; since 2002, with decentralization, efforts were made to expand WFP's donor base in order to achieve a more efficient fund raising activity through donor relations offices with the United States and the European Commission, strengthening of the office in Japan, and new bureaux in other capitals. The Fundraising and Communications Department was established in 2003 reporting to a Deputy Executive Director and made up of specific departments dealing with donor relations, major donors, the private sector and communications.<sup>86</sup>

147. Contributions may be multilateral, directed multilateral or bilateral (see **Table 4.3** below). As shown in **Table 4.1** above, multilateral contributions, the only truly un-earmarked resources given to WFP, have reached their lowest level in 2009, after a steep increase in 2008

148. Only a very small proportion of WFP resources are received as un-earmarked multilateral cash (core) contributions; the rest is earmarked – directed multilateral contributions received as cash or in kind goods and services. Funds can be earmarked by the donors for existing or specifically designed programmes or projects and/or specific regions or countries. The degree of restriction may also vary from “soft/light” through to “hard/tight” earmarking. Conditions imposed by donors on their contributions limit their flexibility of use for the receiving organizations that face a host of difficulties in working with the conditionalities imposed on contributions. **Table 4.4** below outlines some of the current major effects of selected donor conditions on WFP.

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<sup>86</sup> Source: JIU/REP/2007/1 Voluntary Contributions in UN System Organizations

**Table 4.3 – Types of Contributions to WFP**

<b>Contribution</b>	<b>Definition</b>
<b>Multilateral contribution</b>	A contribution, for which WFP determines the Country Programme or WFP activities in which the contribution will be used and how it will be used, or a contribution made in response to a broad-based appeal made for which WFP determines, within the scope of the broad-based appeal, the country programme or WFP activities in which the contribution will be used and how it will be used, and for which the donor will accept reports submitted to the Board as sufficient to meet the requirements of the donor.
<b>Directed multilateral contribution</b>	A contribution, other than a response to an appeal made by WFP for a specific emergency operation, which a donor requests WFP to direct to a specific activity or activities initiated by WFP or to a specific Country Programme or Country Programmes.
<b>Bilateral contribution</b>	A contribution directed by the donor to be used to support an activity not initiated by WFP.

**Table 4.4 - Major effects of selected donor conditions on WFP<sup>87</sup>**

<b>Donor condition</b>	<b>Effect of condition</b>
Donor requires that its contribution be purchased in a specific location.	Undermines WFP ability to base purchasing decisions on price/operational considerations. Also causes problems in purchasing ideal size quantities for operations, which in turn forces WFP to perform multiple purchases, which may cause delays in the arrival of food to beneficiaries.
Donor dictates what commodity can be purchased with its funds.	WFP is unable to decide the most appropriate commodity for the pipeline. As operational requirements change, this donor condition may lead to repeated renegotiation of contributions, long delays in providing food to WFP operations, and pipeline breaks
The confirmation of the contribution and its subsequent availability can be much delayed.	The contribution may need to be reprogrammed and other resources have to be identified to meet operational requirements. Leads to a delay in the arrival of food to beneficiaries.

149. As shown in **Table 4.5** below, most WFP revenues are for emergency or post-emergency operations and WFP remains more active in humanitarian aid than in development cooperation. It is interesting to note that the 2009 decline in revenues was related mostly to post-emergency and development activities as funding for emergency operations actually increased.

<sup>87</sup> Source: WFP/EB.3/2000/3-B, annex III.

**Table 4.5 – WFP Programme Categories**

Programme Category	2005	2006	2007	2008	2009
DEV (Development)	268,963	247,956	276,952	406,213	238,250
EMOP (Emergency Operations)	755,959	1,043,663	827,776	1,346,697	1,484,451
IRA (Immediate Response Account)	18,651	31,921	26,901	59,506	43,970
PRRO (protracted relief and recovery operation)	1,381,147	1,094,783	1,324,566	2,312,240	1,777,317
SO (Special Operations)	262,412	202,949	162,199	171,980	152,181
OTHERS <sup>88</sup>	79,354	83,685	86,981	745,182	326,116
Total	2,766,486	2,704,957	2,705,375	5,041,818	4,022,285
Bilateral Contributions	103,103	56,504	40,778	136,727	50,000
<b>EMOP - Emergency Operations</b>	Provide food assistance to meet emergency needs.				
<b>PRRO - Protracted Relief and Recovery Operations</b>	Provide food assistance to meet protracted relief and recovery needs.				
<b>DEV - Development programmes</b>	Food aid programmes and projects to support economic and social development. This programme category includes rehabilitation and disaster preparedness projects and technical assistance to help developing countries establish or improve their own food assistance programmes.				
<b>SO - Special Operations</b>	Rehabilitate and enhance transport and logistics infrastructure to permit timely and efficient delivery of food assistance to meet emergency and protracted relief needs. SOs are also used to enhance coordination within the United Nations system and with other partners through the provision of designated common services, such as the United Nations Humanitarian Air Service, joint logistic clusters and inter-agency information and communications technology (ICT) services.				

150. **Table 4.6** shows the top 10 donors to WFP accounting for over 85 percent of 2009 resources. The largest donor to WFP has always been the United States of America, accounting for 44 percent of the total in 2009. Norway was the 14<sup>th</sup> largest donor providing about US\$56 million a year over the period 2005-2009. Private donors provided only 2 percent of WFP resources over the period and are a relatively minor source of funding for the agency.

**Table 4.6 – Ten Largest Donors to WFP by Total Confirmed Contributions 2005/2009**  
(US\$ thousands)

DONOR	2005	2006	2007	2008	2009	Total
USA	1,216,126	1,122,307	1,176,257	2,066,286	1,757,330	7,338,306
CANADA	152,085	149,414	160,758	275,392	225,343	962,992
EUROPEAN COMMISSION	26,394	265,762	250,437	355,435	34,383	932,411
UN CERF AND AGENCIES	7,247	159,216	143,265	217,405	217,449	744,582
SAUDI ARABIA	3,262	33,419	6,537	503,753	23,341	570,312
JAPAN	160,528	72,257	118,713	1,779	202,684	555,961
UNITED KINGDOM	116,281	100,372	66,851	17,105	127,624	428,233
NETHERLANDS	115,348	79,985	7,563	117,435	77,594	397,925
SPAIN	11,595	16,936	29,631	115,288	213,852	387,302
AUSTRALIA	62,551	59,777	61,629	112,132	81,395	377,484

<sup>88</sup> Contributions to trust funds, special accounts and the General Fund

## Management of fund balances and reserve

151. As WFP relies exclusively on voluntary contributions, the agency does not spend all of its revenues within a single fiscal year and keeps sufficient balances and reserves to cover potential shortfalls in fund raising, and has set up facilities and mechanisms to ensure a consistent flow of resources to fund its activities. Reserves are established by the Board as facilities for funding and/or financing specific activities under specific circumstances. There are currently four active reserves (see **Table 4.7** below). Movements in the reserves are charged directly against the reserve accounts.

**Table 4.7 - WFP Reserves<sup>89</sup> - Definitions**

1	<b>Operational Reserve</b>	Financial Regulation 10.5 calls for the maintenance of an Operational Reserve for the purpose of ensuring the continuity of operations in the event of a temporary shortfall of resources. The Operational Reserve is established at a level of US\$57 million.
2	<b>Immediate Response Account (IRA)</b>	Established as a flexible resource facility to enable WFP to respond quickly to emergency needs for food and for non-food-related purchase and delivery costs. The IRA is mainly funded by direct contributions from donors. IRA target level is US\$70 million.
3	<b>Direct Support Cost Advance Facility (DSCAF)<sup>90</sup></b>	Purpose of this facility is to ensure continued financing of Direct Support Costs (DSC) and Other Direct Operational Costs (ODOC) pending confirmation of contributions. DSCAF approved level is US\$35.9 million. Advances are made for approved projects and are backed by the funds set aside as a reserve.
4	<b>PSA Equalization Account (PSAEA)<sup>91</sup></b>	Reserve set up to record any differences between Indirect Support Costs revenue and Program Support and Administrative (PSA) expenses for the financial period. In case of a surplus of ISC revenue over PSA expenses this is transferred to PSAEA.  WFP's target is to maintain in the PSA Equalization Account an amount equivalent to a minimum of four months of expected PSA expenditure.

152. The balance of WFP Funds and Reserves at 31/12/2009 is significant as shown in **Table 4.8** below. Standing at about US\$4 billion these balances are sufficient on average to fund approximately seven months of planned operational activity.

<sup>89</sup> Source WFP/EB.A/2010/6-A/1

<sup>90</sup> Following "Review of the Working Capital Financing Facility" (WFP/EB.2/2010/5-B/1) the Board approved on 9/11/2010 the transfer of the Direct Support Cost Advance Facility reserve of US\$35.9 million to the Operational Reserve to increase the total Operational Reserve from US\$57.0 million, to US\$92.9 million

<sup>91</sup> WFP has traditionally used the PSA Equalization Account to fund non-recurring investments in systems and infrastructure development and other major management initiatives.

**Table 4.8 - Fund Balances and Reserves**  
(US\$ millions)<sup>92</sup>

2009				
Programme Category Funds (Fund Balance)	Bilateral Operations and Trust Funds (Fund Balance)	General Fund and Special Accounts		Total of Fund Balances & Reserves
		Fund Balance	Reserves	
3,042.7	287.0	462.3	266.1	4,058.1

153. Fund balances (US\$3,792 million) represent the unexpended portion of contributions that are intended to be utilized in future operational requirements of the Programme. These are WFP’s residual interest in the assets after deducting all its liabilities. The WFP unrestricted reserves comprise only a small element of overall reserves, US\$266 million that have been established by the WFP Board for funding and/or financing activities under specific circumstances and can be used as directed by the Board.

154. The demand for advance funding has grown significantly in particular since 2008 and the effectiveness of the mechanisms was limited by the amounts available which appeared inadequate to the effective requirements. Following the review of the Working Capital Facility (WFP/EB.2/2010/5-B/1) the Board approved the increase of the Working Capital Financing Facility ceiling from US\$180 million to US\$557 million to match the changing and increasing demand. Expansion of the facility includes: i) increasing the amount available for traditional advance financing; ii) expanding the Forward Purchase Facility (FPF); and iii) providing funding stability for corporate services, which are currently provided through the Direct Support Cost Advance Facility (DSCAF). To mitigate the related risks the DSCAF reserve of US\$35.9 million was transferred to the WFP Operational Reserve of US\$57 million, bringing the total Operational Reserve to US\$92.9 million.

155. As a result of this 5.4 percent of projected contributions for 2010–2011 have been made available for advances to operations and corporate services on the basis of regional needs and forecast income enabling WFP to purchase when prices are favourable and to save on lead time.

### *Internal Financing Mechanisms*<sup>93</sup>

156. WFP’s internal financing mechanisms such as the IRA, the Working Capital Financing Facility and the DSCAF rely on income forecasting. They enable country offices and regional bureaux to request funds in anticipation of confirmation of forecast income ensuring more timely availability of resources for beneficiaries. On-time delivery of food to beneficiaries is a critical success factor for

<sup>92</sup> Source WFP/EB.A/2010/6-A/1

<sup>93</sup> Source WFP/EB.A/2010/4, WFP/EB.A/2009/4



WFP's operations. WFP uses advance financing to improve operational effectiveness and efficiency, and in particular the timeliness of food delivery to its projects.

157. WFP started advance financing of operations in 1999, when the Direct Support Costs Advance Facility was established. In 2004, the Board approved the pilot Working Capital Financing Facility, using an operational reserve as leverage to advance up to US\$180 million to operations, allowing food to be procured before a contribution to a project had been confirmed. Traditional advance financing has been used by 52 country offices to improve delivery times of 1.2 million mt of food to 70 million beneficiaries. The number and size of such loan requests have increased dramatically since 2004.

### *Forward Purchase Facility (FPF)*

158. In June 2008 the Executive Director approved a special account to allow WFP to set up its Forward Purchase Facility.

159. US\$60 million from the Working Capital Financing Facility<sup>94</sup> was used for a pilot Forward Purchase Facility, to enable WFP to buy food based on estimated aggregated regional needs and funding forecasts to further reduce lead times for the delivery of food. This was in effect a WFP-controlled food stock, mainly to deal with volatile food prices. Food was purchased on the basis of aggregated projected needs for a region and drawn down when a project received a confirmed contribution. The facility enabled WFP to make purchases earlier than would otherwise have been the case and to save by purchasing food when prices were favourable.

160. It has been successful in achieving both time and cost savings: estimates based on sample consignments show an average in time savings of 53 days and cost savings of 3 percent<sup>95</sup>. Since the Working Capital Financing Facility was introduced, only one loan – accounting for 0.5 percent of the total advanced – has not been recovered.

### **c. Current Planning and Budgeting Processes**<sup>96</sup>

**161.** WFP's activities are framed within the context of medium-term strategic plans which estimates revenues expected to be available and states priorities for the use of such resources for a period of four years. The current WFP Strategic Plan (2008–2011)<sup>97</sup> provides a strong basis from which WFP

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<sup>94</sup> Following “Review of the Working Capital Financing Facility” (WFP/EB.2/2010/5-B/1) the Board approved on 9/11/2010 the increase of the Working Capital Financing Facility ceiling to US\$557.0 million, to enable the Executive Director to provide advance financing to projects, the Forward Purchase Facility and other corporate services.

<sup>95</sup> In 2009, 130,000 mt of food was purchased through the Forward Purchase Facility on the basis of aggregate forecast project needs rather than project-specific needs. Much of this food was for drought-affected beneficiaries in the Horn of Africa. Delivery times were cut from an average of 117 days before the introduction of Forward Purchase Facility in 2008 to an average of 30 days in 2009. (Source WFP/EB.A/2010/4 p.76).

<sup>96</sup> Source: WFP/EB.2/2009/5-A/1, WFP/EB.A/2008/6-C/1

<sup>97</sup> at its 2009 Annual Session, the Board decided to extend the WFP Strategic Plan by two years, until the end of 2013 (decision 2009/EB.A/3)

can address the rapidly changing context of global hunger. The Plan frames WFP’s vision, mission and strategic direction based on its Strategic Objectives and aligned goals. Its aim is to support governmental and global efforts to ensure long-term solutions to the hunger challenge.

162. The Management Plan made as a result of the outcome of the Strategic Plan provides an overview of the estimated required resources and planned activities for 2010–2011. The Management Plan represents the biennial comprehensive plan of work approved by the Board, inclusive of planned outcomes and indicators of achievement, together with the WFP Budget. The overall planning and budgeting process is summarized in **Table 4.9** below.

**Table 4.9 – WFP Planning and Budgeting Process – An Overview**

WFP Budget timeframe and reviews	Frequency
Medium-term Strategic Plan for 2008-2011 (extended to 2013). The plan lays out a framework for potential action for WFP and sets strategic objectives and goals for the period.	Every fourth year. Distribution for approval in May 2008.
Biennial Management Plan 2010-2011 made as a result of the outcome of the Strategic Plan. WFP Budget split by years is the biennial budget component of the Management Plan approved by the Board indicating estimated resources and expenditures for programmes, projects and activities and includes a programme support and administrative budget.	Distribution for approval in October 2009 (second year of the previous biennium).
Updates on Management Plan with reviews of the programme of work and additional requirements. Review of projected resource levels, status of PSA Equalization Account, highlights of major operations, review of cereal index and a crude oil index to monitor world market trends and their impact on WFP’s food and transport budgets, and other issues of interest.	Four regular updates per year.

163. As per WFP General Regulations the WFP Budget is the biennial budget component of the Management Plan approved by the Board indicating estimated resources and expenditures for programmes, projects and activities and includes a programme support and administrative budget. It is important to note that the overall budget covers only a small fraction of the overall resources managed by the agency that are earmarked and whose use is agreed on a donor by donor basis. The budget approved by the Board covers only the indirect costs related to donor funded activities.

## *Planned Priorities*

164. WFP's Strategic Plan for 2008-2013 focuses on five Strategic Objectives:

- save lives and protect livelihoods in emergencies;
- prevent acute hunger and invest in disaster preparedness and mitigation measures;
- restore and rebuild lives and livelihoods in post-conflict, post-disaster or transition situations;
- reduce chronic hunger and under-nutrition;
- strengthen the capacities of countries to reduce hunger, including through hand-over strategies and local purchase.

165. The Strategic Plan is based on mapping out a “value chain of hunger” and focuses on WFP's unique expertise and role in addressing hunger as part of a coherent global strategy focused on partnerships, led by governments and including all other stakeholders. Its overarching goal is to reduce dependency and to support governmental and global efforts to ensure long term solutions to the hunger challenge.

166. WFP has increased its focus on management for results and introduced a detailed Strategic Results Framework to measure the effectiveness of its actions in the fight against hunger.

## *Medium Term Plan*

167. WFP Management Plan rests on the basic and crucial assumption that the United Nations and its member states require, and are ready to fund, on a voluntary basis, the global humanitarian operations and programme activities of WFP.

168. As discussed earlier in this document, the funding model for WFP differs significantly from other United Nations agencies, funds and programmes, in that WFP has no predictable income for the Programme Support and Administrative (PSA) expenditures presented in its Management Plan. The PSA budget covers all staff and non-staff costs at Rome Headquarters and Liaison Offices, the majority of costs in the Regional Bureaux, as well as some of the management costs of Country Offices and is funded solely by income derived from a certain percentage - currently set at 7.0 percent - of the voluntary programme contributions received from donors.

169. The Management Plan uses a needs-based methodology for programme costs, while the setting of the Programme Support and Administrative (PSA) budget takes into consideration the expected level of resources, based on historical funding levels and expected reserves.

170. Recognizing that in a voluntarily funded organization funding required may not be available from donors, the Secretariat continuously reviews WFP's operational level, the expected level of funding and indirect support cost (ISC) income, to ensure the PSA expenditure levels are sustainable.

171. The Board approves the biennial Management Plan which includes budgeted amounts for direct costs, programme support and administrative costs, and capital and capacity funds. Budgets may be subsequently amended by the Board or through the exercise of delegated authority.

172. WFP's unique financing model, has three cost categories: Direct Operational Costs (DOC), Direct Support Costs (DSC) and Indirect Support Costs (ISC). While DOC and DSC are based on operational requirements, the ISC is set at a percentage rate approved by the Board, presently 7.0 percent, which is included as a fixed portion of every donation to fund the Programme Support and Administrative costs (PSA) budget.

173. The Plan presents to the Board for its consideration and approval the use of the ISC income that is expected to be generated during the biennium. ISC income, and WFP's costs, are functions of the projected size of the operational programme. The Plan provides a forecast and detailed analysis of the operational expenditures for the 2010–2011 biennium.

174. It is important to note that WFP financial statements are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all WFP funds. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all WFP funds. Fund balances represent the accumulated residual of revenue and expenses.

175. A detailed overview of the budget requirements by main components (PSA, General Fund, and Extra-Budgetary Resources) is provided in **Annex 2**.

### *Planned vs. Actual Expenditures*

176. We compare below budgeted expenditures vs. actual results for years 2008 and 2009.

177. It is to be noted that WFP's budget and financial statements are prepared using a different basis. WFP's budget is prepared on a commitment basis and the financial statements on a full accrual basis<sup>98</sup> using a classification based on the nature of expenses in the Statement of Financial Performance, whereas the Statement of Comparison of Budget and Actual Amounts is prepared on a commitment accounting basis (expenditures are classified by cost components or the source of funding in which the expenditures have to be charged). The Statement of Comparison of Budget and Actual Amounts

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<sup>98</sup> The accrual accounting principle measures the performance and position of the organization regardless of when the cash transaction occurs. On the basis of this principle, the effects of transactions and other events are recognized when they occur (and not when cash or its equivalent is received or paid), are recorded in the accounting records and reported in the Financial Statements (Statement I to IV) of the financial periods to which they relate. According to this accounting principle, revenues and expenses associated to a transaction or an event match. See: WFP Policy Guidance Manual for International Public Sector Accounting Standards, 2008 edition. Available at: <http://docustore.wfp.org/IPSAS/ResourcesandTools/IPSASPolicyGuidanceManual/index.htm>.

therefore compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts.

**Table 4.10 - WFP Statement of comparison of Budget and actual amounts\* for the years ended 31/12/2008<sup>99</sup> and 31/12/2009<sup>100</sup> (US\$ millions)**

	Budget		Actual		Difference		
	Original Budget	Final Budget		On comparable basis	On comparable basis	Difference final budget vs actual	Actual/Budget
		US\$m	%	US\$m	%	US\$m	%
<b>2008</b>							
<b>Cost components</b>							
Food	1284.7	2815.2	49.9	2332.6	53.2	482.6	82.9
External transport	316.5	586.5	10.4	383.2	8.7	203.3	65.3
Landside transport, storage & handling (LTSH)	800.3	1,088.7	19.3	811.5	18.5	277.2	74.5
Other direct operational costs (ODOC) :	163.7	406.1	7.2	296.3	6.8	109.8	73.0
Direct support costs (DSC)	337.7	528.5	9.4	373.2	8.5	155.3	70.6
<b>Total direct costs</b>	<b>2902.9</b>	<b>5425.0</b>	<b>96.0</b>	<b>4196.8</b>	<b>95.7</b>	<b>1228.2</b>	<b>77.4</b>
Regular programme & administrative costs (PSA)	175.4	188.7	3.3	174.9	4.0	13.8	92.7
Capital and capacity funds	23.9	28.9	0.5	15.0	0.3	13.9	51.9
<b>Total Indirect costs</b>	<b>199.3</b>	<b>217.6</b>	<b>4.0</b>	<b>189.9</b>	<b>4.3</b>	<b>27.7</b>	<b>87.3</b>
<b>Total cost components</b>	<b>3,102.2</b>	<b>5,642.6</b>	<b>100.0</b>	<b>4,386.7</b>	<b>100.0</b>	<b>1,255.9</b>	<b>77.7</b>
<b>2009</b>							
<b>Cost components</b>							
Food	1,142.2	3,104.9	47.8	1,676.8	44.3	1,428.1	54.0
External transport	276.6	687.4	10.6	254.4	6.7	433.0	37.0
Landside transport, storage & handling (LTSH)	675.5	1,298.9	20.0	903.8	23.9	395.1	69.6
Other direct operational costs (ODOC) :	128.4	444.5	6.8	272.8	7.2	171.7	61.4
Direct support costs (DSC)	288.3	662.8	10.2	410.9	10.9	251.9	62.0
<b>Total direct costs</b>	<b>2511.0</b>	<b>6198.5</b>	<b>95.4</b>	<b>3518.7</b>	<b>93.0</b>	<b>2679.8</b>	<b>56.8</b>
Regular programme & administrative costs (PSA)	183.4	238.8	3.7	226.0	6.0	12.8	94.6
Capital and capacity funds	13.3	55.8	0.9	39.1	1.0	16.7	70.1
<b>Total Indirect costs</b>	<b>196.7</b>	<b>294.6</b>	<b>4.6</b>	<b>265.1</b>	<b>7.0</b>	<b>29.5</b>	<b>90.0</b>
<b>Total cost components</b>	<b>2,707.7</b>	<b>6,493.1</b>	<b>100.0</b>	<b>3,783.8</b>	<b>100.0</b>	<b>2,709.3</b>	<b>58.3</b>

\*Prepared on a Commitment basis.

<sup>99</sup> Source :WFP/EB.A/2009/6-A/1(Statement V :Statement of Comparison of Budget and Actual Amounts for the year ended December 2008)

<sup>100</sup> Source :WFP/EB.A/2010/6-A/1(Statement V :Statement of Comparison of Budget and Actual Amounts for the year ended December 2009)

178. Budget figures in the statement are needs-based and reflect the total of project budgets approved by the Board or under delegated authorities. Budget is utilized (“actual”) when commitments are raised. It is important to note that for WFP, these actual amounts are limited to the amount of total confirmed contributions from donors. The project budgets, both original and final, are based on requirements, while actual implementation depends on the amount of contributions confirmed for the projects.

179. The variation in the consumption of the different cost components of the budget is due to a number of different operational factors such as the planned origin of the commodities versus the actual location where food purchases were conducted. Changing the geographical location of commodity purchases may impact on commodity, external transport and overland transport budgets.

180. It is important to note that for WFP, the budget utilization is limited by the amount and timing of confirmed contributions from donors. WFP's operating model currently involves a time lag between when a contribution is confirmed and when it is fully implemented. The Budget Implementation rate in the chart below represents the progress of expenditure incurred vs. the final budgeted amounts. **Table 4.11** below shows that in 2008, WFP had a final budget amount of US\$5,642.6 million of which it received confirmed contributions of US\$5,038.0 million, or 89 percent of the 2008 requirements while in 2009, WFP had a final budget amount of US\$6,493.1 million of which it received confirmed contributions of US\$4,205.2 million, or 65 percent of the 2009 requirements.

**Table 4.11 - WFP Data Comparison vs. Budget 2008/2009 (US\$ million)**

	2008	2009
Confirmed contributions for the year	5,038.0	4,205.0
Budgeted requirements (estimated needs)	5,642.6	6,493.1
Confirmed contributions/Budgeted requirements	89.3%	64.8%
Budget implementation rate	77.7%	58.3%

**d. Mapping Expenditures at Headquarters, Regional and Country Level – Programme Expenditures**

181. WFP’s expenditures grew by 40 percent between 2006/7 and 2008/9 as shown in **Table 4.12** below<sup>101</sup> and are expected to decline slightly in 2010-2011.

182. Direct expenses represent the bulk of WFP’s costs (between 93 percent and 96 percent of total), almost evenly distributed between the cost of commodities and of handling and distributing them. Some of these costs are substantially increased by the strings attached by each donor. Wages and salaries represent about 15 percent of total costs.

<sup>101</sup> Source WFP/EB.2/2009/5-A/1

183. Two thirds of direct expenses, as shown by the tables in **Annex 1**, go to LDCs and the same proportion to Sub-Saharan Africa. Asia accounts for about a fifth of the total.

**Table 4.12 - Expenditure Trends 2006-2011**  
(US\$ million)

	2006-2007	2008-2009	2010-2011
	Actual expenditures	Estimated expenditures	Projected expenditures
Programme Category Funds *	4,948.0	7,196.0	7,028.9
Regular PSA	425.5	411.1	476.0
General Fund(including one-time costs and security costs)	36.8	136.0	69.3
Bilateral contributions, trust funds, and special accounts	495.5	602.2	506.0
<b>TOTAL EXPENDITURES</b>	<b>5,905.8</b>	<b>8,345.3</b>	<b>8,080.2</b>
PSA expenditure as a percentage of Programme Category expenditure	<b>8.6</b>	<b>5.7</b>	<b>6.8</b>

\* 2010–2011 direct expenditures are estimated to be 84 percent of the operational requirements (US\$8.37 billion), which is consistent with the resourcing forecast.

184. **Table 4.13** below provides detailed Trend of Expenditure by DOC,DSC and ISC for the period 2004/2009.

**Table 4.13 - Trend of Expenditure by DOC,DSC and ISC for the period 2004/2009**

EXPENDITURE (US\$ millions)	2004/2005	%	2006	%	2007	%	2008 <sup>102</sup>	%	2009	%
<b>Commodities purchased and in kind :</b>										
Commodities In kind	1773.3	29.2	566.3	19.7	809.9	27.3	n/a	n/a	n/a	n/a
Commodities Purchased	990.9	16.3	412.5	14.3	451.9	15.2	n/a	n/a	n/a	n/a
<b>Total Commodities purchased and in kind</b>	<b>2,764.20</b>	<b>45.5</b>	<b>978.80</b>	<b>34.0</b>	<b>1,261.80</b>	<b>42.5</b>	<b>1,981.00</b>	<b>53.2</b>	<b>1,866.00</b>	<b>44.1</b>
<b>Direct operational costs (DOC) :</b>										
Ocean transport and related costs	627.7	10.3	242.4	8.4	220.5	7.4	325	8.7	284	6.7
Landside transport storage and handling (LTSH)	1232.6	20.3	721.3	25.1	596.8	20.1	689	18.5	1014	24.0
Other Direct Operational Costs (ODOC)	402.1	6.6	327.1	11.4	252	8.5	251	6.7	305	7.2
<b>Total Direct operational costs (DOC)</b>	<b>2,262.40</b>	<b>37.2</b>	<b>1,290.80</b>	<b>44.9</b>	<b>1,069.30</b>	<b>36.0</b>	<b>1,265.00</b>	<b>34.0</b>	<b>1,603.00</b>	<b>37.9</b>
<b>Direct support costs (DSC)</b>	<b>654.5</b>	10.8	<b>395.3</b>	13.7	<b>422.3</b>	14.2	<b>317</b>	8.5	<b>463</b>	11.0
<b>Total Direct Expenses</b>	<b>5681.1</b>	<b>93.5</b>	<b>2664.9</b>	<b>92.7</b>	<b>2753.4</b>	<b>92.8</b>	<b>3563.0</b>	<b>95.7</b>	<b>3932.0</b>	<b>93.0</b>
<b>Indirect support costs (ISC)</b>	<b>393</b>	6.5	<b>210.7</b>	7.3	<b>212.9</b>	7.2	<b>162</b>	4.3	<b>296</b>	7.0
<b>TOTAL EXPENDITURE</b>	<b>6,074.10</b>	<b>100.0</b>	<b>2,875.60</b>	<b>100.0</b>	<b>2,966.30</b>	<b>100.0</b>	<b>3,725.00</b>	<b>100.0</b>	<b>4,228.00</b>	<b>100.0</b>

General Note:2008/2009 unaudited data re-cast from WFP internal records, while prior years as per audited UNSAS financial statements. Data cannot be compared

<sup>102</sup> Total expenditure in Audited financial statements for the year amounts to 3693.5 US\$ millions vs. 3725.0 US\$ millions resulting from data derived from internal WFP records. Difference is due to reallocation of 31.5 US\$ millions from negative income components in IPSAS audited statements to cost components in internal records.

185. Further breakdown of expenses can be obtained from IPSAS audited accounts starting from 2008 as shown in **Table 4.14** below.

**Table 4.14 - WFP Total Expenditure ( 2008/2009)**  
(US\$ millions)

<b>EXPENSES</b>	<b>2008</b>	<b>%</b>	<b>2009</b>	<b>%</b>
Commodities distributed	2,198.1	59.5	2,380.4	56.3
Distribution and related services	551.1	14.9	749.6	17.7
Wages, salaries, employee benefits and other staff costs	555.1	15.0	617.8	14.6
Supplies, consumables and other running costs	114.6	3.1	115.6	2.7
Contracted and other services	237.4	6.4	303.5	7.2
Finance costs	2.7	0.1	2.7	0.1
Depreciation and amortization	2.4	0.1	12.5	0.3
Other expenses	32.1	0.9	46.0	1.1
<b>TOTAL EXPENSES</b>	<b>3,693.5</b>	<b>100.0</b>	<b>4,228.1</b>	<b>100.0</b>

Source :WFP/EB.A/2010/6-A/1

#### e. Current Cost-Recovery Practices for Program Activities<sup>103</sup>

186. **Full-Cost Recovery.** WFP applies the principle of full cost recovery to contributions. Each donor is expected to meet “the full operational and support costs of its contributions”<sup>104</sup>. Therefore, each commodity contribution must be matched by an appropriate amount of associated costs<sup>105</sup> and all contributions must include a percentage to cover ISC. This percentage is referred to as the ISC rate, and is currently set at 7 percent of programme contributions. For bilateral contributions and trust funds, the ISC rates range from 3 to 7 percent of direct costs while a service fee of 4 percent is generally charged against third-party agreements (TPA). Applying the ISC rate to each donation generates ISC income.

187. **ISC and PSA.** This ISC (Indirect Support Costs) income is used to fund the PSA (Programme Support and Administrative) budget, which covers the indirect costs of WFP – that is, the expenditure that cannot be linked to any single operation.

188. The PSA budget is submitted to the Board for approval in the last regular session before the start of the new biennium, as part of the Management Plan. Although adjustments are sometimes made to accommodate changing needs, PSA expenditure is relatively fixed and does not fluctuate in direct proportion to the level of operations<sup>106</sup>.

<sup>103</sup> Sources : WFP/EB.A/2006/6-C/1, WFP/EB.2/2010/5-A/1, WFP/EB.A/2010/6-E/1, WFP/EB.A/2008/6-A/1/2

<sup>104</sup> General Regulations, Article XIII.2.(November 2010 edition)

<sup>105</sup> Associated costs include the costs of delivering food: external transport, landside transport, shipping and handling (LTSH), other direct operational costs (ODOC) and direct support costs (DSC).

<sup>106</sup> The 2002 review of the ISC rate established that approximately three quarters of PSA expenditures were fixed.



189. The ISC rate is also approved at the start of each biennium as a component of the Management Plan and is applied uniformly, with certain exceptions<sup>107</sup>, to each donation received during the biennium. However, even with an ISC rate fixed for a biennium, as outlined below, the actual level of operations and associated income is usually substantially different from budgeted levels and therefore actual ISC income usually differs from budgeted ISC income.

190. **PSA Equalization Account Reserve.** In order to account for these differences and improve the transparency of reporting on ISC income and PSA expenditure, the PSA equalization account reserve was created in 2002. The difference between PSA expenditure and associated income is transferred to this reserve at the end of each financial period.

191. No matter how successful WFP is in improving revenue and expenditure forecasts, there will always be a risk associated with unforeseen events. Therefore, to mitigate the risk of having unfunded overhead expenditure WFP needs a funding source to draw on should a PSA shortfall occur.

192. The PSA equalization account currently plays this role. Maintaining a reserve in the PSA equalization account is the only tool that WFP has to manage the variations between the PSA expenditure and ISC income.

193. The PSA equalization account reserve:

- reduces the risk of WFP having insufficient resources to cover its fixed overheads; without such a reserve, WFP would have no certain means of dealing with cases where ISC income is lower than PSA expenditure, and would in such cases have to seek additional funding from donors to fund fixed overhead expenditures that had already been incurred;
- gives WFP some certainty in planning PSA; and
- gives WFP time to adjust its PSA cost structure if ISC income fails to materialize at the expected rate.

194. **WFP's target** is to maintain in the PSA Equalization Account an amount equivalent to a minimum of four months of expected PSA expenditure. For the PSA budget level proposed for 2010–2011, four months of operations would amount to about US\$75 million.

195. All uses of the PSA equalization account reserve have to be approved by the Board and are generally limited to support costs, including capital and capacity-building costs<sup>108</sup>. In addition the Board has authorized transfers from the PSA equalization account reserve to the Immediate Response Account (IRA) and the Direct Support Cost Advance Facility (DSCAF).

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<sup>107</sup> Exceptionally the Executive Director can waive the application of the ISC rate to certain types of donations under General Rule XIII.4 g .

<sup>108</sup> WFP has traditionally used the PSA Equalization Account to fund non-recurring investments in systems and infrastructure development and other major management initiatives.

196. **Setting the ISC rate.** The ISC rate is set on a biennial basis as part of the Management Plan. **Table 4.15** summarizes the methodology used.

**Table 4.15 – Setting the ISC rate**

Step	Setting the ISC rate
1	The latest available audited financial statements should be analyzed to determine actual PSA expenditures incurred as a percentage of the direct expenditures and this should be used as the “baseline” starting-point for setting the ISC rate.
2	The baseline rate should then be adjusted for any changes to planned indirect expenditures: while indirect expenditure remains relatively fixed over the biennium, changes in the overhead structure of the organization are usually incorporated into the Management Plan. The baseline rate should therefore be adjusted to consider the difference between the indirect cost structure in the baseline period, and the plan period.
3	The baseline rate should also be adjusted to reflect forecasted contribution levels: the level of funded operations will be a big determinant of ISC income for the plan period. Therefore the baseline rate should be adjusted to consider the difference between the actual contribution income in the baseline period and the forecasted income level of the plan period.
4	The baseline rate should be adjusted to reflect the expected opening balance in the PSA equalization reserve and the target level of the PSA equalization reserve.
5	Based on the above analysis, as part of its decisions on the Management Plan, the Board should set the ISC rate for the biennium.

197. Applying this methodology for 2010–2011 resulted in an ISC rate of 7.06 percent which the WFP Board determined to maintain, as for the previous biennium, at 7.0 percent.

198. **2010 Update to WFP General Regulations and Rules.** When the principle of full-cost recovery was adopted by WFP in 1996 it reflected the commodity-based assistance on which WFP focused, and provided a transparent and reliable way of ensuring that all WFP costs were covered, especially where in-kind commodity contributions or contributions designated solely for the purchase of a commodity were received.

199. Although the principle of full-cost recovery is no less relevant today, there is an increasing demand to use contributions for non-commodity activities, such as cash and voucher transfers, local production of nutritionally enhanced food, and local capacity development, as outlined in the WFP Strategic Plan (2008–2013).

200. As with commodity activities, such activities have costs that can be directly attributed to them and other costs that are related to them as part of the overall project support structure.

201. In the past the practice of embedding non-commodity activities in the commodity-based cost structure resulted in non-commodity inputs not being properly defined and categorized. This created significant difficulties in planning, controlling, managing and implementing such activities. The practice also created difficulties in benchmarking across projects, developing performance metrics and evaluating the impact of activities.

202. To ensure that the principle of full-cost recovery is transparently and equitably applied to all contributions to WFP, WFP's financial framework has been updated in 2010 to cater for non-commodity-based activities. These changes are fundamental for the implementation of the WFP Strategic Plan (2008–2013). The changes have led to the segregation of non-commodity activities within projects and the modification of the DSC<sup>109</sup> funding model to a percentage of the operational budget rather than a rate per metric ton.<sup>110</sup>

203. As a result of these updates the November 2010 Edition of the General Rules has:

- differentiated between commodity activities and cash contributions not designated for commodity purchases.
- differentiated between the ODOC (other direct operational costs) component and DSC (direct support costs) component of commodity activities.
- defined the calculation of direct support costs for both commodity and non-commodity contributions as a percentage of the direct operational costs of the project.

204. The recently updated WFP financial framework provides a clearer, simpler and more transparent way of costing and funding non-commodity activities providing the foundation for the shift from a food aid to a food assistance model of service provision. The change to the funding model for support costs should ensure a more equitable cost apportionment for donors and a more stable provision of support to country offices.

#### **f. Quality of Current Financial Data Compilation Practices, Instruments, Procedures and Reporting**

##### ***Record Keeping***

205. WFP financial statements are prepared under the accrual basis of accounting, with revenue recognized when contributions are confirmed in writing and expenses recognized when the underlying service or goods are received. Commodities are no longer (from 2008 IPSAS) recognized as expense when received, but are held as inventory until distributed. It follows from recognizing income as a non-exchange transaction that the costs associated with delivering funded projects do not have to be recognized at the same time as the income. In accordance with IPSAS requirements, the costs associated with projects are recognized in the statement of financial performance when inventories of food commodities are distributed, and when other goods and services are provided.

206. There is an inherent time-lag between the recognition of revenue and the recognition of expense. The resources available for expense in any one year therefore include both the fund balances

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<sup>109</sup> Direct support costs are those costs, generally at the country office level, that “can be directly linked with the provision of support to an operation and which would not be incurred should the activity cease”. To calculate the DSC, recurring costs such as staff, vehicles, office rental and supplies, monitoring and evaluation, and training required are quantified and included in the project budget.

<sup>110</sup> Average per ton rate now applies only to ODOC (other direct operational costs) when considering the food component of a project;

at the end of the previous year (cash, contributions confirmed but not received, food stocks, etc.) and new contributions confirmed in writing during the year. Consequently, expenses in any one-year period may be higher or lower than the contribution revenue as WFP utilizes or replenishes its fund balances.

207. **Table 4.16** below provides a simple illustration of the project cycle in WFP and its impact on the financial statements.

**Table 4.16 - WFP Project Cycle and the Recognition of Income and Expenditure in the Financial Statements**

Stage of Project	Project Action	Impact on the Financial Statements
<b>Stage 1:</b> Initiation.	Identify project and potential donors.	No financial impact.
<b>Stage 2:</b> Income pledges received from donors.	Allows commodities contracts to be let.	Income is recognized in the accounts when there is a written commitment. The Immediate Response Account, Working Capital Facility and the Direct Support Cost Advance Facility can be used to pre-fund projects.
<b>Stage 3:</b> Donors discharge their commitments by paying cash.	Project resources are available to pay for commodities. Early distributions for beneficiaries.	Cash increases.
<b>Stage 4:</b> Food commodities are received in country.	Food deliveries into warehouses.	Inventories increase. Reduction in cash as payments made by WFP.
<b>Stage 5:</b> Food distribution	Food distributed for beneficiaries.	Stock consumed. Stock expensed in the accounts.

Source: WFP/EB.A/2009/6-A/1

208. Although all projects differ, there are similarities in the broad stages each project goes through. The simplest model is that donors make written commitments, which are treated as income. The commitments are met by donors making cash payments to the WFP which increases the amount of cash held by the WFP. Once WFP managers have confidence on the initial funding of a project, spending on goods, services and commodities is initiated. This results in an increase in inventory and a reduction in cash when paid for. Finally, food commodities are issued for beneficiaries, reducing inventory and creating a charge to the financial statements. In practice many of these stages overlap, and the Immediate Response Account, Working Capital Facility and Direct Support Cost Advance Facility are available to pre-fund projects and reduce the time from initiation to the issuing of food.

209. There is an inherent time-lag between the recognition of revenue and the recognition of expense. The resources available for expense in any one year therefore include both the fund balances at the end of the previous year (cash, contributions confirmed but not received, food stocks, etc.) and new contributions confirmed in writing during the year. Consequently, expenses in any one-year period may be higher or lower than the contribution revenue as WFP utilizes or replenishes its fund balances.

*Fiduciary Arrangements in Financial Management within WFP<sup>111</sup>*

210. **Table 4.17** gives a brief overview of the senior management roles in WFP and their links to financial management activities. Auditor’s analysis of the WFP budget showed that responsibility for the majority of the expenditure lies primarily with the operational units which report to the Chief Operations Officer. Other Deputy Executive Directors have smaller direct budgets under their control. However, as new policies and decisions arise and are implemented, there may be financial impact across many aspects of the business, with expenditure involving different operational units. The financial impact of all new policies and decisions needs to be assessed at the corporate level before approval is given.

**Table 4.17 - Senior Management Roles within WFP**

<u>Role</u>	<u>Responsibility</u>
<b>Executive Director</b>	Application of the organisation’s resources
<b>Deputy Executive Director for Resource Management and Accountability &amp; Chief Financial Officer</b>	Resource Management and Accountability, supports the Executive Director. Note: The other three Deputy Executive Directors have a Dual role in financial management. They are responsible for corporate management of the WFP; and separately exercise responsibilities over their own departments.
<b>Finance Team</b>	Financial issues , supports the Deputy Executive Director
<b>Other staff in Headquarters and field offices with appropriate financial qualifications and experience of the operations of the WFP.</b>	Further support

211. Over the years WFP has developed reporting arrangements, drawing on financial information from the WINGS II system and other information sources such as COMPAS (commodities tracking); and performance delivery assessments. This information is used to support a variety of reports to assist senior management in obtaining strategic oversight of performance, and to inform decisions.

212. **Table 4.18** below summarizes the important sources of financial and performance information provided to senior management on a regular basis.

<sup>111</sup> Source: WFP/EB.1/2010/6-E/1, WFP/EB.1/2010/6-E/1/Add.1

**Table 4.18 – Sources of Financial and Performance Information for Senior Management**

•	The <b>Biennial Management plan</b> and updates, including income projections, changes in underlying costing assumptions, and progress on delivery;
•	<b>Investment Committee reports</b> on the status and performance of WFP’s cash and investment management. This will be developed further through the introduction of performance measures and external experts in 2010;
•	<b>“Dashboard” reports</b> identifying key financial information including the number of open purchase orders and the number (but not value) of receivables;
•	The <b>WFP Annual Performance Report</b> , which is being strengthened to provide more linkage to strategic objectives and resource consumption
•	<b>Ad hoc meetings</b> which frequently address WFP's income position and new funding requirements.
•	<b>Audited Annual financial statements</b> ; externally audited to provide assurance over the accuracy of financial records.
•	<b>Financial monitoring reports</b> for the Executive Director on a <b>quarterly basis</b> and distributed to the Deputy Executive Directors and other senior staff. This document summarizes and comments on the income and expenditure position, and the financial position at the end of the period.

**Benefits arising from IPSAS implementation**

213. The implementation of IPSAS within WFP has provided a consistent framework for financial reporting, providing greater transparency and accountability. The External Auditor’s opinion, based on the reviews made, is that WFP is using the opportunities presented by IPSAS and the associated improvements in business systems. Without the impetus and culture provided by IPSAS, wider improvements to financial processes might not be achieved.

214. The benefits of the new framework go well beyond the presentation of more accurate financial statements. The discipline provided by implementation of IPSAS has enhanced WFP’s opportunity to engage management and other stakeholders in key financial issues. The application of a framework to record the assets and liabilities of the organisation has enabled WFP to acquire more accurate and reliable financial data on which to make decisions.

215. **Table 4.19** below gives a brief summary on a number of key areas where the organisation has profited from the *IPSAS dividend*, and which will provide further opportunity to secure benefits as WFP continues development of financial management. This summary is based on an analysis made by WFP’s External Auditor.

**Table 4.19 – The IPSAS Dividend**

Key Area	Achievements	Opportunities
<b>Stewardship of physical inventory resources</b> <sup>112</sup>	<p>The new systems established to support IPSAS accounting have driven significant improvements in the accountability of stock assets, providing more accurate information on the location and extent of the Programme's resources.</p> <hr/> <p>Deployment of existing resources to better effect; raised awareness of the extent of physical inventory items. This provides management with better information to discharge stewardship.</p>	<p>The benefits arising from improved stock information can be further maximised by using this information to:</p> <ul style="list-style-type: none"> <li>• identify performance metrics on stock utilisation, holdings and analysis of stock by location.</li> <li>• improve WFP's capacity to better ensure that food stocks and levels are matched to need.</li> <li>• provide important information to enable management to better understand the cost of interventions and to assess the adequacy of programme budgets.</li> </ul>
<b>Income Generation</b>	<p>Framework for more accurate identification of cash and in-kind contributions. IPSAS coupled with the introduction of WINGS II, has granted WFP a far greater capacity to monitor and report on pledges, cash receipts and in-kind contributions on a more timely and accurate basis.</p> <p>Enhanced information on the pace at which programme needs are being met by pledges, and the rate at which they are converted from receivables to cash or commodities in-kind. Basis for management to better reflect the success in obtaining funds over a reporting period.</p>	<p>Information can be provided in a more timely and consistent manner and in a way which can provide more meaningful and disaggregated data.</p>
<b>Expenses</b>	<p>The IPSAS framework and the implementation of WINGS II has significantly enhanced the capacity to obtain accurate information on the level of resource consumption for a given period. Management decisions and the timing of the receipt of goods and services are understood to have an impact on the period in which they are charged, resulting in more rigour and accountability.</p> <p>The enhanced transparency of IPSAS accounting provides stakeholders and donors with a better understanding of the reasons for the final operating results of WFP, and provides better analysis to underpin the surpluses and deficits in a given period.</p>	<p>There is scope to reinforce rigour and accountability by more regular reporting of resource consumption and to obtain engagement from managers in understanding the profile of their spending against the forecast for the year.</p> <p>In order to secure a robust financial framework budgets could be profiled by month.(WINGS II could facilitate this analysis)</p>

<sup>112</sup> At 31 December 2008 the WFP identified that it held inventory items in excess of US\$1billion, which had never been previously valued or brought to account.

<b>Key Area</b>	<b>Achievements</b>	<b>Opportunities</b>
<b>Cash and Investment assets<sup>113</sup></b>	The enhanced transparency created by IPSAS has enabled management to focus on the key issues impacting on investment performance, and encouraged the review of market prices on a more regular basis, thereby creating a more accurate assessment of asset values.	With the support of the Investment Committee management may further develop key metrics which can be monitored on a regular basis to assess investment performance and to inform decisions.
<b>Employee liabilities and employment levels<sup>114</sup></b>	Until IPSAS, management had not obtained an accurate and consistent analysis of liabilities incurred by the organisation and payable in future financial periods. This has provided critical information to identify the scale of these commitments and their potential impact on the organisation's overall resources. As a consequence management and Member States have begun to focus on these risks; to improve understanding on how they may be better managed; and mitigate their impact in the future.	Improved systems and IPSAS disclosure requirements have created an environment which has encouraged management to more accurately identify the total number of staff working on the Programme.  This is especially true with regard to the level of employment of local staff across operations, which had not previously been accurately captured and reported.
<b>The IPSAS dividend</b>	The benefits of IPSAS and WINGS II have enabled WFP to access more accurate financial information to facilitate improved management of the business. These are real and tangible benefits arising from the IPSAS dividend.	<ul style="list-style-type: none"> <li>• To secure the IPSAS dividend it is essential that the benefits of enhanced reporting are not limited to year-end processes, but that information is used on a more regular basis, and by a wider group of managers. The value of these processes will be secured by analysing the more robust information and using it to identify appropriate management responses to the risks which are identified.</li> <li>• If the opportunities of IPSAS are fully embraced then WFP will further enhance the efficiency of its resource utilisation, improve confidence amongst donors and maximise the achievement of its objectives.</li> <li>• The advent of IPSAS and WINGS II provide management with the tools to use management information to realise these benefits.</li> </ul>

### *Securing the IPSAS dividend-strengthening financial management processes*

216. External Auditor's recommendations to secure the IPSAS dividend state that in order to build upon the implementation of IPSAS, the management of WFP needs to ensure that the full benefits of the improved functionality in the WINGS II system are utilised. WINGS II became operational in

<sup>113</sup> At 31 December 2008 cash and investment assets totaled US\$1.6 billion

<sup>114</sup> There were in excess of US\$240 million of employee benefits identified as a result of actuarial valuations at 31 December 2008.



July 2009, and, while some aspects of the system are being introduced progressively, many new features are now available, which will improve financial management and reporting. According to WFP’s Auditor, the main benefits are the ones described in **Table 4.20** below.

**Table 4.20 – New features available in WFP’s Financial Management Systems (WINGS II)**

<ul style="list-style-type: none"> <li>• Integrated information on the mobilisation of resources, including pledges and actual contributions;</li> </ul>
<ul style="list-style-type: none"> <li>• Simplified project management tools in areas such as donation forecasting and the matching of beneficiaries to the corresponding quantities of commodities used to assist them;</li> </ul>
<ul style="list-style-type: none"> <li>• Improvements in supply chain management to facilitate improved procurement management, the tracking of commodities by value, and improvements in the management of stocks;</li> </ul>
<ul style="list-style-type: none"> <li>• Strengthening of the budget framework.</li> </ul>
<ul style="list-style-type: none"> <li>• WINGS II has reduced reliance on other business systems not fully integrated with the accounting modules; it provides a central source of authoritative and consistent business information.</li> </ul>

217. It must be noted that WFP is enhancing the framework of financial governance to consolidate the benefits of IPSAS. Actions taken include the appointment of a Deputy Executive Director charged with oversight of resource management and accountability; the commissioning of a financial management review to identify areas where improvements can be made; and developments in performance reporting through the Annual Performance Report. The intention is to bring forward detailed proposals for approval by the Executive Board.

218. Finally, the External Auditors<sup>115</sup> made further observations on how financial and non-financial information generated by WINGS II might be utilised to strengthen financial management include, summarized in **Table 4.21** below.

**Table 4.21 - Securing the IPSAS dividend-strengthening financial management processes**

<ul style="list-style-type: none"> <li>• Finance should establish a framework to provide more regular financial management reports focused at the corporate level on a monthly basis.</li> </ul>
<ul style="list-style-type: none"> <li>• Reporting to senior management should provide focus, through the use of appropriate metrics and qualitative analysis on trends or risks, to ensure that the combined strength of the senior management is focused on identifying risks to the achievement of objectives.</li> </ul>
<ul style="list-style-type: none"> <li>• The enhanced information now collated by WFP to support IPSAS disclosures should be used as a basis for identifying and reporting key financial performance metrics during the course of the year, for example -stock levels and wastage, income-generation and investment performance.</li> </ul>
<ul style="list-style-type: none"> <li>• There is an acknowledged need to provide clearer links between resources expended and the strategic objectives - given the difficulty in these objectives being cross cutting, management may wish to consider alternative performance reporting, for example identifying expected results which can be linked to one or more strategic objectives and reporting against these as a measure of performance.</li> </ul>
<ul style="list-style-type: none"> <li>• The senior management team should meet on a monthly basis to provide a collective and corporate overview of financial performance using qualitative analysis as well as financial information drawn from WINGS II.</li> </ul>

<sup>115</sup> Source: WFP/EB.1/2010/6-E/1

219. Following External Auditor's recommendations WFP Secretariat's response may be summarized as follows :

- The Office of Financial Accounting provides a set of the most important financial statements reflecting WFP's financial performance, financial position and cash flow to the Executive Director and Deputy Executive Directors each quarter. This set of financial statements is supported by basic financial analysis. In the future, the Office of Financial Reporting will provide these financial statements on a more regular basis, supported by analysis of the metrics detailed by the External Auditor in its report.
- The senior management team will meet on a monthly basis to discuss the main conclusions from the analysis of financial statements and other sources, to identify possible improvements in the management of WFP's resources.
- The External Auditor recognizes the cross-cutting nature of the Strategic Objectives and the difficulty of linking resources to objectives on a regular basis. WFP will continue to provide analysis of resource utilization against the Strategic Objectives in its Annual Performance Report. The Strategic Results Framework approved by the Board in February 2009 provides the basis for the assessment and reporting of results.
- As part of its ongoing work to develop a comprehensive Performance Management Framework (which will include both the Strategic Results Framework and a new Management Results Framework), the Secretariat will continue to explore possibilities for closer integration of resource and performance data. The Secretariat will consult the Board on any proposals for changes to the Strategic Results Framework.

220. WFP Secretariat proposes to implement the recommendations of the External Auditor as indicated above from the first quarter of 2010.

### *IPSAS and WINGS II*

221. Financial management is critical to appropriate decision-making, the implementation of International Public Sector Accounting Standards (IPSAS) and the development of enhanced information systems such as WINGS II underpin the process of financial management improvement within WFP.

222. The advent of IPSAS supported by WINGS II offers a single corporate source of reliable business information which has been designed to assist in managing the business that requires, more than ever, informed decision-making. This is underpinned by WFP's need to focus and utilize resources where it identifies the greatest need.

223. Financial management and reporting is essential to support this process of resource allocation. Implementation of External Auditor's recommendations and utilization in time of the potential granted by WINGS II appear to be the necessary steps to secure the IPSAS dividend and further enhance the quality of WFP financial management processes.

## Fiduciary Systems: progress in implementing External Auditor's Recommendations

224. The External Auditor, appointed by the Executive Board in accordance with the Financial Regulations, in addition to certifying the accounts of the WFP under Article XIV of the Financial Regulations, has authority under the mandate, to report to the Executive Board on the efficiency of the financial procedures, the accounting system, the internal financial controls and the general administration and management of WFP.

225. The aim of the External Auditor's audit is to provide independent assurance to the Executive Board; to add value to the WFP's financial management and governance; and to support the objectives of the Programme. In general terms the response of WFP to recommendations by the external Auditors appears to be rigorous with careful consideration of every point brought to the attention of the Executive Board. Progress reports on external auditor's recommendations are issued twice a year on average in order to monitor the implementation process and update the Executive Board on progress made. Table 4.22 below shows that the rate at which External Auditor's recommendations are implemented by WFP is high (over 94 percent) and the timeline of the implementation process involves completion within a period of 30 months.

**Table 4.22 - External Audit Reports: Implementation rate and Timeframe (2002/2010)<sup>116</sup>**

Years	Total recommendations	% implem. rate at 30/11/04	% implem. rate at 31/03/05	% implem. rate at 31/12/05	% implem. rate at 31/03/06	% implem. rate at 31/12/06	% implem. rate at 30/04/07	% implem. rate at 31/12/07	% implem. rate at 31/03/08	% implem. rate at 19/05/09	% implem. rate at 21/05/10	Balance at 21/05/10	Total Implem. rate
2002/03	33	48.5	78.8	<b>100.0</b>	-	-	-	-	-	-	-	0	<b>100.0</b>
2004	18	-	-	22.2	38.9	61.1	66.7	94.4	94.4	94.4	<b>100.0</b>	0	<b>100.0</b>
2005	27	-	-	-	11.1	70.4	77.8	96.3	96.3	<b>100.0</b>	-	0	<b>100.0</b>
2006	11	-	-	-	-	-	54.5	<b>100.0</b>	-	-	-	0	<b>100.0</b>
2007	14	-	-	-	-	-	-	71.4	92.9	0.0	0.0	1	92.9
2008	21	-	-	-	-	-	-	-	-	76.2	85.7	3	85.7
2009	12	-	-	-	-	-	-	-	-	8.3	75.0	3	75.0
<b>Total</b>	<b>122</b>											<b>7</b>	<b>94.3</b>
2010*	22										31.8	15	31.8
<b>Grand Total</b>	<b>144</b>											<b>22</b>	

<sup>116</sup> Sources: WFP/EB.A/2005/6-C/1, WFP/EB.2/2005/5-F/1, WFP/EB.1/2006/6-C/1, WFP/EB.A/2006/6-E/1, WFP/EB.1/2007/6-C/1, WFP/EB.A/2007/6-E/1, WFP/EB.1/2008/6-B/1, WFP/EB.A/2008/6-E/1, WFP/EB.A/2009/6-D/1, WFP/EB.A/2010/6-H/1

226. It is to be noted that External Auditor’s recommendations are not limited to the various financial issues and implications that WFP faces in its many worldwide operations but encompass a series of organizational and long term issues that often require yearly programmes of work in order for them to be fully implemented.

227. Adoption of IPSAS was initially recommended by the External Auditor in 2005 and the preparation and changes involved in WFP’s accounting and financial framework required years of work until the first IPSAS compliant financial statements were released in 2008. As far as WINGS and its upgrade WINGS II are concerned the External Auditor made various recommendations over time to the WFP Board in relation to its upgrade and full implementation and the underlying advantages for WFP management.

**g. Estimates of Staffing Structures and Costs**

228. As shown in **Table 4.23**, as of end 2009, WFP employed 12,200 people, 91 percent of which with a contract longer than one year. Most of them are employed in the field to deliver WFP services and are therefore not staff and their cost is project related and direct.

**Table 4.23 - WFP Staff<sup>117</sup>**

WFP Employees with contracts of one year or longer 2008/2009		
	2008	2009
<b>Total Professional and Higher categories</b>	<b>2015</b>	<b>2336</b>
General Service	2412	2758
Service Contracts	5770	7106
<b>Total General Service Categories</b>	<b>8182</b>	<b>9864</b>
<b>Total WFP Employees</b>	<b>10,197</b>	<b>12,200</b>
<b>% of WFP employees with contracts of one year or longer</b>	<b>92.0</b>	<b>91.0</b>

229. The total number of full time staff at WFP is over 1,400 as shown in **Table 4.24**. These are full time positions funded by the PSA budget and approved by the Board. The period during which WFP had the highest number of PSA-funded positions was 2004–2007, when the number peaked at 1,613; the programme of work was approximately US\$6 billion for each biennium.

230. Due to funding uncertainties during the 2008–2009 biennium, PSA-funded positions were reduced to 1,324, with an expected programme of work of US\$5.8 billion. Because the programme of work for the biennium doubled, the Board approved additional positions in October 2008 to bring the total to 1,446.

<sup>117</sup> Source: WFP/EB.A/2010/4,WFP/EB.A/2009/4

**Table 4.24 - PSA by Appropriation Line<sup>118</sup>**

PSA, BY APPROPRIATION LINE (US\$ million)									
	2006–2007 actual			2008–2009 estimated			2010–2011 projected <sup>119</sup>		
	Post count		Total cost*	Post count		Total cost*	Post count		Total cost*
	Prof.	Total		Prof.	Total		Prof.	Total	
Programme support: regional bureaux and country offices	212	817	133.06	173.5	653	118.54	176	655.5	145.01
Programme support: Headquarters	142	266	98.79	159	301	108.83	159	302	118.14
Management and administration	293	530	193.66	264	492	183.76	266	498.5	212.85
<b>TOTAL</b>	<b>647</b>	<b>1613</b>	<b>425.51</b>	<b>596.5</b>	<b>1446</b>	<b>411.13</b>	<b>601</b>	<b>1456</b>	<b>476.00</b>

\* Total cost column reflects staff and other costs.

231. During the next biennium, WFP's currently foreseen programme of work is US\$8.95 billion, with a proposed increase of ten PSA-funded positions.

232. The overall cost of staff, including both PSA and direct costs, amounts to about 15 percent of total expenditures, as shown in **Table 4.25**.

**Table 4.25 - WFP Staff Costs Trends (US\$ million)**

	2000/2001	%	2002/2003	%	2004/2005	%	2006	%	2007	%	2008	%	2009	%
Wages, salaries, employee benefits and other staff costs	421.2	13.2	557.6	11.0	781.8	12.9	474.6	16.5	505.8	17.1	555.1	15.0	617.8	14.6
<b>TOTAL EXPENDITURE</b>	<b>3,189.6</b>	<b>100.0</b>	<b>5,079.1</b>	<b>100.0</b>	<b>6,074.1</b>	<b>100.0</b>	<b>2,875.6</b>	<b>100.0</b>	<b>2,966.3</b>	<b>100.0</b>	<b>3,693.5</b>	<b>100.0</b>	<b>4,228.1</b>	<b>100.0</b>

#### **h. Assessment of the Quality of Current Financial Data, Compilation Practices, Instrument, Procedures and Reporting Practices**

##### **Transparency**

233. WFP's website represents its main source of financial information. The website is user friendly and information is provided by year - starting from 1996 - in an orderly and intuitive manner. Data can be retrieved from a broad set of publications that include, amongst others, financial audited statements (every two years until 2007 and on a yearly basis thereafter), annual performance reports, management plans and various other documents that incorporate financial data and further issues of interest that enable the reader to appreciate WFP's course of action over time.

<sup>118</sup> Source : WFP/EB.2/2009/5-A/1

<sup>119</sup> Data from 2010/2011 Budget Proposal

234. However, while IPSAS has been extremely beneficial from a financial viewpoint with the introduction of a full accrual accounting system and the consideration of the value of goods in stock, some useful information is not reported any more as a consequence of IPSAS as discussed below.

235. Before 2008, as required under the UNSAS accounting standards, WFP reported its financial results on a commitment basis with a breakdown of accounts by type that took into consideration a cost classification that distinguished costs between commodities purchased and in kind, DOC (Direct Operational Costs) ,ODOC (Other Direct Costs ), DSC (Direct Support Costs) and ISC (Indirect Support Costs) with further available breakdowns within DOC and evidence being given also to cost breakdown by nature. This enabled a series of expenditure analysis that gave evidence of breakdowns between direct and indirect costs and the evolution of their relative weight.

236. With the introduction of IPSAS, the breakdown of costs by type is no longer presented in the audited financial statements to the extent that when the budget, prepared with the cost breakdown by type, is compared to actual results the comparison is made by cost type but on a commitment basis. As a result there is no way to compare statements of Financial Performance in the audited annual accounts with WFP's budget and its reviews.

237. It is to be said that IPSAS does not require alignment of budgets to financial reporting which prevents, for the time being, WFP from modifying the rationale behind its budget. WFP could however introduce in its reporting practices an audited reconciled Statement of Financial Performance by cost type derived from the audited financial statements. This would facilitate continuing the comparison of trends over time by cost type between yearly actual results.

238. Accrual budgets would also enable the comparison between actual results and the yearly budget. However, this is not, as stated before, a binding IPSAS requirement. We understand from the interviews with WFP financial officers that the commitment basis used for the budget preparation is more intuitive for WFP managers that need to keep records of their actions in a way which the accrual method would, in their view, not allow or limit.

239. Although an annex to the biennial Management Plan includes a number of tables providing greater disclosure about the PSA budget, similar information does not appear to be presented on a regular basis in other periodic reports. It would be advisable that either the Annual Performance Report or the Audited Annual Accounts provided regular updates on PSA expenses and their evolution over time.

240. We suggest that the tables "PSA by Appropriation Line" contained in the Biennial Management Plan outlining the PSA distribution and changes from the previous biennium among HQ Divisions, Regional Bureaux and Country Offices should give separate evidence of staff costs and other non-

staff costs. This would add an important element of information to the current content of the tables that is rather condensed.

241. Looking at the various periodical statements that WFP issues and in particular at the audited annual statements and the yearly performance report various degrees of detail and performance indicators are provided but limited insight is provided into staff costs within the classification of costs by type. It would be advisable to provide such for further in-depth analysis of WFP's cost structure.

242. Another neglected area is Programme Support and Administrative (PSA) costs which represent a very important topic in WFP's budget but which appear to be scarcely analyzed with an appropriate level of detail when it comes to reporting on their breakdown by nature and by location.

243. No regular reports appear to be available with reference to PSA costs broken down by nature, location category (HQ, region, country) and by region although PSA breakdown by appropriation line is provided (Programme support – regional bureaux and country offices, Programme support – Headquarters, Management and administration) in the budget.

## **Financial Standards**

244. Until 2007, WFP's financial statements were prepared and presented to the Board on a biennial basis. Amendments to the General Regulations and to the General Rules and Financial Regulations were approved by the Board in 2007, changing the financial period from biennial to annual to allow for full compliance with IPSAS from the date of IPSAS adoption. The 2008 financial statements were the first set of statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS).

245. As of end 2010, WFP remained the only United Nations agency to implement IPSAS. By adopting and implementing IPSAS in 2008, WFP enhanced its ability to produce relevant and useful financial information, improving the transparency and accountability with which WFP manages its resources, and in 2009, WFP took several additional significant steps to further enhance transparency and accountability. Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard (IFRS) is applied.

246. Because IPSAS is geared to the financial reporting needs of the public sector, it recognizes two types of income, referred to as exchange transactions and non-exchange transactions.

247. In exchange transactions, the seller provides goods and services of nearly equal value to a purchaser – such as when a business sells goods and services to a customer.

248. In non-exchange transactions, the donor receives no direct benefit from the transfer of resources to an organization. The latter applies when WFP receives contributions from donors, which are therefore brought to account in accordance with IPSAS Standard 23, which covers revenue from non-exchange transactions.

249. The measurement of income under IPSAS 23 requires consideration as to whether there are conditions associated with a contribution. Where conditions over the contributions exist, income can only be recognized to the extent that the conditions have been met. The Secretariat’s analysis of contributions indicated that, while donors may make stipulations on how contributions should be utilized (for example, linked to a particular project), these do not usually amount to conditions falling within the definitions in IPSAS 23. For this reason, WFP recognizes income when it is reasonably certain that the contribution will be paid, and can be fairly measured. For practical purposes, the point of recognition is the receipt of a written undertaking from the donor specifying the amounts to be paid. An analysis of income undertaken by the Secretariat has confirmed that, once committed in writing, contributions are invariably honoured.

250. Turning now to consider the recognition of expenditure in financial statements, it follows from recognizing income as a non-exchange transaction that costs associated with delivering projects do not have to be recognized at the same time as income. In accordance with IPSAS requirements, the costs associated with projects are recognized in the statement of financial performance when inventories of food commodities are distributed, and when other goods and services are provided.

251. There is an inherent time-lag between the recognition of revenue and the recognition of expense. The resources available for expense in any one year therefore include both the fund balances at the end of the previous year (cash, contributions confirmed but not received, food stocks, etc.) and new contributions confirmed in writing during the year. Consequently, expenses in any one-year period may be higher or lower than the contribution revenue as WFP utilizes or replenishes its fund balances.

252. The harmonized IPSAS-compliant financial statements model adopted by WFP comprises the following statements (see **Table 4.26** below).

**Table 4.26 - WFP Audited Annual Accounts under IPSAS**

1	Statement I - Statement of Financial Position (Assets and Liabilities)
2	Statement II - Statement of Financial Performance (Revenue and Expenses)
3	Statement III - Statement of Changes in Net Assets
4	Statement IV - Statement of Cash Flow
5	Statement V - Statement of Comparison of Budget and Actual Amounts <sup>120</sup>
6	Notes to the financial Statements

<sup>120</sup> Statement V: Comparison of Budget and Actual Amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. It highlights how WFP has performed against budget, derived from the Biennial Management Plan.



## Budget Data and Comparison

253. **WFP’s budget and financial statements are prepared using a different basis.** The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full accrual basis<sup>121</sup> using a classification based on the nature of expenses in the Statement of Financial Performance, whereas the Statement of Comparison of Budget and Actual Amounts is prepared on a commitment accounting basis.

254. Budget figures in the statement are needs-based and reflect the total of project budgets approved by the Board or under delegated authorities. Budget is utilized (“actual”) when commitments are raised. It is important to note that for WFP, these actual amounts are limited to the amount of total confirmed contributions from donors. The project budgets, both original and final, are based on requirements, while **actual implementation depends on the amount of contributions confirmed for the projects.**

255. As required under IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where financial statements and budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing, entity differences and presentation differences (see **Table 4.27** below).

**Table 4.27 - Differences between Budget and Financial Statements in WFP**

<b>IPSAS Differences</b>	<b>Definition</b>	<b>Differences in WFP between Budget and IPSAS Financials</b>
<b>Basis differences</b>	Occur when the approved budget is prepared on a basis other than the accounting basis. For WFP, the budget is prepared on a commitment basis and the financial statements are prepared on an accrual basis.	Open commitments including open purchase orders and net cash flows from operating, investing and financing activities are presented as Basis differences.
<b>Timing differences</b>	Occur when the budget period differs from the reporting period reflected in the financial statements.	There are no timing differences for WFP for purposes of comparison of budget and actual amounts.
<b>Entity differences</b>	Occur when the budget omits programs or entities that are part of the entity for which the financial statements are prepared.	Bilateral operations and trust funds form part of WFP activities and are reported in the financial statements although they are excluded from the budgetary process.
<b>Presentation differences</b>	Due to differences in the format and classification schemes adopted for presentation of Statement of Cash Flow and Statement of Comparison of Budget and Actual Amounts.	Revenue and non-fund relevant expenses that do not form part of the Statement of Comparison of Budget and Actual Amounts are reflected as Presentation differences.

<sup>121</sup> The accrual accounting principle measures the performance and position of the organization regardless of when the cash transaction occurs. On the basis of this principle, the effects of transactions and other events are recognized when they occur (and not when cash or its equivalent is received or paid), are recorded in the accounting records and reported in the Financial Statements (Statement I to IV) of the financial periods to which they relate. According to this accounting principle, revenues and expenses associated to a transaction or an event match. See: *WFP Policy Guidance Manual for International Public Sector Accounting Standards*, 2008 edition. Available at: <http://docustore.wfp.org/IPSAS/ResourcesandTools/IPSASPolicyGuidanceManual/index.htm>.

## i. Conclusions

256. WFP's website represents its main source of financial information. The website is user friendly and information is provided by year - starting from 1996- and agenda item in an orderly and intuitive manner. Data can be retrieved from a broad set of publications that include, amongst others, financial audited statements (every two years until 2007 and on a yearly basis thereafter), annual performance reports, management plans and various other documents that incorporate financial data and further issues of interest that enable the reader to appreciate WFP's course of action in time.

257. Implementation of IPSAS has been extremely beneficial from a financial viewpoint with the introduction of a full accrual accounting system and the consideration of the value of goods in stock. WFP's organisation has profited from the **IPSAS dividend** which will provide further opportunity to secure benefits as WFP continues development of financial management.

258. The introduction of IPSAS has however hindered the comparison between the statement of Financial Performance in the audited annual accounts and the Budget and its reviews. Before 2008 with the UNSAS accounting standard WFP reported its financial data on a commitment basis with a breakdown of accounts by type that took into consideration a cost classification that distinguished costs between Commodities purchased and in kind, DOC (Direct Operational Costs), ODOC (Other Direct Costs), DSC (Direct Support Costs) and ISC (Indirect Support Costs) with further available breakdowns within DOC and evidence being given also to cost breakdown by nature. This enabled a series of expenditure analysis that gave evidence of trends in time until 2007 by type of cost which helped to understand, from a donor perspective, the cost breakdown between direct and indirect costs and their relative weight in time. Breakdown of costs by type has no longer been maintained in the audited financial statements and, as a result, there is presently no way to compare statements of Financial Performance in the audited annual accounts with WFP's budget and its reviews.

259. It is to be said that IPSAS does not require alignment of budgets to financial reporting which prevents, for the time being, WFP from modifying the rationale behind its budget. However the introduction by WFP in its reporting practices of an audited reconciled Statement of Financial Performance by cost type derived from the audited financial statements would enable WFP to maintain the comparison of trends in time by cost type between yearly actual results.

260. In practice, accrual budgets would also enable the comparison between actual results and the yearly budget but this is not, as stated before, a binding IPSAS requirement. We understand from the interviews with WFP financial officers that the commitment basis used for the budget preparation is more intuitive for WFP managers that need to keep records of their actions in a way which the accrual method would, in their view, not allow or limit.

261. Limited insight appears to be provided on staff costs within the costs type classification. It would be undoubtedly interesting if the staff cost component within the cost type classification were provided enabling further in-depth analysis of WFP cost structure.

262. Another neglected area appears to be Programme Support and Administrative (PSA) costs which represent a very important topic in WFP's budget but with limited analysis at an appropriate level of detail when it comes to reporting on PSA breakdown by nature and by location. No regular reports appear to be available with reference to PSA costs broken down by nature, location category (HQ , region, country ) and by region although PSA breakdown by appropriation line is provided (Programme support – regional bureaux and country offices, Programme support – Headquarters, Management and administration) in the budget.

**ANNEX 1 – BREAKDOWN OF REVENUES AND COSTS**  
**WFP Total Confirmed Contributions by Major Donor<sup>122</sup> 2005/09**  
**(US\$ thousands)**

DONOR	2009	2008	2007	2006	2005
UNITED STATES OF AMERICA	1,757,330	2,066,286	1,176,257	1,122,307	1,216,126
EUROPEAN COMMISSION	343,830	355,435	250,437	265,762	263,940
CANADA	225,343	275,392	160,758	149,414	152,085
UN CERF AND AGENCIES <sup>123</sup>	217,449	217,405	143,265	159,216	7,247
SPAIN	213,852	115,288	29,631	16,936	11,595
JAPAN	202,684	177,900	118,713	72,257	160,528
GERMANY	132,069	100,479	65,680	59,573	69,258
UNITED KINGDOM	127,624	171,050	66,851	100,372	116,281
PRIVATE DONORS <sup>124</sup>	104,412	143,752	49,205	55,524	23,908
AUSTRALIA	81,395	112,132	61,629	59,777	62,551
NETHERLANDS	77,594	117,435	75,630	79,985	115,348
SWEDEN	72,487	81,673	64,863	58,520	84,259
DENMARK	41,885	56,544	44,339	43,564	52,838
NORWAY	40,410	53,466	40,209	51,604	93,455
BELGIUM	39,111	24,784	17,644	11,132	13,952
SWITZERLAND	39,089	45,668	31,823	33,910	36,057
ITALY	30,000	103,348	31,265	12,301	47,908
PAKISTAN	28,994	1,925	3,278	9,376	39
FINLAND	28,524	28,257	25,403	18,308	23,405
RUSSIAN FEDERATION	26,800	15,000	15,000	11,008	11,000
SAUDI ARABIA	23,341	503,753	6,537	33,419	3,262
IRELAND	22,549	39,820	34,244	31,005	19,713
FRANCE	19,804	40,878	33,762	26,940	37,676
INDIA	17,098	17,130	8,856	8,141	35,541
BRAZIL	15,761	1,441	1,096		
KENYA	14,577	6,036	2,454	21,174	14,311
LUXEMBOURG	13,625	14,276	11,951	15,387	10,681
QATAR	10,217			152	199
Subtotal	<u>3,967,854</u>	<u>4,886,553</u>	<u>2,570,780</u>	<u>2,527,064</u>	<u>2,683,163</u>
Other Donors <sup>125</sup>	54,431	155,265	134,596	177,892	83,323
<b>Grand Total</b>	<b>4,022,285</b>	<b>5,041,818</b>	<b>2,705,376</b>	<b>2,704,956</b>	<b>2,766,486</b>
<i>Bilateral Contributions</i>	<i>50,000</i>	<i>136,727</i>	<i>40,778</i>	<i>56,504</i>	<i>103,103</i>
Total Number of Donors <sup>126</sup>	79	98	88	97	80

<sup>122</sup> As ranked in 2009 for donors in excess of USD 10 million : Source: WFP/EB.A/2010/4,WFP/EB.A/2009/4, WFP/EB.A/2008/4,WFP/EB.A/2007/4,WFP/EB.A/2006/4

<sup>123</sup> Reported as UN in 2005

<sup>124</sup> Private contributions do not include extraordinary gifts in kind such as advertising.

<sup>125</sup> 51 donors in 2009, 71 donors in 2008, 61 donors in 2007, 70 donors in 2006, 53 donors in 2006

<sup>126</sup> Private Donors considered as 1

**WFP Confirmed Contributions in 2009 by Program & Donor<sup>127</sup>**  
(US\$ thousands)

Ranking	DONOR	%	Cumulated %	Total	DEV	EMOP	IRA	PRRO	SO	OTHERS <sup>128</sup>
1	USA	43.7	43.7	1,757,330	35,859	822,623		856,413	29,316	13,119
2	EUROPEAN COMMISSION	8.5	52.2	343,830	6,019	133,548		150,080	33,598	20,585
3	CANADA	5.6	57.8	225,343	47,995	60,255	8,678	100,265	4,836	3,316
4	UN CERF AND AGENCIES	5.4	63.2	217,449	2,210	90,983	-	69,626	39,630	15,001
5	SPAIN	5.3	68.6	213,852	1,132	18,566	4,159	27,866	2,166	159,964
6	JAPAN	5.0	73.6	202,684	28,194	54,180	400	106,547	11,500	1,862
7	GERMANY	3.3	76.9	132,069	28,811	38,281	5,723	52,769	3,593	2,892
8	UNITED KINGDOM	3.2	80.1	127,624	128	23,435	488	97,801	5,772	-
9	PRIVATE DONORS <sup>129</sup>	2.6	82.7	104,412	20,726	52,520	-	13,899	1,794	15,473
10	AUSTRALIA	2.0	84.7	81,395	392	16,956	-	28,976	2,223	32,848
11	NETHERLANDS	1.9	86.6	77,594	1,935	13,230	456	41,044	2,979	17,949
12	SWEDEN	1.8	88.4	72,487	50	26,012	3,930	37,389	4,889	217
13	DENMARK	1.0	89.5	41,885	14,605	10,530	282	15,200	256	1,012
14	NORWAY	1.0	90.5	40,410	1,073	10,164	12,222	8,360	1,673	6,916
15	BELGIUM	1.0	91.4	39,111	-	6,115	1,361	27,203	3,072	1,361
16	SWITZERLAND	1.0	92.4	39,089	1,573	13,545	2,091	20,140	509	1,232
17	ITALY	0.7	93.1	30,000	2,755	5,092	383	2,029	231	19,509
18	PAKISTAN	0.7	93.9	28,994	-	25,542	-	3,436		16
19	FINLAND	0.7	94.6	28,524	8,368	7,922	1,062	8,858		2,313
20	RUSSIAN FEDERATION	0.7	95.2	26,800	818	5,707	-	20,276		-
21	SAUDI ARABIA	0.6	95.8	23,341	5,452	12,666	3	5,220		-
22	IRELAND	0.6	96.4	22,549	740	8,859	1,883	6,606	3,673	790
23	FRANCE	0.5	96.9	19,804	697	5,926	83	11,513		1,585
24	INDIA	0.4	97.3	17,098	3,556	-	-	12,241		1,301
25	BRAZIL	0.4	97.7	15,761	4,320	118	-	11,323		-
26	KENYA	0.4	98.1	14,577	-	-	-	14,577		-
27	LUXEMBOURG	0.3	98.4	13,625	1,526	2,141	659	4,134	132	5,033
28	QATAR	0.3	98.6	10,217	217	10,000				
	Top Donors	<b>98.6</b>	<b>98.6</b>	<b>3,967,854</b>	<b>219,151</b>	<b>1,474,916</b>	<b>43,863</b>	<b>1,753,791</b>	<b>151,842</b>	<b>324,294</b>
	Other Donors <sup>130</sup>	1.4	100.0	54,431	19,099	9,535	107	23,526	339	1,822
	<b>Grand Total</b>	<b>100.0</b>		<b>4,022,285</b>	<b>238,250</b>	<b>1,484,451</b>	<b>43,970</b>	<b>1,777,317</b>	<b>152,181</b>	<b>326,116</b>
	<i>Bilateral Contributions</i>			<i>50,000</i>						

<sup>127</sup> In excess of US\$10million (Note: Totals reported in this document are rounded and so may not add up exactly) Source: WFP/EB.A/2010/4

<sup>128</sup> Contributions to trust funds, special accounts and the General Fund

<sup>129</sup> Private contributions do not include extraordinary gifts in kind such as advertising.

<sup>130</sup> 51 donors

**WFP**  
**DIRECT EXPENSES<sup>131</sup> BY COUNTRY, SPECIAL STATUS CATEGORY AND REGION**  
**(2005-2009)**

	2005		2006		2007		2008*		2009*	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	thousand		thousand		thousand		thousand		thousand	
<b>DEVELOPMENT AND RELIEF:</b>	<b>2,541,776</b>	<b>100.0</b>	<b>2,230,517</b>	<b>100.0</b>	<b>2,314,974</b>	<b>100.0</b>	<b>3,025,855</b>	<b>100.0</b>	<b>3,515,792</b>	<b>100.0</b>
<b>BY SPECIAL STATUS</b>										
<b>CATEGORY**</b>										
LDC ( <i>least developed country</i> )	1,936,214	76.2	1,598,180	71.7	1,710,707	73.9	2,178,093	72.0	2,392,382	68.0
LIFDC ( <i>low-income, food-deficit country</i> )	2,426,995	95.5	2,063,484	92.5	2,175,770	94.0	2,810,174	92.9	3,285,073	93.4
<b>BY REGION/COUNTRY GROUP</b>										
SUB-SAHARAN AFRICA	1,908,000	75.1	1,648,007	73.9	1,667,589	72.0	2,057,798	68.0	2,359,772	67.1
ASIA	450,117	17.7	368,962	16.5	442,125	19.1	635,179	21.0	728,049	20.7
EASTERN EUROPE AND CIS <sup>^</sup>	35,874	1.4	32,044	1.4	33,597	1.5	37,192	1.2	49,992	1.4
LATIN AMERICA AND THE CARIBBEAN	73,019	2.9	70,782	3.2	78,953	3.4	127,468	4.2	136,234	3.9
MIDDLE EAST AND NORTH AFRICA	71,403	2.8	71,240	3.2	112,511	4.9	150,646	5.0	172,167	4.9
<b>DEVELOPMENT :</b>	<b>258,884</b>	<b>100.0</b>	<b>268,210</b>	<b>100.0</b>	<b>309,318</b>	<b>100.0</b>	<b>292,112</b>	<b>100.0</b>	<b>275,906</b>	<b>100.0</b>
<b>BY SPECIAL STATUS</b>										
<b>CATEGORY**</b>										
LDC ( <i>least developed country</i> )	174,493	67.4	184,529	68.8	227,011	73.4	192,657	66.0	193,079	70.0
LIFDC ( <i>low-income, food-deficit country</i> )	247,167	95.5	246,228	91.8	302,146	97.7	273,412	93.6	268,834	97.4
<b>BY REGION/COUNTRY GROUP</b>										
SUB-SAHARAN AFRICA	145,704	56.3	130,139	48.5	154,001	49.8	165,351	56.6	187,950	68.1
ASIA	71,407	27.6	94,317	35.2	121,606	39.3	83,631	28.6	77,256	28.0
LATIN AMERICA AND THE CARIBBEAN	31,831	12.3	24,442	9.1	30,177	9.8	26,771	9.2	22,264	8.1
MIDDLE EAST AND NORTH AFRICA	15,774	6.1	10,090	3.8	10,128	3.3	12,358	4.2	10,440	3.8
<b>RELIEF:</b>	<b>2,282,892</b>	<b>100.0</b>	<b>1,962,307</b>	<b>100.0</b>	<b>2,005,656</b>	<b>100.0</b>	<b>2,733,743</b>	<b>100.0</b>	<b>3,239,886</b>	<b>100.0</b>
<b>BY SPECIAL STATUS</b>										
<b>CATEGORY**</b>										
LDC ( <i>least developed country</i> )	1,761,721	77.2	1,413,651	72.0	1,483,696	74.0	1,985,436	72.6	2,199,303	67.9
LIFDC ( <i>low-income, food-deficit country</i> )	2,179,828	95.5	1,817,256	92.6	1,873,624	93.4	2,536,762	92.8	3,016,239	93.1
<b>BY REGION/COUNTRY GROUP</b>										
SUB-SAHARAN AFRICA	1,762,296	77.2	1,517,868	77.4	1,513,588	75.5	1,892,447	69.2	2,171,822	67.0
ASIA	378,710	16.6	274,645	14.0	320,519	16.0	551,548	20.2	650,793	20.1
EASTERN EUROPE AND CIS <sup>^</sup>	4,043	0.2	7,602	0.4	3,420	0.2	10,421	0.4	27,728	0.9
LATIN AMERICA AND THE CARIBBEAN	57,245	2.5	60,692	3.1	68,825	3.4	115,110	4.2	125,794	3.9
MIDDLE EAST AND NORTH AFRICA	71,403	3.1	71,240	3.6	112,511	5.6	150,646	5.5	172,167	5.3

Sources: WFP/EB.A/2009/4,WFP/EB.A/2010/4 - Totals may add up to more than 100 % as we did not include negative balances to the "other" category.

<sup>131</sup> Excludes PSA(Program Support and Administrative) expenses

\*2008 and 2009 expenses presented are according to IPSAS and not comparable to 2007 and previous years' values based on UNSAS (United Nations System Accounting Standards).

\*\*Actual classifications for each year.

<sup>^</sup> RELIEF only

## WFP DIRECT EXPENSES<sup>132</sup> BY REGION AND CATEGORY (2005-2009)

	2005		2006		2007		2008*		2009*	
	US\$ million	%	US\$ million	%	US\$ million	%	US\$ million	%	US\$ million	%
<b>GRAND TOTAL</b>	<b>2,892.4</b>	<b>100.0</b>	<b>2,664.9</b>	<b>100.0</b>	<b>2,753.3</b>	<b>100.0</b>	<b>3,535.8</b>	<b>100.0</b>	<b>3,985.7</b>	<b>100.0</b>
DEVELOPMENT	258.9	9.0	268.2	10.1	309.3	11.2	292.1	8.3	275.9	6.9
RELIEF	2,282.9	78.9	1,962.3	73.6	2,005.7	72.8	2,733.8	77.3	3,239.9	81.3
EMOP (Emergency Operations)	1,046.2		729.0		716.5		944.6		1,418.4	
PRRO (Protracted Relief&Recovery Ops)	1,236.7		1,233.3		1,289.2		1,789.2		1,821.5	
SPECIAL OPERATIONS (SO)	196.7	6.8	236.3	8.9	166.2	6.0	200.3	5.7	176.4	4.4
BILATERALS, TRUST FUNDS and OTHERS <sup>133</sup>	153.9	5.3	198.1	7.4	272.1	9.9	309.6	8.8	293.5	7.4
<b>SUB-SAHARAN AFRICA</b>	<b>2,042.9</b>	<b>100.0</b>	<b>1,761.9</b>	<b>100.0</b>	<b>1,831.7</b>	<b>100.0</b>	<b>2,214.2</b>	<b>100.0</b>	<b>2,519.3</b>	<b>100.0</b>
<i>Percentage of all regions</i>	<i>70.6</i>		<i>66.1</i>		<i>66.5</i>		<i>62.6</i>		<i>63.2</i>	
DEVELOPMENT	145.7	7.1	130.1	7.4	154.0	8.4	165.3	7.5	187.9	7.5
RELIEF	1,762.3	86.3	1,517.9	86.2	1,513.6	82.6	1,892.5	85.5	2,171.8	86.2
EMOP (Emergency Operations)	745.3		635.8		645.0		719.9		927.0	
PRRO (Protracted Relief&Recovery Ops)	1,017.0		882.1		868.6		1,172.6		1,244.8	
SPECIAL OPERATIONS (SO)	130.2	6.4	112.4	6.4	134.8	7.4	141.5	6.4	130.7	5.2
BILATERALS, TRUST FUNDS and OTHERS ^	4.7	0.2	1.5	0.1	29.3	1.6	14.9	0.7	28.9	1.1
<b>ASIA</b>	<b>516.2</b>	<b>100.0</b>	<b>474.1</b>	<b>100.0</b>	<b>484.7</b>	<b>100.0</b>	<b>690.7</b>	<b>100.0</b>	<b>763.4</b>	<b>100.0</b>
<i>Percentage of all regions</i>	<i>17.8</i>		<i>17.8</i>		<i>17.6</i>		<i>19.5</i>		<i>19.2</i>	
DEVELOPMENT	71.0	13.8	94.3	19.9	121.6	25.1	83.6	12.1	77.3	10.1
RELIEF	379.1	73.4	274.6	57.9	320.6	66.1	551.6	79.9	650.8	85.3
EMOP (Emergency Operations)	241.3		56.1		36.8		124.2		321.8	
PRRO (Protracted Relief&Recovery Ops)	137.8		218.5		283.8		427.4		329.0	
SPECIAL OPERATIONS (SO)	63.3	12.3	99.3	20.9	28.1	5.8	44.5	6.4	27.0	3.5
BILATERALS, TRUST FUNDS and OTHERS ^	2.8	0.5	5.9	1.2	14.4	3.0	11.0	1.6	8.3	1.1
<b>EASTERN EUROPE AND CIS</b>	<b>35.9</b>	<b>100.0</b>	<b>32.1</b>	<b>100.0</b>	<b>33.6</b>	<b>100.0</b>	<b>37.8</b>	<b>100.0</b>	<b>50.4</b>	<b>100.0</b>
<i>Percentage of all regions</i>	<i>1.2</i>		<i>1.2</i>		<i>1.2</i>		<i>1.1</i>		<i>1.3</i>	
DEVELOPMENT		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RELIEF	35.9	100.0	32.1	100.0	33.6	100.0	37.2	98.4	49.9	99.0
EMOP (Emergency Operations)	8.0		6.0		8.0		6.3		9.0	
PRRO (Protracted Relief&Recovery Ops)	27.9		26.1		25.6		30.9		40.9	
SPECIAL OPERATIONS (SO)	0.0	0.0	0.0	0.0	0.0	0.0	0.6	1.6	0.4	0.8
BILATERALS, TRUST FUNDS and OTHERS ^	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2
<b>LATIN AMERICA AND THE CARIBBEAN</b>	<b>73.4</b>	<b>100.0</b>	<b>71.9</b>	<b>100.0</b>	<b>178.2</b>	<b>100.0</b>	<b>258.7</b>	<b>100.0</b>	<b>242.9</b>	<b>100.0</b>
<i>Percentage of all regions</i>	<i>2.5</i>		<i>2.7</i>		<i>6.5</i>		<i>7.3</i>		<i>6.1</i>	
DEVELOPMENT	31.8	43.3	24.4	33.9	30.2	16.9	26.8	10.4	22.3	9.2
RELIEF	41.2	56.1	46.3	64.4	48.7	27.3	100.7	38.9	114.0	46.9
EMOP (Emergency Operations)	10.3		13.9		15.3		29.2		28.3	
PRRO (Protracted Relief&Recovery Ops)	30.9		32.4		33.4		71.5		85.7	
SPECIAL OPERATIONS (SO)	0.4	0.5	1.2	1.7	0.5	0.3	7.5	2.9	4.2	1.7
BILATERALS, TRUST FUNDS and OTHERS ^	0.0	0.0	0.0	0.0	98.8	55.4	123.7	47.8	102.4	42.2
<b>MIDDLE EAST AND NORTH AFRICA</b>	<b>84.1</b>	<b>100.0</b>	<b>91.3</b>	<b>100.0</b>	<b>117.0</b>	<b>100.0</b>	<b>159.2</b>	<b>100.0</b>	<b>175.2</b>	<b>100.0</b>
<i>Percentage of all regions</i>	<i>2.9</i>		<i>3.4</i>		<i>4.2</i>		<i>4.5</i>		<i>4.4</i>	
DEVELOPMENT	15.8	18.8	10.1	11.1	10.1	8.6	12.4	7.8	10.4	5.9
RELIEF	55.6	66.1	61.1	66.9	102.4	87.5	138.3	86.9	161.8	92.4
EMOP (Emergency Operations)	35.8		9.9		17.2		60.7		111.9	
PRRO (Protracted Relief&Recovery Ops)	19.8		51.2		85.2		77.6		49.9	
SPECIAL OPERATIONS (SO)	2.7	3.2	15.8	17.3	1.7	1.5	0.2	0.1	1.6	0.9
BILATERALS, TRUST FUNDS&OTHERS	10.0	11.9	4.3	4.7	2.8	2.4	8.3	5.2	1.4	0.8

Sources: WFP/EB.A/2009/4, WFP/EB.A/2010/4

<sup>132</sup> Excludes PSA (Program Support and Administrative) expenses

<sup>133</sup> Operational expenses include the General Fund, special accounts and trust funds that cannot be apportioned by project/operation. \*2008 and 2009 expenses presented are according to IPSAS and not comparable to 2007 and previous years' values based on UNSAS (United Nations System Accounting Standards). Totals reported in this document are rounded and so may not add up exactly. Negative figures, if present, represent financial adjustments. ^ Up to 2006 only bilaterals are included.

## WFP DIRECT EXPENSES<sup>134</sup> BY CATEGORY (2005-2009)

	2005		2006		2007		2008*		2009*	
	<i>US\$ million</i>	%	<i>US\$ million</i>	%	<i>US\$ million</i>	%	<i>US\$ million</i>	%	<i>US\$ million</i>	%
<b>DEVELOPMENT</b>	<b>258.9</b>	<b>9.0</b>	<b>268.2</b>	<b>10.1</b>	<b>309.3</b>	<b>11.2</b>	<b>292.1</b>	<b>8.3</b>	<b>275.9</b>	<b>6.9</b>
<b>RELIEF<sup>135</sup></b>	<b>2,282.9</b>	<b>78.9</b>	<b>1,962.3</b>	<b>73.6</b>	<b>2,005.7</b>	<b>72.8</b>	<b>2,733.8</b>	<b>77.3</b>	<b>3,239.9</b>	<b>81.3</b>
<i>EMOP (Emergency Operations)</i>	1,046.2		729.0		716.5		944.6		1,418.4	
<i>PRRO (Protracted Relief &amp; Recovery Operations)</i>	1,236.7		1,233.3		1,289.2		1,789.2		1,821.5	
<b>SO (SPECIAL OPERATIONS)</b>	<b>196.7</b>	<b>6.8</b>	<b>236.3</b>	<b>8.9</b>	<b>166.2</b>	<b>6.0</b>	<b>200.3</b>	<b>5.7</b>	<b>176.4</b>	<b>4.4</b>
<b>BILATERALS, TRUST FUNDS and OTHERS<sup>136</sup></b>	<b>153.9</b>	<b>5.3</b>	<b>198.1</b>	<b>7.4</b>	<b>272.1</b>	<b>9.9</b>	<b>309.6</b>	<b>8.8</b>	<b>293.5</b>	<b>7.4</b>
<b>GRAND TOTAL</b>	<b>2,892.4</b>	<b>100.0</b>	<b>2,664.9</b>	<b>100.0</b>	<b>2,753.3</b>	<b>100.0</b>	<b>3,535.8</b>	<b>100.0</b>	<b>3,985.7</b>	<b>100.0</b>

Sources: WFP/EB.A/2009/4, WFP/EB.A/2010/4

<sup>134</sup> Excludes PSA(Program Support and Administrative) expenses

<sup>135</sup> RELIEF represents the sum of EMOP+PRRO

<sup>136</sup> Operational expenses include the General Fund, special accounts and trust funds that cannot be apportioned by project/operation. \*2008 and 2009 expenses presented are according to IPSAS and not comparable to 2007 and previous years' values based on UNSAS (United Nations System Accounting Standards). Totals reported in this document are rounded and so may not add up exactly. Negative figures, if present, represent financial adjustments.



## ANNEX 2

### WFP DETAILED OVERVIEW OF 2010/2011 BUDGET REQUIREMENTS

<b>OPERATIONAL REQUIREMENTS</b>		
<b>Table A</b>	<b>Budget Methodology applied</b>	<b>Operational requirements overview</b> <small>138</small>
<b>DOC and DSC<sup>137</sup></b>		
<p><b>DOC<sup>139</sup></b> : ocean transport and related costs, Landside Transport Storage and Handling costs (LTSH) and Other Direct Operational Costs (ODOC);</p>	<p>Budget compiled by aggregating the expected operational requirements for approved projects, projects to be approved by the end of December 2009 and their logical extension.</p>	<p><b>i) By programme category<sup>140</sup></b>: EMOP,PRRO,DEV,SO (comparison by metric tonnage, dollar value and average cost by metric ton-where applicable- in different biennia.);</p>
<p><b>DSC</b> : further costs other than DOC that can be directly linked with the provision of support to an operation and which would not be incurred should that activity cease.</p>	<p>Indicators at the project level, such as past requirements, project implementation, income trends and budget performance by cost component, were used to assess the accuracy of projected requirements.</p>	<p><b>ii) By cost component</b>: Food Projects (food, external transport, LTSH,ODOC,DSC) and Special Operations (SO) comparing overall values and costs per mt, where applicable, among biennia;</p>
		<p><b>iii) By region</b>: WFP carries out <u>operations in 73 countries in six regions</u> and has a presence in an additional five countries where it monitors food insecurity. Details by regional bureau and programme category with logical extensions are included in the budget data.</p>

<sup>137</sup> DOC :Direct Operational Costs, DSC: Direct Support Costs

<sup>138</sup> Does not consider PSA

<sup>139</sup> Direct Operational Costs: shall mean any costs, other than direct support costs or indirect support costs, of WFP projects and activities.(Ref: Financial Regulations November 2010 edition)

<sup>140</sup> EMOP: Emergency Operations, PRRO: Protracted Relief and Recovery Operations, DEV: Development, SO: Special Operations

<b>Table B</b> <b>REGULAR PSA</b> <sup>141</sup>		
<b>Regular PSA</b>	<b>Budget Methodology applied</b>	<b>Funding of the PSA Budget proposal</b>
<p>Includes management, administration and programme support at regional bureaux, country offices, Headquarters and liaison offices, covering WFP's costs that cannot be related directly to a specific operation.</p> <p>PSA budget therefore represents the portion of the WFP Budget that pertains to providing indirect support to WFP's activities.</p>	<p><b><u>The PSA budget is funded from ISC recoveries from contributions, in line with WFP's full-cost recovery policy</u></b> (the recovery of operational costs, DSC and ISC in full).</p> <p>PSA budget takes into account resources that are expected to be made available from the funding of approved operations and their logical extensions, and the balance of current reserves.</p>	<p>For budgeting purposes WFP bases its PSA proposal on a funding scenario that takes into account both the financial climate and historical funding patterns. A conservative forecast income based on a thorough analysis supported by historical resourcing trends by donor is utilized to determine the ISC rate required to fund PSA costs.</p> <p>This level of income would generate a minimum of ISC income, which is sufficient to fully fund the proposed PSA budget, without considering income that might be generated for unforeseen requirements.</p>

<b>Table B/2</b> <b>PSA APPROPRIATION LINES</b> <sup>142</sup>
Programme support – regional bureaux and country offices
Programme support – Headquarters
Management and administration

<sup>141</sup> Programme Support and Administrative

<sup>142</sup> PSA budget is split by appropriation line where the expenses are expected to be incurred

<b>Table C</b>		
<b>GENERAL FUND</b>		
<b>General Fund</b>	<b>PSAEA<sup>143</sup> reserve</b>	<b>Capital and capacity funds</b>
Accounting entity established for recording , under separate accounts :	In order to improve the transparency of reporting on ISC income and PSA expenditure, the PSA Equalization Account (PSAEA) reserve was created in 2002 as a <b><u>subset of the General Fund.</u></b>	Capital and capacity funds represent the <u>non-PSA portion of WFP indirect costs.</u> In the budget other income (interest income and miscellaneous income) from General Fund, a portion of the carry forward balance of General Fund and one time-allocations
<b>i)</b> ISC recoveries;		
<b>ii)</b> interest income from WFP investment portfolios and bank & money market accounts and miscellaneous income (recoveries arising from disposal of redundant or unserviceable equipment, value-added tax refunds and other types of recoveries and excess income arising from closure of third-party agreements);	PSAEA is a reserve set up to record any differences between ISC revenue and PSA expenses for the financial period. In case of a surplus of ISC revenue over PSA expenses this is transferred to PSAEA. <b><u>WFP's target is to maintain in the PSA Equalization Account an amount equivalent to a minimum of four months of expected PSA expenditure.</u></b>	from PSAEA are utilized to cover in full Capital and capacity funds indirect costs.
<b>iii)</b> operational reserves;	For the PSA budget level proposed for 2010–2011, four months of operations would amount to about US\$75 million.	
<b>iv)</b> contributions received that are not designated to a specific programme category, project or bilateral operation.		

<sup>143</sup> PSA Equalization Account. It is also traditionally used to fund non-recurring investments in systems and infrastructure development and other major management initiatives including Board- approved EB allocations.

<b>EXTRA-BUDGETARY RESOURCES</b> <sup>144</sup>		
<b>Bilateral Operations</b>	<b>Trust Funds</b>	<b>Special Accounts</b>
<p>Consist of projects and services carried out by WFP at the request of a donor. WFP designs, implements and monitors the projects, or provides services such as transport and procurement to a non-WFP project.</p>	<p><b>Country-specific trust funds:</b> generally more operational in nature, most often funded by host governments. They provide complementary resources for programmes administered in partnership with governments and/or NGOs, such as school meals programmes, and target the poorest population groups. Managed directly by the countries where they are established.</p>	<p>Established by the Executive Director, as per Financial regulations, for specified purposes. Special accounts include the United Nations Humanitarian Response Depot (UNHRD), Aviation, Dubai, junior professional officer (JPO) administration and logistics.</p>
	<p><b>General trust funds:</b><sup>145</sup> institutional and intended to strengthen WFP's capacity-building activities. They usually involve one-off expenditures to improve the quality of WFP's work, funding activities not covered under the PSA or operational budgets. They are managed centrally in Headquarters on the basis of agreements reached between the donor and WFP.</p>	

<sup>144</sup> Extra-budgetary resources include bilateral operations, trust funds and special accounts. The Committee on Extra-Budgetary Resources provides oversight for these resources ensuring that the activities funded support overall WFP priorities. The task of the Committee is to establish a system for the mobilization and management of extra-budgetary resources in WFP. This will enable WFP to ensure adequate corporate guidance and accountability mechanisms are in place so that all resources are spent in accordance with corporate priorities.

Extra-budgetary resources for improvement of the quality of programmes, capacity development and new partnership frameworks provide support critical to WFP at all levels.

<sup>145</sup> WFP activities initially funded through general trust funds include Vulnerability Analysis and Mapping (VAM), needs assessments and contingency planning – which support quicker, better targeted responses to unforeseen needs.

UNHCR

## 5. UNHCR

### a. Role in Development

263. United Nations High Commissioner for **Refugees** (UNHCR) is among the larger UN programmes and agencies. In recent years, it was ranking fifth by expenditure behind UNDP, UNICEF, WFP and WHO (aside from peace-keeping, World Bank and IMF). It is further one of the fastest growing. Its compounded expenditure **growth** rate averaged 17.7 percent p.a. in current terms through 2006-2009, as compared with 15 percent p.a. for multilateral ODA disbursements recorded by OECD, or with rates of 9 percent p.a. for WHO and 7 percent p.a. for UNICEF over similar periods.

264. Its **mandate** was defined by its Statute as to protect refugees and seek durable solutions to their problems under a 1950 UN Resolution and extended by further resolutions in terms of beneficiaries and assistance (e.g., worldwide, resettlement to a third country, temporary emergencies -1954, new cases-1967, statelessness, repatriation-1985, and internally displaced persons / IDP within a country – 1993).

265. By 2009, its stated **objectives** were (i) ensuring protection to all persons of concern, (ii) affirming and developing an international protection regime, (iii) realizing the social and economic well-being of people of concern, (iv) responding to emergencies in a timely and effective manner and (v) attaining durable solutions.

266. Its **operations** are divided into field programmes, mostly geared to specific countries (although classified by region and sub-region) and a smaller amount of “global programmes” for world-wide or regional support of policy priorities and field programmes. Examples of individual UNHCR programmes in 2009 include: in the Africa region, countering sexual violence in DRC by reassigning judges, and increasing refugee education access in Eastern Chad camps; in Europe, promoting durable resettlement in new participating countries (Czech Republic) and for Iraqis in Germany; and global programmes for private sector fund-raising, and for refugee anaemia prevention.

267. Its **accounts** have been divided into funds: the Annual Programme initially approved by its Executive Committee, the Supplementary Programme for further activities through the year, the UN Regular Budget for administrative costs, the Junior Professional Officers (JPO) from sponsoring States and three internal funds (Working Capital, Staff Benefits and Medical Insurance). The operational reserves included in the Annual Programme may also be used for the Supplementary Programme. The global programmes are financed under both the Annual and Supplementary Programmes.

268. Since 2010, UNHCR has shifted to a biennial budget, divided into four “**pillars**”: I – refugees, including repatriation among durable solutions (with a 2010 budget of US\$ 2,298 million); II – stateless (US\$38 million), III - long-term integration (including for returnees) under “UN Delivering

as One” (US\$156 million) and IV – IDP (US\$797 million). The new pillar I should thus merge most of the former Annual and Supplementary Programmes. Most observations below do not extend beyond 2009 as the latest year with audited accounts.

## b. Trends in Resources

269. The revenues of UNHCR are almost fully dependent on **voluntary contributions**. These are mainly contributions to the main Annual and Supplementary Programmes, since JPO contributions account for only some 1 percent of revenues through 2006-2009. As shown in **Table 5.1**, the UN Regular Budget is the only other external resource and represents a minute share of less than 3 percent of revenues. All other income amounts to only 2 percent of the total and comes primarily from the use of external contributions, such as interest income. Directly or indirectly, about 97 percent of revenues have therefore come from voluntary contributions, and about 96 percent from contributions to the Annual and Supplementary Programmes.

270. However, the **mix of contributions** to the Annual vs. the Supplementary Programmes has evolved notably, from 82 percent vs. 18 percent in 2001 to 61 percent vs. 39 percent in 2009. Contributions to the Supplementary Programme have grown faster than those to the Annual Programme, especially in recent years since 2006. This appears to reflect a higher and swifter response to emergencies (e.g., Iraq and Pakistan) by UNHCR, and by its donors - which would then earmark their funding for such emergencies.

271. **Table 5.2** confirms that the compounded yearly **growth of contributions** in real terms from 2006 to 2009 averaged only 4 percent p.a for the Annual Programme as against 46 percent p.a. for the Supplementary Programme and 14 percent overall. In current terms, total income has been growing somewhat more slowly than total expenditure over these four years, at a compounded rate of 16.6 percent p.a. as against the above rate of 17.7 percent p.a. In 2010 after the financial crisis, total contribution growth is reported to have been lower, at about 8 percent. This may foretell funding constraints to sustained high growth.

272. As detailed in **Table 5.3**, contributions to the UNHCR come primarily from **Governmental donors** and largely from a few of them. Steadily throughout 2006-2009, Governments have accounted for up to 83 percent of contributions, and the first ten of them for up to about 69 percent (in spite of UNHCR efforts towards private donors: 2.7 percent). Eight Governments belong to the top ten every year and account for 64 percent of all contributions: USA, Japan, Sweden, Netherlands, Norway, UK, Denmark and Germany, in this order. Norway alone represents 6.1 percent of Governmental contributions and 5.1 percent of total contributions. Such concentration of two-thirds of all funding from 8 donors is high, probably higher than in most other UN agencies, and constitutes a risk.





**Table 5.1 - Income Composition (by Fund)**

	2001		2002		2003		2004		2005		2006		2007		2008		2009	
<i>\$ amounts &amp; % shares of total:</i>	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%
<b>Income in current terms</b>	(from Audited Financial Statements - Statement of income and expenditure)																	
<b>Voluntary Contributions:</b>																		
Annual Programme fund	634750	82%	621871	73%	652636	67%	793961	79%	798509	72%	866420	76%	924005	70%	1036972	63%	1031782	57%
UN Regular Budget Fund	0	0%	0	0%	0	0%	27750	3%	39270	4%	30721	3%	37043	3%	33854	2%	46031	3%
Supplementary Programme Fund	135279	18%	185258	22%	268179	27%	158280	16%	287504	26%	203476	18%	332752	25%	543767	33%	671844	37%
Junior Professional Officers Fund	9208	1%	8694	1%	8050	1%	10030	1%	9602	1%	10264	1%	11518	1%	13892	1%	12002	1%
<b>Total Voluntary Contributions</b>	<b>779237</b>	<b>101%</b>	<b>815823</b>	<b>95%</b>	<b>928865</b>	<b>95%</b>	<b>990021</b>	<b>98%</b>	<b>1134885</b>	<b>102%</b>	<b>1110881</b>	<b>97%</b>	<b>1305318</b>	<b>98%</b>	<b>1628485</b>	<b>99%</b>	<b>1761659</b>	<b>98%</b>
<b>Other/Miscellaneous Income:</b>																		
Interest Income	4678	1%	3405	0%	2513	0%	1817	0%	2686	0%	5232	0%	12014	1%	7093	0%	2295	0%
Currency Exchange Adjustments	-14066	-2%	32212	4%	41499	4%	6906	1%	-35995	-3%	23703	2%	6102	0%	4289	0%	-1779	0%
Other Income	4809	1%	6765	1%	8406	1%	8352	1%	10803	1%	11456	1%	10533	1%	12112	1%	40341	2%
Prior-Year Contribution Adjustments	-1757	0%	-1858	0%	-2083	0%	-1650	0%	-2418	0%	-6774	-1%	-7712	-1%	-1333	0%	-263	0%
<b>Total Miscellaneous Income</b>	<b>-6336</b>	<b>-1%</b>	<b>40524</b>	<b>5%</b>	<b>50335</b>	<b>5%</b>	<b>15425</b>	<b>2%</b>	<b>-24924</b>	<b>-2%</b>	<b>33617</b>	<b>3%</b>	<b>20937</b>	<b>2%</b>	<b>22161</b>	<b>1%</b>	<b>40594</b>	<b>2%</b>
<b>Total Income</b>	<b>772901</b>	<b>100%</b>	<b>856347</b>	<b>100%</b>	<b>979200</b>	<b>100%</b>	<b>1005446</b>	<b>100%</b>	<b>1109961</b>	<b>100%</b>	<b>1144498</b>	<b>100%</b>	<b>1326255</b>	<b>100%</b>	<b>1650646</b>	<b>100%</b>	<b>1802253</b>	<b>100%</b>
Exceptional Adjustments	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	4142	0%
<b>Income after Above Adjustments</b>	<b>772901</b>	<b>100%</b>	<b>856347</b>	<b>100%</b>	<b>979200</b>	<b>100%</b>	<b>1005446</b>	<b>100%</b>	<b>1109961</b>	<b>100%</b>	<b>1144498</b>	<b>100%</b>	<b>1326255</b>	<b>100%</b>	<b>1650646</b>	<b>100%</b>	<b>1806395</b>	<b>100%</b>

**Table 5.2 - Income Growth**

	2001		2002		2003		2004		2005		2006		2007		2008		2009	
<i>\$ amounts &amp; % growth per year:</i>	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%
<b>Income in real terms</b>	(constant 2009 prices)																	
<b>Voluntary Contributions:</b>																		
Annual Programme fund	768929	NA	741603	-4%	760949	3%	901715	18%	877162	-3%	922020	5%	956069	4%	1033283	8%	1031782	0%
UN Regular Budget Fund	0	NA	0	NA	0	NA	31516	NA	43138	37%	32692	-24%	38328	17%	33734	-12%	46031	36%
Supplementary Programme Fund	163875	NA	220927	35%	312687	42%	179761	-43%	315823	76%	216533	-31%	344299	59%	541832	57%	671844	24%
Junior Professional Officers Fund	11154	NA	10368	-7%	9386	-9%	11391	21%	10548	-7%	10923	4%	11918	9%	13843	16%	12002	-13%
<b>Total Voluntary Contributions</b>	<b>943959</b>	<b>NA</b>	<b>972897</b>	<b>3%</b>	<b>1083021</b>	<b>11%</b>	<b>1124384</b>	<b>4%</b>	<b>1246671</b>	<b>11%</b>	<b>1182168</b>	<b>-5%</b>	<b>1350614</b>	<b>14%</b>	<b>1622691</b>	<b>20%</b>	<b>1761659</b>	<b>9%</b>
<b>Other/Miscellaneous Income:</b>																		
Interest Income	5667	NA	4061	-28%	2930	-28%	2064	-30%	2951	43%	5568	89%	12431	123%	7068	-43%	2295	-68%
Currency Exchange Adjustments	-17039	NA	38414	-325%	48386	26%	7843	-84%	-39540	#####	25224	#####	6314	-75%	4274	-32%	-1779	-142%
Other Income	5826	NA	8067	38%	9801	21%	9486	-3%	11867	25%	12191	3%	10899	-11%	12069	11%	40341	234%
Prior-Year Contribution Adjustments	-2128	NA	-2216	4%	-2429	10%	-1874	-23%	-2656	42%	-7209	171%	-7980	11%	-1328	-83%	-263	-80%
<b>Total Miscellaneous Income</b>	<b>-7675</b>	<b>NA</b>	<b>48326</b>	<b>-730%</b>	<b>58689</b>	<b>21%</b>	<b>17518</b>	<b>-70%</b>	<b>-27379</b>	<b>-256%</b>	<b>35774</b>	<b>-231%</b>	<b>21664</b>	<b>-39%</b>	<b>22082</b>	<b>2%</b>	<b>40594</b>	<b>84%</b>
<b>Total Income</b>	<b>936284</b>	<b>NA</b>	<b>1021224</b>	<b>9%</b>	<b>1141710</b>	<b>12%</b>	<b>1141902</b>	<b>0%</b>	<b>1219292</b>	<b>7%</b>	<b>1217942</b>	<b>0%</b>	<b>1372278</b>	<b>13%</b>	<b>1644773</b>	<b>20%</b>	<b>1802253</b>	<b>10%</b>

**Table 5.3 - Contributions per Donor**

	2001		2002		2003		2004		2005		2006		2007		2008		2009	
<i>Governmental Donor &amp; \$ amounts</i>	Government	(\$ 000)	Government	(\$ 000)	Government	(\$ 000)	Government	(\$ 000)	Government	(\$ 000)	Government	(\$ 000)	Government	(\$ 000)	Government	(\$ 000)	Government	(\$ 000)
<b>Total Contributions by Donor</b>	(from UNHCR Global Reports & Audited Financial Statements)																	
<b>Top Ten Governmental Donors :</b>																		
	USA	244708	USA	259245	USA	308694	USA	302252	USA	322711	USA	329341	USA	367116	USA	510252	USA	640727
	Japan	90864	Japan	118870	Japan	90851	Japan	81752	Japan	94519	Japan	75148	Japan	89704	Japan	110871	Japan	110554
	Netherlands	57912	Netherlands	61210	Netherlands	56690	Netherlands	78980	Sweden	85199	Sweden	68069	Sweden	85167	Sweden	105367	Sweden	107885
	Sweden	41584	Sweden	42457	Sweden	53389	Sweden	60836	Netherlands	76476	Netherlands	66672	Netherlands	74170	Netherlands	85494	Netherlands	80617
	Norway	38053	Norway	38732	Norway	48550	Norway	53840	Norway	62786	Norway	55198	Denmark*	57847	Norway	61048	Norway	60643
	Denmark	37329	UK	33561	UK	46543	UK	48390	UK	56892	UK	51992	UK	56213	UK	57423	Germany	54530
	UK	36142	Denmark	33096	Denmark	39072	Denmark	45444	Denmark	53033	Denmark	50661	Norway	55255	Denmark	55779	Denmark	52133
	Germany	29234	Germany	30560	Germany	32557	Germany	31194	Germany	40157	Germany	31087	Canada	35663	Germany	48884	Canada	45562
	Italy	25421	Canada	18891	Canada	24649	Canada	23725	Canada	31742	Spain	27875	Spain	33550	Italy	44117	UK	41997
	Canada	17141	Switzerland	15856	Switzerland	22459	Switzerland	22241	Switzerland	23702	Canada	27311	Germany	33285	Canada	42793	Spain	39539
<i>\$ amounts &amp; % shares of total:</i>	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)
<b>Total Top Ten Donors</b>	<b>79%</b>	<b>618388</b>	<b>80%</b>	<b>652478</b>	<b>78%</b>	<b>723454</b>	<b>76%</b>	<b>748654</b>	<b>75%</b>	<b>847217</b>	<b>71%</b>	<b>783354</b>	<b>68%</b>	<b>887970</b>	<b>69%</b>	<b>1122028</b>	<b>70%</b>	<b>1234187</b>
Other Governmental Donors	9%	71284	9%	77216	10%	96077	10%	103255	11%	127792	13%	142906	15%	194601	14%	228837	13%	235587
<b>Total Governmental Donors</b>	<b>89%</b>	<b>689672</b>	<b>89%</b>	<b>729694</b>	<b>88%</b>	<b>819531</b>	<b>86%</b>	<b>851909</b>	<b>86%</b>	<b>975009</b>	<b>83%</b>	<b>926260</b>	<b>83%</b>	<b>1082571</b>	<b>83%</b>	<b>1350865</b>	<b>83%</b>	<b>1469774</b>
<b>European Commission</b>	<b>8%</b>	<b>65699</b>	<b>8%</b>	<b>65720</b>	<b>8%</b>	<b>71132</b>	<b>8%</b>	<b>80520</b>	<b>8%</b>	<b>86130</b>	<b>7%</b>	<b>79571</b>	<b>6%</b>	<b>84649</b>	<b>8%</b>	<b>130146</b>	<b>7%</b>	<b>126948</b>
<b>Intergovernmental Donors</b>	<b>0%</b>	<b>2175</b>	<b>0%</b>	<b>196</b>	<b>0%</b>	<b>0</b>	<b>0%</b>	<b>1714</b>	<b>0%</b>	<b>1612</b>	<b>0%</b>	<b>2676</b>	<b>0%</b>	<b>2934</b>	<b>0%</b>	<b>2373</b>	<b>0%</b>	<b>7167</b>
<b>UN Donors:</b>																		
UN Regular Budget	0%	0	0%	0	0%	0	0%	0	3%	39270	3%	30721	3%	37043	2%	33854	3%	46031
CERF	0%	0	0%	0	0%	0	0%	0	0%	0	2%	22841	3%	43258	3%	45680	2%	38383
Other UN Funds	0%	2169	0%	731	2%	17808	4%	37020	0%	2621	2%	27106	2%	20774	1%	21234	1%	22646
<b>Total UN Funds</b>	<b>0%</b>	<b>2169</b>	<b>0%</b>	<b>731</b>	<b>2%</b>	<b>17808</b>	<b>4%</b>	<b>37020</b>	<b>4%</b>	<b>41891</b>	<b>7%</b>	<b>80668</b>	<b>8%</b>	<b>101075</b>	<b>6%</b>	<b>100768</b>	<b>6%</b>	<b>107060</b>
<b>Private Donors</b>	<b>3%</b>	<b>19522</b>	<b>2%</b>	<b>19481</b>	<b>2%</b>	<b>20394</b>	<b>2%</b>	<b>18857</b>	<b>3%</b>	<b>30243</b>	<b>2%</b>	<b>21706</b>	<b>3%</b>	<b>34088</b>	<b>3%</b>	<b>47817</b>	<b>3%</b>	<b>50710</b>
Adjustments	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	-3482	0%	0
<b>Total Contributions</b>	<b>100%</b>	<b>779237</b>	<b>100%</b>	<b>815822</b>	<b>100%</b>	<b>928865</b>	<b>100%</b>	<b>990020</b>	<b>100%</b>	<b>1134885</b>	<b>100%</b>	<b>1110881</b>	<b>100%</b>	<b>1305317</b>	<b>100%</b>	<b>1628487</b>	<b>100%</b>	<b>1761659</b>
<b>Share of Unrestricted Contrs.</b>	<b>18%</b>	<b>143834</b>	<b>20%</b>	<b>162526</b>	<b>19%</b>	<b>174023</b>	<b>20%</b>	<b>194568</b>	<b>19%</b>	<b>218663</b>	<b>19%</b>	<b>215676</b>	<b>20%</b>	<b>262357</b>	<b>19%</b>	<b>307667</b>	<b>17%</b>	<b>304849</b>
	2001		2002		2003		2004		2005		2006		2007		2008		2009	
<i>\$ 000 &amp; % growth per year:</i>	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%
<b>Total Contributions in reals terms</b>	constant 2009 prices																	
Total Top Ten Govt. Donors	749108	NA	778103	NA	843520	8%	850259	1%	930668	9%	833623	-10%	918784	10%	1118036	22%	1234187	10%
Total Governmental Donors	835461	NA	870185	4%	955542	10%	967528	1%	1071047	11%	985700	-8%	1120137	14%	1346059	20%	1469774	9%
European Commission	79587	NA	78373	-2%	82937	6%	91448	10%	94614	3%	84677	-11%	87586	3%	129683	48%	126948	-2%
Intergovernmental Donors	2635	NA	234	-91%	0	-100%	1947	NA	1771	-9%	2848	61%	3036	7%	2365	-22%	7167	203%
Total UN Donors	2628	NA	872	-67%	20763	2282%	42044	102%	46017	9%	85845	87%	104582	22%	100409	-4%	107060	7%
Total Private Donors	23649	NA	23232	-2%	23779	2%	21416	-10%	33222	55%	23099	-30%	35271	53%	47647	NA	50710	NA
Adjustments	0	NA	0	NA	0	NA	0	NA	0	NA	0	NA	0	NA	-3470	NA	0	NA
<b>Total Contributions</b>	<b>943959</b>	<b>NA</b>	<b>972896</b>	<b>3%</b>	<b>1083021</b>	<b>11%</b>	<b>1124383</b>	<b>4%</b>	<b>1246671</b>	<b>11%</b>	<b>1182168</b>	<b>-5%</b>	<b>1350613</b>	<b>14%</b>	<b>1622693</b>	<b>20%</b>	<b>1761659</b>	<b>9%</b>

273. Moreover, most contributions are “tightly earmarked” by donors for specific countries and/or activities (e.g. HIV) or “loosely earmarked” to specific regions or sub-regions. “**Unrestricted contributions**” that UNHCR may freely allocate to needs are a small and stagnating portion, from 19.7 percent of all contributions in 2004 to 17.3 percent in 2009. As shown in **Table 5.4**, these unrestricted contributions are even more concentrated, with 97 percent from Governments, 81 percent from the top ten of them and 72 percent from the 8 regular contributors: Netherlands, UK, Denmark, Norway (12 percent), Canada, Spain, Switzerland and France. As such core contributions are critical to complement individual programmes and to follow a consistent strategy, their acute concentration adds to the vulnerability of UNHCR.

274. In addition, there has been no clear shift from **tightly to loosely earmarked contributions** as shown in **Table 5.5**. The share of tightly earmarked contributions has remained high and averaged 54 percent of all contributions from 2008 to 2010. In 2009, the unrestricted shares of contributions were nil from USA and Sweden and below one-third from Canada and Australia, while the tightly restricted shares were 100 percent from the EC and above 75 percent from Japan, Germany and Italy (**Table 5.6**). Hence several major unrestricted contributors (e.g. Canada and Germany) are also largely resorting to tight or loose earmarking.

**Table 5.4 - Unrestricted Contributions by Donor**

	2002		2003		2004		2005		2006		2007		2008		2009	
<i>Governmental Donor &amp; \$ amounts</i>	Government	(\$ 000)	Government	(\$ 000)	Government	(\$ 000)	Government	(\$ 000)	Government	(\$ 000)	Government	(\$ 000)	Government	(\$ 000)	Government	(\$ 000)
<b>Unrestricted Contributions by Donor</b>																
(from UNHCR Global Reports - Donor Profiles & Audited Financial Statements)																
<b>Top Ten Governmental Donors :</b>																
	Netherland:	40895	Netherlands	42693	Netherlands	51061	Netherlands	55495	Netherlands	48402	Netherlands:	53816	Netherlands	61332	Netherlands	60086
	Norway	19444	UK	26310	UK	28418	UK	38124	UK	30088	UK	38540	Norway	43796	Norway	41733
	UK	19071	Denmark	17556	Denmark	20973	Denmark	22810	Denmark	20635	Norway	27113	UK	34926	UK	30097
	Denmark	15080	Norway	13610	Norway	15345	Norway	15974	Norway	14749	Denmark	22928	Denmark	25440	Denmark	24947
	Canada	9482	Canada	9611	Switzerland	10839	Ireland	11789	Canada	12348	Ireland	17000	Ireland	18440	France	14731
	Switzerland	8074	Switzerland	9353	Canada	10448	Canada	11661	Spain	11730	France	14310	Spain	16272	Spain	14365
	Australia	7296	Finland	7535	Ireland	8718	Switzerland	9244	France	11718	Spain	13844	France	15858	Belgium	12500
	Finland	6124	Ireland	7289	Finland	8706	Finland	9056	Ireland	11036	Canada	12069	Canada	14315	Switzerland	11973
	USA	6000	Italy	5701	Australia	5526	France	8468	Switzerland	9016	Finland	9563	Finland	10903	Canada	11272
	Ireland	5099	Germany	5492	Italy	5515	Italy	5821	Finland	8464	Switzerland	9016	Switzerland	10381	Germany	10873
<b>\$ amounts &amp; % shares of total:</b>	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)
Total Top Ten Donors	84%	136565	83%	145150	85%	165549	86%	188442	83%	178187	83%	218199	82%	251663	76%	232577
Other Governmental Donors	13%	21429	14%	24290	13%	25060	12%	26070	14%	30527	14%	35582	18%	54927	18%	55047
Total Governmental Donors	97%	157994	97%	169440	98%	190609	98%	214512	97%	208714	97%	253781	100%	306590	94%	287624
Total Others Donors (mostly private)	3%	4532	3%	4583	2%	3959	2%	4151	3%	6962	3%	8576	0%	1077	6%	17225
<b>Total Unrestrd. Contributions</b>	<b>100%</b>	<b>162526</b>	<b>100%</b>	<b>174023</b>	<b>100%</b>	<b>194568</b>	<b>100%</b>	<b>218663</b>	<b>100%</b>	<b>215676</b>	<b>100%</b>	<b>262357</b>	<b>100%</b>	<b>307667</b>	<b>100%</b>	<b>304849</b>
	2002		2003		2004		2005		2006		2007		2008		2009	
<b>\$ 000 &amp; % growth per year:</b>	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%
<b>Total Unrestricted Contributions in reals term</b> (constant 2009 prices)																
Total Top Ten Govt. Donors	162859	NA	169239	4%	188017	11%	207003	10%	189622	-8%	225771	19%	250768	11%	232577	-7%
Total Governmental Donors	188413	NA	197561	5%	216478	10%	235641	9%	222108	-6%	262587	18%	305500	16%	287624	-6%
Total Others Donors (mostly private)	5405	NA	5344	-1%	4496	-16%	4560	1%	7409	62%	8874	20%	1073	-88%	17225	1506%
<b>Total Unrestrd. Contributions</b>	<b>193818</b>	<b>NA</b>	<b>202904</b>	<b>5%</b>	<b>220974</b>	<b>9%</b>	<b>240201</b>	<b>9%</b>	<b>229516</b>	<b>-4%</b>	<b>271461</b>	<b>18%</b>	<b>306572</b>	<b>13%</b>	<b>304849</b>	<b>-1%</b>

**Table 5.5 - Contributions by Earmarking Level**

Region / Sub-Region	2008				2009				2010			
	Unrestricted	Broadly earmarked	Strictly earmarked	Grand Total	Unrestricted	Broadly earmarked	Strictly earmarked	Grand Total	Unrestricted	Broadly earmarked	Strictly earmarked	Grand Total
<i>(from UNHCR External Relations Division)</i>	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
<b>AFRICA</b>		<b>134187</b>	<b>386826</b>	<b>521013</b>		<b>107139</b>	<b>364261</b>	<b>471399</b>		<b>143219</b>	<b>419305</b>	<b>562524</b>
<b>AFRICA OVERALL</b>		61375	16558	<b>77933</b>		52856	1255	<b>54110</b>		112071	78	<b>112149</b>
CENTRAL AFRICA AND GREAT LAKES		31982	204945	<b>236926</b>		19870	180577	<b>200447</b>		4794	181360	<b>186154</b>
EAST AND HORN OF AFRICA		25480	137892	<b>163372</b>		17893	165358	<b>183251</b>		20956	216639	<b>237596</b>
SOUTHERN AFRICA		6154	9028	<b>15182</b>		4551	8911	<b>13462</b>		938	6027	<b>6965</b>
WEST AFRICA		9196	18403	<b>27599</b>		11969	8159	<b>20129</b>		4460	15200	<b>19660</b>
<b>AMERICAS</b>		<b>8766</b>	<b>19710</b>	<b>28476</b>		<b>1845</b>	<b>32069</b>	<b>33914</b>		<b>13683</b>	<b>28978</b>	<b>42661</b>
<b>AMERICAS OVERALL</b>		1898	0	<b>1898</b>		1845	0	<b>1845</b>		1770	0	<b>1770</b>
CENTRAL AMERICA AND MEXICO		310	0	<b>310</b>		0	340	<b>340</b>		0	350	<b>350</b>
NORTH AMERICA AND CARIBBEAN		1413	0	<b>1413</b>		0	296	<b>296</b>		0	6482	<b>6482</b>
NORTHERN SOUTH AMERICA		4215	19471	<b>23687</b>		0	29929	<b>29929</b>		11913	19685	<b>31597</b>
SOUTHERN SOUTH AMERICA		930	239	<b>1169</b>		0	1503	<b>1503</b>		0	2461	<b>2461</b>
<b>ASIA AND THE PACIFIC</b>		<b>48918</b>	<b>127616</b>	<b>176534</b>		<b>50086</b>	<b>239050</b>	<b>289136</b>		<b>75835</b>	<b>356480</b>	<b>432315</b>
<b>ASIA AND PACIFIC OVERALL</b>		5645	0	<b>5645</b>		4243	125	<b>4368</b>		9795	0	<b>9795</b>
CENTRAL ASIA		2137	0	<b>2137</b>		2500	167	<b>2667</b>		3076	29002	<b>32077</b>
EAST ASIA AND THE PACIFIC		9122	15479	<b>24601</b>		10800	16899	<b>27699</b>		6400	175	<b>6575</b>
SOUTH ASIA		0	31022	<b>31022</b>		0	47104	<b>47104</b>		3550	28322	<b>31872</b>
SOUTH-WEST ASIA		32014	81115	<b>113129</b>		32542	174755	<b>207298</b>		46614	275766	<b>322380</b>
SOUTH EAST ASIA		0	0	<b>0</b>		0	0	<b>0</b>		6400	23215	<b>29615</b>
<b>EUROPE</b>		<b>18425</b>	<b>39184</b>	<b>57608</b>		<b>27424</b>	<b>50374</b>	<b>77798</b>		<b>32247</b>	<b>34852</b>	<b>67099</b>
<b>EUROPE OVERALL</b>		400	0	<b>400</b>		257	0	<b>257</b>		4507	0	<b>4507</b>
CENTRAL EUROPE		2923	494	<b>3417</b>		3660	1470	<b>5131</b>		1299	1093	<b>2392</b>
EASTERN EUROPE		5378	26544	<b>31922</b>		5606	38549	<b>44155</b>		12470	20441	<b>32911</b>
SOUTH EASTERN EUROPE		8751	7401	<b>16152</b>		12701	4932	<b>17633</b>		12762	7789	<b>20551</b>
WESTERN EUROPE		973	4745	<b>5717</b>		5200	5422	<b>10622</b>		1209	5529	<b>6738</b>
<b>MENA</b>		<b>177641</b>	<b>92187</b>	<b>269828</b>		<b>174006</b>	<b>103645</b>	<b>277651</b>		<b>206825</b>	<b>102557</b>	<b>309382</b>
<b>MENA OVERALL</b>		110974	533	<b>111507</b>		1733	0	<b>1733</b>		7617	0	<b>7617</b>
MIDDLE EAST		64463	77555	<b>142018</b>		170557	89426	<b>259984</b>		197611	89621	<b>287232</b>
NORTH AFRICA		2204	14099	<b>16303</b>		1716	14219	<b>15934</b>		1597	12936	<b>14533</b>
<b>Operational Reserve</b>		9274		<b>9274</b>		25751		<b>25751</b>		25692		<b>25692</b>
<b>HQs/Global Ops/JPOs/IN costs</b>		47264	64293	<b>111556</b>		50402	82786	<b>133189</b>		35886	44965	<b>80851</b>
<b>Unrestricted</b>	306068			<b>306068</b>	287314			<b>287314</b>	343309			<b>343309</b>
<b>Other</b>	1598	3258	112898	<b>117755</b>	17536	700	101240	<b>119476</b>				<b>0</b>
<b>Grand Total</b>	<b>307667</b>	<b>447733</b>	<b>842714</b>	<b>1598114</b>	<b>304850</b>	<b>437353</b>	<b>973426</b>	<b>1715628</b>	<b>343309</b>	<b>533387</b>	<b>987137</b>	<b>1863832</b>
	<b>19%</b>	<b>28%</b>	<b>53%</b>	<b>100%</b>	<b>18%</b>	<b>25%</b>	<b>57%</b>	<b>100%</b>	<b>18%</b>	<b>29%</b>	<b>53%</b>	<b>100%</b>

**Table 5.6 - Largest Contributions by Donor and Earmarking Level**

2009							
<i>(from UNHCR External Relations Division)</i>		%	(\$ 000)	%	(\$ 000)	%	(\$ 000)
<i>(2009 contributions to UNHCR above USD 3,000,000)</i>							
Donor	Total Contribution	Breakdown of Contribution					
		Unrestricted*		Lightly Earmarked**		Tightly Earmarked***	
United States Of America	640727	0%	-	51%	325911	49%	314816
European Commission	126948	0%	-	0%	-	100%	126948
Japan	110554	10%	10692	11%	11870	80%	87992
Sweden	107885	0%	-	58%	62180	42%	45705
Netherlands	80617	75%	60086	0%	-	25%	20531
Norway	60643	69%	41733	1%	435	30%	18475
Germany	54530	20%	10873	0%	-	80%	43657
Denmark	52133	48%	24947	20%	10324	32%	16862
Canada	45562	25%	11272	17%	7840	58%	26450
United Kingdom	41997	72%	30097	6%	2719	22%	9181
Spain	39539	36%	14365	0%	-	64%	25174
CERF	38383	0%	-	0%	-	100%	38383
Australia	32874	30%	9761	0%	-	70%	23112
United Arab Emirates	30054	0.2%	54	0%	-	100%	30000
Finland	26881	37%	10014	42%	11345	21%	5521
Switzerland	25608	47%	11973	2%	609	51%	13026
Belgium	23841	52%	12500	0%	-	48%	11341
France	23210	63%	14731	0%	-	37%	8479
Italy	15450	11%	1647	0%	-	89%	13803
Ireland	11850	65%	7736	6%	654	29%	3460
Luxembourg	11077	19%	2146	23%	2575	57%	6356
Saudi Arabia	6421	2%	112	0%	-	98%	6309
Com. Hum. Fund for Sudan	5961	0%	-	0%	-	100%	5961
Russian Federation	4000	13%	500	0%	-	88%	3500
Joint UN Prog on HIV/AIDS	3633	0%	-	0%	-	100%	3633
New Zealand	3501	100%	3501	0%	-	0%	-
Republic of Korea	3228	77%	2500	0%	-	23%	728
Other donors	88523	27%	23610	1%	891	72%	64022
<b>Total</b>	<b>1715628</b>	<b>18%</b>	<b>304849</b>	<b>25%</b>	<b>437353</b>	<b>57%</b>	<b>973426</b>
<i>* allocated by UNHCR where funds are most needed</i>							
<i>** allocated by donor for use within specified geographic regions</i>							
<i>*** to be used only for specific countries or types of activities</i>							

### c. Mapping expenditures at Headquarters, Regional and Country level - Programme Expenditures

275. Details regarding the **object of expenditures** are provided in **Table 5.7**. By 2007, expenditures were spread between 54 percent for “operations” (excluding staff cost), 34 percent for staff costs and a stable share of only 12 percent for all other costs such as travel and supplies.

**Table 5.7 - Expenditure by Object**

	2004		2005		2006		2007		2008		2009	
(per Audited Financial Statements, with 2005-2007 details from UNHCR Subsequent Years' Budgets)												
<i>\$ amounts &amp; % shares of total:</i>	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%
<b>Operations</b>	n.a.	<b>50%</b>	<b>570,444</b>	<b>47%</b>	<b>524,505</b>	<b>54%</b>	<b>725,651</b>	<b>85%</b>	<b>904,139</b>	<b>91%</b>	<b>1,046,174</b>	
Staff Posts	n.a.	30%	343,378	34%	377,248	31%	421,077	44%	469,238	46%	523,672	
Other Staff Costs	n.a.	7%	83,017	7%	73,906	3%	43,261	7%	73,040	3%	39,692	
<b>Total Staff Costs</b>	<b>35%</b>	<b>375,600</b>	<b>37%</b>	<b>426,395</b>	<b>41%</b>	<b>451,154</b>	<b>34%</b>	<b>464,338</b>	<b>51%</b>	<b>542,278</b>	<b>49%</b>	<b>563,364</b>
Consultants	n.a.	0%	3,075	0%	4,413	0%	4,337	0%	3,210	0%	3,209	
Travel	23,800	2%	25,020	2%	20,689	2%	26,039	3%	28,222	3%	30,774	
Contractual Services	n.a.	1%	10,595	1%	5,563	1%	9,343	1%	9,833	1%	8,193	
Operating Expenses	n.a.	5%	54,960	5%	52,123	4%	54,841	6%	65,992	6%	69,322	
Supplies and Materials	n.a.	1%	11,073	1%	10,478	1%	11,954	1%	13,290	1%	12,970	
Furniture and Equipment	n.a.	2%	20,661	1%	11,632	1%	18,188	3%	30,052	2%	27,718	
Others	n.a.	2%	22,465	2%	23,727	3%	37,799	3%	31,257	3%	33,951	
<b>Total Other Costs</b>	n.a.	<b>13%</b>	<b>147,849</b>	<b>12%</b>	<b>128,625</b>	<b>12%</b>	<b>162,501</b>	<b>17%</b>	<b>181,855</b>	<b>16%</b>	<b>186,138</b>	
<b>Year Expenditure</b>	<b>100%</b>	<b>1,064,712</b>	<b>100%</b>	<b>1,144,688</b>	<b>100%</b>	<b>1,104,284</b>	<b>100%</b>	<b>1,352,490</b>	<b>100%</b>	<b>1,628,272</b>	<b>100%</b>	<b>1,795,677</b>
Prior-Year Expenditure Adjustments	-1%	(12,433)	-1%	(11,237)	-1%	(6,926)	-1%	(11,322)	-1%	(9,437)	-1%	(18,386)
Prior-Year Obligation Cancellations	-2%	(17,569)	-1%	(15,060)	-1%	(14,729)	-1%	(9,132)	-1%	(16,159)	-1%	(13,223)
<b>Total Expenditure</b>	<b>97%</b>	<b>1,034,710</b>	<b>98%</b>	<b>1,118,391</b>	<b>98%</b>	<b>1,082,629</b>	<b>98%</b>	<b>1,332,036</b>	<b>98%</b>	<b>1,602,676</b>	<b>98%</b>	<b>1,764,068</b>
Exceptional Adjustments*	-	-	-	-	-	-	367,477	-	-	-	72,204	
<b>Expenditure after Above Adjustments</b>	<b>97%</b>	<b>1,034,710</b>	<b>98%</b>	<b>1,118,391</b>	<b>98%</b>	<b>1,082,629</b>	<b>126%</b>	<b>1,699,513</b>	<b>98%</b>	<b>1,602,676</b>	<b>102%</b>	<b>1,836,272</b>
<i>(Growth Rate)</i>	NA		0		(0)		1		(0)		0	
As % of Total Expenditure before Exceptional Adjustments:												
<b>Programme Support Costs</b>	24%	249,183	22%	249,183	28%	300,370	22%	288,842	20%	316,765	18%	308,927
<b>Management and Administration</b>	7%	75,718	8%	85,574	8%	88,719	7%	88,121	6%	98,552	6%	106,440
<b>Total Support Costs and Administration</b>	31%	324,901	30%	334,757	36%	389,089	28%	376,963	26%	415,317	24%	415,367
<b>Payments to Implementing Partners</b>	32%	329,000	29%	324,000	29%	315,300	32%	432,000	33%	531,500	34%	598,800
<b>Total Income</b>		<b>1,005,446</b>		<b>1,109,961</b>		<b>1,144,498</b>		<b>1,326,255</b>		<b>1,650,646</b>		<b>1,806,395</b>
<b>Balance before Exceptional Adjustments</b>		<b>(29,264)</b>		<b>(8,430)</b>		<b>61,869</b>		<b>(5,781)</b>		<b>47,970</b>		<b>42,327</b>

\* Adjustments of Staff Benefits Fund in 2007, and for prior-period end-of-services liabilities in 2009

276. Payments to “**implementing partners**” such as NGOs in the field have represented 59 percent of the above costs of “operations” through 2005-2007, and have increased by amount at 17 percent p.a. since 2006, from a share of 29 percent of expenditure in 2005 to 34 percent in 2009. This implies that UNHCR delegates most of its programme activities to its partners, and rather increasingly so.

277. In addition to the direct costs of its field programmes and “global programmes”, UNHCR budgets its **support costs** incurred in support of these programmes and its “management and administration” **overheads** independent from individual programmes. Such support costs have averaged 21 percent of total expenditure (before exceptional adjustments) through 2006-2009 and increased by less than 1 percent p.a. since 2005 to come down to about 18 percent of expenditure in 2009. At the same time, overheads have averaged 7 percent and increased by less than 5 percent p.a. to arrive at 6 percent in 2009. This reflects some cost reduction efforts and not only normal economies of scale.

278. As other UN agencies, UNHCR applies a detailed classification of staff posts to split costs between programmes, support and administration. Support costs incurred in the regions and countries may be regarded as direct support costs; their share of total support costs has been slightly increasing since 2007 to reach 61 percent in 2009 (Table 15). On the other hand, all the support costs accounted for at Headquarters are likely to represent **indirect support costs**; although their share has been slightly decreasing since 2007, it was still up to 20 percent of support costs and 4 percent of total expenditure in 2009.

279. The global programmes accounted for the remaining, stable and significant share of 19 percent of total support costs by 2009. Up to 53 percent of their total expenditure was classified as support costs in 2009 (Table 15 – before prior years’ adjustments). The classification of the **global programmes** appears delicate. Some of them act as reserves for operations according to field needs (anaemia). From their description however, several others would seem to be 100 percent devoted to operational support. The above support cost share of 53 percent of their expenditure and thus the total support costs of UNHCR might be underestimated for that reason. More broadly, the above classification of staff posts seems to reflect budgeting targets rather than ex-post verifications of actual activities, which may also lead to an underestimation of support costs and overheads.

280. UNHCR’s support costs and overheads may partly stem from specific features: high security costs, down-times between short interventions (with specialized staff kept idle), geographical spread, fund mobilization, and advocacy and coordination involvement (e.g. in Europe). Subject to comparison however, total and indirect support costs remain high, especially in light of the above reliance on implementing partners. **UNHCR's efficiency** could most probably be improved, for instance by enlisting further implementing partners, limiting specialized permanent staffing, focusing on programme management, or pooling common regional services.

281. **Table 5.8** details the total **expenditure breakdown by fund** account of UNHCR. By 2009, the Annual Programme including overheads accounted for 57 percent of the total, the Supplementary Programme for a growing share of 34 percent, the three funds of an administrative nature for up to 8 percent mainly due to one-time adjustments, and the UN Regular Budget and JPO accounts for only 2 percent and 1 percent respectively. The share of support costs differed widely from 28 percent under the Annual Programme to 6 percent under the Supplementary Programme. As an official puts it, we incur more support costs once we get settled in the longer term.



**Table 5.8 - Expenditure and Balances by Fund**

	2006		2007		2008		2009		Average	
(per Audited Financial Statements, with Support Costs Details from Subsequent Years' Budgets)										
<i>\$ amounts &amp; % shares of totals:</i>	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)
<b>Annual Programme</b>										
Beginning of Year Balance	1%	7774	6%	58840	6%	62130	7%	76339	5%	51271
Total Income	101%	866231	97%	928028	100%	1042170	100%	1040911	100%	969335
Year Expenditure*	63%	538822	64%	608670	64%	669993	65%	678548	64%	624008
Estimated Support Costs	29%	246032	29%	272476	28%	291067	27%	276981	28%	271639
Management and Administration	9%	78575	9%	88121	9%	98552	10%	106440	10%	92922
Prior Years' Adjustments**	-1%	-9528	-2%	-15015	-2%	-16443	-2%	-16910	-1%	-14474
Total Expenditure	100%	853901	100%	954252	100%	1043169	100%	1045059	100%	974095
Balance before Transfers	2%	20104	3%	32616	6%	61131	7%	72191	5%	46511
Transfers from Supplementary Programme	2%	16934	3%	32616	4%	43887	4%	46001	4%	34860
Transfers to/from Other Funds	3%	21802	0%	-3102	-3%	-28679	-2%	-17753	-1%	-6933
End Year Balance	7%	58840	7%	62130	7%	76339	10%	100439	8%	74437
<b>Supplementary Programme</b>										
Beginning of Year Balance	32%	58731	17%	55402	10%	48586	12%	72605	15%	58831
Total Income	111%	203476	102%	326307	112%	543771	108%	671968	108%	436381
Year Expenditure*	98%	180195	97%	309772	97%	467250	97%	602429	97%	389912
Estimated Support Costs	2%	15808	5%	16366	5%	25698	5%	31946	6%	22455
Prior Years' Adjustments**	-1%	-12045	-2%	-5439	-2%	-8812	-2%	-13492	-2%	-9947
Total Expenditure	100%	183958	100%	320699	100%	484136	100%	620883	100%	402419
Balance before Transfers	9%	78249	19%	61010	22%	108221	20%	123690	23%	92793
Transfers to Annual Programme	-2%	-16934	-10%	-32616	-9%	-43887	-7%	-46001	-9%	-34860
Transfers to/from Other Funds	-1%	-5913	6%	20192	2%	8271	3%	17422	2%	9993
End Year Balance	6%	55402	15%	48586	15%	72605	15%	95110	17%	67926
<b>UN Regular Budget</b>										
Beginning of Year Balance	2%	736	0%	0	0%	0	0%	0	0%	184
Total Income	98%	30721	100%	37043	100%	33854	100%	46031	100%	36912
Year Expenditure*	100%	31458	100%	37043	100%	33854	100%	46031	100%	37097
Prior Years' Adjustments**	0%	-2	0%	0	0%	0	0%	0	0%	-1
Total Expenditure	100%	31456	100%	37043	100%	33854	100%	46031	100%	37096
Transfers to/from Other Funds	0%	0	0%	0	0%	0	0%	0	0%	0
End Year Balance	0%	1	0%	0	0%	0	0%	0	0%	0
<b>Junior Professional Officers (JPOs)</b>										
Beginning of Year Balance	76%	7422	71%	6777	65%	7211	71%	8519	71%	7482
Total Income	104%	10112	120%	11500	124%	13698	99%	11897	111%	11802
Year Expenditure*	101%	9837	100%	9566	100%	11060	101%	12122	100%	10646
Prior Years' Adjustments**	-1%	-80	0%	0	0%	3	-1%	-67	0%	-36
Total Expenditure	100%	9757	100%	9566	100%	11063	100%	12055	100%	10610
Transfers to/from Other Funds	-10%	-1000	-16%	-1500	-12%	-1327	-12%	-1465	-12%	-1323
End Year Balance	69%	6777	75%	7211	77%	8519	57%	6897	69%	7351
<b>Administrative Funds***</b>										
Beginning of Year Balance	1649%	58648	20%	74159	-972%	-296007	-256%	-287573	-86%	-112693
Total Income	955%	33958	6%	23377	56%	17153	32%	35588	21%	27519
Year Expenditure*	100%	3557	3%	10476	101%	30798	37%	41181	16%	21503
Prior Years' Adjustments**	0%	0	97%	367477	-1%	-344	63%	71064	84%	109549
Total Expenditure	100%	3557	100%	377953	100%	30454	100%	112245	100%	131052
Transfers to/from Other Funds	-419%	-14889	-4%	-15590	71%	21735	2%	1797	-1%	-1737
End Year Balance	2085%	74160	-78%	-296007	-944%	-287573	-323%	-362433	-166%	-217963
<b>Total</b>										
Beginning of Year Balance	12%	133311	11%	195178	-11%	-178080	-7%	-130110	0%	5075
Total Income	106%	1144498	78%	1326255	103%	1650646	98%	1806395	95%	1481949
Year Expenditure*	71%	763869	57%	975527	76%	1212955	75%	1380311	70%	1083166
Estimated Support Costs	24%	261840	17%	288842	20%	316765	17%	308927	19%	294094
Management and Administration	7%	78575	5%	88121	6%	98552	6%	106440	6%	92922
Prior Years' Adjustments**	-2%	-21655	20%	347023	-2%	-25596	2%	40595	5%	85092
Total Expenditure	100%	1082629	100%	1699513	100%	1602676	100%	1836273	100%	1555273
End Year Balance	18%	195180	-10%	-178080	-8%	-130110	-9%	-159988	-4%	-68250

\* excluding Management and Administration costs - all charged to the Annual Programme

\*\* including cancellation of prior years' obligations

\*\*\* Working Capital and Guarantee Fund, Staff Benefits Fund and Medical Insurance Plan

**Table 5.9 - Expenditure and Funding Balances by Location**

	2006		2007		2008		2009		Average	
<i>\$ amounts &amp; % shares of totals:</i>	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)
<b>AFRICA</b>	45%		42%		41%		38%		41%	
Year Expenditure	85%	421749	87%	485155	87%	569829	88%	585251	87%	515496
Estimated Support Costs	15%	72344	13%	74463	13%	84959	12%	81305	13%	78268
Subtotal	100%	494093	100%	559618	100%	654788	100%	666556	100%	593764
Earmarked Contributions	104%	512788	86%	480807	91%	593933	80%	533739	89%	530317
Miscellaneous Adjustments/Income	2%	9819	3%	14750	3%	19962	3%	21215	3%	16437
Decrease in Balances	-8%	-38139	3%	14037	-1%	-8048	0%	-2523	-1%	-8668
Transfers from Overall Funds <sup>2</sup>	2%	9625	9%	50024	7%	48941	17%	114125	9%	55679
<b>MENA</b>	16%		13%		17%		18%		16%	
Year Expenditure	94%	161164	93%	161863	92%	247388	92%	287298	92%	214428
Estimated Support Costs	6%	9956	7%	12921	8%	22189	8%	26618	8%	17921
Subtotal	100%	171120	100%	174784	100%	269577	100%	313916	100%	232349
Earmarked Contributions	73%	125460	101%	176642	103%	277717	90%	281602	93%	215355
Miscellaneous Adjustments/Income	4%	6288	1%	1162	1%	4007	1%	4523	2%	3995
Decrease in Balances	11%	18332	-4%	-6224	-7%	-17710	2%	5270	0%	-83
Transfers from Overall Funds	12%	21040	2%	3204	2%	5563	7%	22521	6%	13082
<b>ASIA</b>	7%		14%		14%		17%		14%	
Year Expenditure	66%	53766	85%	160265	84%	187320	88%	267462	84%	167203
Estimated Support Costs	34%	27761	15%	28588	16%	36198	12%	35996	16%	32136
Subtotal	100%	81527	100%	188853	100%	223518	100%	303458	100%	199339
Earmarked Contributions	71%	57597	84%	158726	87%	194692	101%	306831	90%	179462
Miscellaneous Adjustments/Income	7%	6031	0%	-315	2%	3591	1%	4050	2%	3339
Decrease in Balances	21%	16723	3%	6411	1%	2152	-10%	-31089	-1%	-1451
Transfers from Overall Funds	1%	1176	13%	24031	10%	23083	8%	23666	9%	17989
<b>EUROPE</b>	9%		8%		8%		8%		8%	
Year Expenditure	68%	68546	70%	76354	74%	92412	76%	103566	72%	85219
Estimated Support Costs	32%	31846	30%	32497	26%	33175	24%	32275	28%	32448
Subtotal	100%	100392	100%	108851	100%	125587	100%	135841	100%	117668
Earmarked Contributions	50%	50079	40%	43781	49%	61338	60%	81293	50%	59123
Miscellaneous Adjustments/Income	1%	1334	2%	1800	1%	1511	2%	3264	2%	1977
Decrease in Balances	0%	33	1%	1040	2%	2008	-7%	-9228	-1%	-1537
Transfers from Overall Funds	49%	48946	57%	62230	48%	60730	45%	60512	49%	58105

<b>AMERICAS</b>	3%		3%		3%		3%		3%	
Year Expenditure	75%	25292	76%	30138	76%	36595	78%	42604	76%	33657
Estimated Support Costs	25%	8274	24%	9578	24%	11455	22%	12238	24%	10386
Subtotal	100%	33566	100%	39716	100%	48050	100%	54842	100%	44044
Earmarked Contributions	71%	23912	79%	31376	61%	29282	65%	35887	68%	30114
Miscellaneous Adjustments/Income	1%	464	1%	591	1%	605	1%	687	1%	587
Decrease in Balances	1%	331	-6%	-2495	-2%	-1150	-2%	-1074	-2%	-1097
Transfers from Overall Funds	26%	8859	26%	10244	40%	19313	35%	19342	33%	14440
<b>GLOBAL PROGRAMMES<sup>3</sup></b>	6%		8%		7%		6%		7%	
Year Expenditure	44%	29505	48%	52257	43%	46118	47%	52759	46%	45160
Estimated Support Costs	56%	37624	52%	55539	57%	62254	53%	58718	54%	53534
Subtotal	100%	67129	100%	107796	100%	108372	100%	111477	100%	98694
Earmarked Contributions	85%	57326	69%	74260	85%	92075	100%	111972	85%	83908
Miscellaneous Adjustments/Income	4%	2848	1%	967	4%	3949	2%	2061	2%	2456
Decrease in Balances	-25%	-16832	-2%	-2337	-13%	-13783	-15%	-17265	-13%	-12554
Transfers from Overall Funds	35%	23787	32%	34906	24%	26131	13%	14709	25%	24883
<b>HEADQUARTERS<sup>4</sup></b>	14%		12%		10%		10%		11%	
Year Expenditure	52%	78862	54%	87136	60%	101046	63%	106630	57%	93419
Estimated Support Costs	48%	74036	46%	75256	40%	66535	37%	61777	43%	69401
Subtotal	100%	152898	100%	162392	100%	167581	100%	168407	100%	162820
Earmarked Contributions	40%	60660	38%	61372	36%	59795	43%	71884	39%	63428
Miscellaneous Adjustments/Income	6%	9418	9%	15423	-15%	-25101	-1%	-1840	0%	-525
Decrease in Balances	2%	3242	2%	2623	1%	1915	0%	-485	1%	1824
Transfers from Overall Funds	52%	79578	51%	82974	78%	130972	59%	98848	60%	98093
<b>TOTAL</b>										
Year Expenditure	76%	838885	78%	1053168	80%	1280708	82%	1445570	80%	1154583
Estimated Support Costs	24%	261840	22%	288842	20%	316765	18%	308927	20%	294094
Subtotal	100%	1100725	100%	1342010	100%	1597473	100%	1754497	100%	1448676
Earmarked Contributions	81%	887822	77%	1026964	82%	1308832	81%	1423208	80%	1161707
Miscellaneous Adjustments/Income	3%	36202	3%	34378	1%	8524	2%	33960	2%	28266
Decrease in Balances <sup>6</sup>	-1%	-16310	1%	13055	-2%	-34616	-3%	-56394	-2%	-23566
Transfers from Overall Funds	18%	193011	20%	267613	20%	314733	20%	353723	19%	282270

1 miscellaneous income and prior years' expenditure adjustments & cancelled obligations

2 from unrestricted contributions mainly (94%) plus contributions to overall annual and/or supplementary field programmes

3 including JPO overall accounts

4 including Regular Budget & Working Capital/ Staff Benefits Funds transfers

5 excluding the minor ones that are related to overall funds

6 excluding the balances of the unrestricted contributions and other overall funds

282. The **expenditure breakdown by location** is analyzed in **Table 5.9**. The rather stable distribution of annual expenditure was by 2009: 38 percent in Africa, 18 percent in the Middle East and North Africa (MENA), 14 percent in Asia and the Pacific, 8 percent in Europe, 3 percent in the Americas, 7 percent for global programmes and 11 percent for Headquarters. The weight of support costs varied widely from 8 percent-12 percent of expenditure in the first three regions, to 22 percent-

24 percent in the Americas and Europe, and 37 percent-53 percent at Headquarters and under global programmes.

283. **Earmarked contributions** hardly covered the net expenditure before support costs globally, albeit with wider variations than above: only 67 percent of net expenditure at Headquarters, from 78 percent to 91 percent in Europe, the Americas and Africa, 98 percent in MENA, and up to the full expenditure with support costs in Asia and under the global programmes.

284. Although the impact of changes in balances, prior years' adjustments and miscellaneous income yields some further fluctuations (e.g., Asia and Headquarters), it is globally insignificant. Hence, the expenditure funding shortfall from earmarked contributions has to be matched by the use of "overall funds". Apart from limited contributions to overall operations (a rather stable 6 percent of the remaining funding in 2009) these are the **unrestricted contributions** (94 percent). To this average rate, unrestricted contributions have therefore been offsetting by 2009 uneven funding gaps of 7 percent to 8 percent of expenditure in Africa, MENA and Asia, 35 percent in the Americas and 45 percent in Europe, 13 percent under global programmes and up to 59 percent of expenditure at Headquarters. Compounded by regional weights, these contributions have been divided between 32 percent for Africa, 28 percent for Headquarters, 17 percent for Europe, 4 percent for global programmes and some 19 percent for the three other regions. Such an analysis is further detailed overall in **Table 5.15** and by individual region in **Tables 5.10 to 5.14**.

**Tables 5.10 - Africa - Income and Expenditure with Funding Balances**

	2006		2007		2008		2009		Average	
(per Audited Financial Statements, with Support Costs Details from Subsequent Years' Budgets)										
<i>\$ amounts &amp; % shares of totals:</i>	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)
<b>Country Level</b>										
Beginning of Year Balance	0%	-361	7%	38087	4%	25634	2%	10386	3%	18437
Year Country Contributions	77%	371161	62%	337354	70%	442064	66%	421007	68%	392897
Other Income	1%	4609	1%	3895	1%	5078	1%	4253	1%	4459
Subtotal	78%	375409	70%	379336	75%	472776	68%	435646	72%	415792
Year Expenditure*	86%	415974	88%	479538	89%	562249	90%	578368	88%	509032
Estimated Field Support Costs	15%	72344	14%	74463	13%	84959	13%	81305	14%	78268
Prior Years' Adjustments**	-1%	-5065	-2%	-10623	-2%	-14727	-3%	-17056	-2%	-11868
Total Expenditure	100%	483253	100%	543378	100%	632481	100%	642617	100%	575432
Balance before Transfers	-22%	-107844	-30%	-164042	-25%	-159705	-32%	-206971	-25%	-159641
Transfers from Region/Subregion	28%	136307	26%	139652	19%	121149	20%	126154	23%	130816
Balance before Overall Funds	6%	28463	-4%	-24390	-6%	-38556	-13%	-80817	-5%	-28825
Transfers from Overall Funds	2%	9625	9%	50024	8%	48941	18%	114125	10%	55679
End Year Balance	8%	38088	5%	25634	2%	10385	5%	33308	4%	26854
<b>Subregion Level</b>										
Beginning of Year Balance	1%	711	3%	1733	0%	149	29%	22052	9%	6161
Year Contributions	101%	64915	97%	67031	142%	73890	75%	57948	101%	65946
Other Income	0%	145	0%	232	0%	157	0%	-94	0%	110
Subtotal	103%	65771	100%	68996	142%	74196	104%	79906	110%	72217
Year Expenditure	9%	5775	8%	5617	15%	7580	9%	6883	10%	6464
Transfers to Country Level	91%	58264	92%	63230	85%	44563	91%	70101	90%	59040
Total Expenditure	100%	64039	100%	68847	100%	52143	100%	76984	100%	65503
End Year Balance	3%	1732	0%	149	42%	22053	4%	2922	10%	6714
<b>Region Level</b>										
Beginning of Year Balance	2%	1332	0%	0	0%	0	2%	1393	1%	681
Year Contributions	98%	76712	100%	76422	102%	77979	98%	54784	100%	71474
Subtotal	100%	78044	100%	76422	102%	77979	100%	56177	101%	72156
Year Expenditure	0%	0	0%	0	0%	0	0%	0	0%	0
Transfers to Country Level	100%	78043	100%	76422	100%	76586	100%	56053	100%	71776
Total Expenditure	100%	78043	100%	76422	100%	76586	100%	56053	100%	71776
End Year Balance	0%	1	0%	0	2%	1393	0%	124	1%	380

\* including transfers to JPO overall account

\*\* including cancellation of prior years' obligations

**Tables 5.11 - Middle East and North Africa - Income and Expenditure with Funding Balances**

	2006		2007		2008		2009		Average	
(per Audited Financial Statements, with Support Costs Details from Subsequent Years' Budgets)										
<b>\$ amounts &amp; % shares of totals:</b>	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)
<b>Country Level</b>										
Beginning of Year Balance*	11%	16597	2%	3051	1%	3180	8%	24312	5%	11785
Year Country Contributions	38%	59106	47%	79062	54%	141074	35%	107589	43%	96708
Other Income	1%	834	0%	-72	0%	-37	0%	-28	0%	174
Subtotal	49%	76537	49%	82041	55%	144217	43%	131873	49%	108667
Year Expenditure**	97%	150352	93%	156277	93%	242495	93%	284285	94%	208352
Estimated Field Support Costs	6%	9956	8%	12921	9%	22189	9%	26618	8%	17921
Prior Years' Adjustments***	-3%	-5385	-1%	-1137	-2%	-3968	-1%	-4492	-2%	-3746
Total Expenditure	100%	154923	100%	168061	100%	260716	100%	306411	100%	222528
Balance before Transfers	-51%	-78386	-51%	-86020	-45%	-116499	-57%	-174538	-37%	-113861
Transfers from Region/Subregion	40%	61813	51%	85993	52%	135249	50%	154256	49%	109328
Balance before Overall Funds	-11%	-16573	0%	-27	7%	18750	-7%	-20282	-2%	-4533
Transfers from Overall Funds	14%	21040	2%	3204	2%	5563	7%	22521	6%	13082
End Year Balance	3%	4467	2%	3177	9%	24313	1%	2239	3%	8549
<b>Subregion Level</b>										
Beginning of Year Balance*	16%	10802	0%	149	28%	9417	1%	1006	8%	5344
Year Contributions	86%	57244	129%	40735	75%	25136	114%	172274	104%	73847
Other Income	0%	69	0%	97	0%	76	0%	59	0%	75
Subtotal	102%	68115	130%	40981	103%	34629	114%	173339	112%	79266
Year Expenditure	16%	10784	18%	5572	15%	4893	2%	3013	9%	6066
Transfers to Country Level	84%	56154	82%	25989	85%	28731	98%	148749	91%	64906
Total Expenditure	100%	66938	100%	31561	100%	33624	100%	151762	100%	70971
End Year Balance	2%	1177	30%	9420	3%	1005	14%	21577	12%	8295
<b>Region Level</b>										
Beginning of Year Balance	0%	-5	6%	3418	0%	245	95%	5234	5%	2223
Year Contributions	160%	9110	95%	56845	105%	111507	32%	1739	101%	44800
Subtotal	160%	9105	100%	60263	105%	111752	127%	6973	106%	47023
Year Expenditure	0%	28	0%	14	0%	0	0%	0	0%	11
Transfers to Country Level	100%	5659	100%	60004	100%	106518	100%	5507	100%	44422
Total Expenditure	100%	5687	100%	60018	100%	106518	100%	5507	100%	44433
End Year Balance	0%	3418	0%	245	5%	5234	27%	1466	6%	2591

\* 2007 balance change due to country shift between regions

\*\* including transfers to JPO overall accounts

\*\*\* including cancellation of prior years' obligations

**Tables 5.12 - Asia and the Pacific - Income and Expenditure with Funding Balances**

	2006		2007		2008		2009		Average	
(per Audited Financial Statements, with Support Costs Details from Subsequent Years' Budgets)										
<b>\$ amounts &amp; % shares of totals:</b>	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)
<b>Country Level</b>										
Beginning of Year Balance*	14%	10381	2%	3821	0%	200	-1%	-3502	1%	2725
Year Country Contributions	50%	38177	56%	106018	66%	145508	85%	254963	70%	136167
Other Income	0%	191	0%	-91	0%	445	0%	417	0%	241
Subtotal	64%	48749	58%	109748	67%	146153	84%	251878	71%	139132
Year Expenditure**	71%	53748	84%	158514	85%	185988	89%	266991	85%	166310
Estimated Field Support Costs	37%	27761	15%	28588	17%	36198	12%	35996	16%	32136
Prior Years' Adjustments***	-8%	-5840	0%	929	-1%	-3053	-1%	-3269	-1%	-2808
Total Expenditure	100%	75669	100%	188031	100%	219133	100%	299718	100%	195638
Balance before Transfers	-36%	-26920	-42%	-78283	-33%	-72980	-16%	-47840	-19%	-56506
Transfers from Region/Subregion	37%	28150	29%	54451	21%	46395	16%	46597	22%	43898
Balance before Overall Funds	2%	1230	-13%	-23832	-12%	-26585	0%	-1243	-6%	-12608
Transfers from Overall Funds	2%	1176	13%	24031	11%	23083	8%	23666	9%	17989
End Year Balance	3%	2406	0%	199	-2%	-3502	7%	22423	2%	5382
<b>Subregion Level</b>										
Beginning of Year Balance*	1%	126	2%	1029	4%	1863	8%	3413	4%	1608
Year Contributions	99%	12760	100%	50702	103%	43273	111%	47420	104%	38539
Other Income	0%	0	1%	705	0%	93	1%	364	1%	291
Subtotal	100%	12886	104%	52436	108%	45229	120%	51197	109%	40437
Year Expenditure	0%	0	3%	1738	3%	1332	1%	471	2%	885
Transfers to Country Level	100%	12886	97%	48835	97%	40484	99%	42273	98%	36120
Total Expenditure	100%	12886	100%	50573	100%	41816	100%	42744	100%	37005
End Year Balance	0%	0	4%	1863	8%	3413	20%	8453	9%	3432
<b>Region Level</b>										
Beginning of Year Balance	80%	12189	60%	3566	-1%	-58	-1%	-58	50%	3910
Year Contributions	44%	6660	36%	2006	100%	5911	103%	4448	61%	4756
Subtotal	123%	18849	99%	5572	99%	5853	102%	4390	111%	8666
Year Expenditure	0%	18	0%	13	0%	0	0%	0	0%	8
Transfers to Country Level	100%	15264	100%	5616	100%	5911	100%	4324	100%	7779
Total Expenditure	100%	15282	100%	5629	100%	5911	100%	4324	100%	7787
End Year Balance	0%	3567	-1%	-57	-1%	-58	2%	66	11%	880

\* 2007 balance change due to country shift between regions

\*\* including transfers to JPO overall accounts

\*\*\* including cancellation of prior years' obligations

**Tables 5.13 - Europe - Income and Expenditure with Funding Balances**

	2006		2007		2008		2009		Average	
(per Audited Financial Statements, with Support Costs Details from Subsequent Years' Budgets)										
<b>\$ amounts &amp; % shares of totals:</b>	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)
<b>Country Level</b>										
Beginning of Year Balance	-2%	-1539	-2%	-1712	-2%	-2820	-3%	-4576	-2%	-2662
Year Contributions	24%	23838	21%	22405	35%	42719	40%	53236	31%	35550
Other Income	0%	296	0%	279	0%	197	0%	-10	0%	191
Subtotal	23%	22595	20%	20972	33%	40096	37%	48650	29%	33078
Year Country Expenditure*	69%	67219	71%	75397	74%	91282	78%	103023	73%	84230
Estimated Field Support Costs	32%	31846	31%	32497	27%	33175	24%	32275	28%	32448
Prior Years' Adjustments**	-1%	-1032	-1%	-1477	-1%	-1271	-2%	-3147	-2%	-1732
Total Expenditure	100%	98033	100%	106417	100%	123186	100%	132151	100%	114947
Balance before Transfers	-77%	-75438	-80%	-85445	-67%	-83090	-63%	-83501	-62%	-81869
Transfers from Region/Subregion	25%	24780	19%	20395	14%	17784	21%	27106	20%	22516
Balance before Overall Funds	-52%	-50658	-61%	-65050	-53%	-65306	-43%	-56395	-52%	-59352
Transfers from Overall Funds	50%	48946	58%	62230	49%	60730	46%	60512	51%	58105
End Year Balance	-2%	-1712	-3%	-2820	-4%	-4576	3%	4117	-1%	-1248
<b>Subregion Level</b>										
Beginning of Year Balance	0%	-6	1%	166	1%	245	0%	-7	0%	100
Year Contributions	101%	26241	100%	21276	98%	18219	101%	27800	100%	23384
Other Income	0%	6	0%	44	0%	43	0%	127	0%	55
Subtotal	101%	26241	101%	21486	100%	18507	102%	27920	101%	23539
Year Expenditure	2%	544	4%	947	6%	1130	2%	543	3%	791
Transfers to Country Level	98%	25531	96%	20295	94%	17384	98%	26849	97%	22515
Total Expenditure	100%	26075	100%	21242	100%	18514	100%	27392	100%	23306
End Year Balance	1%	166	1%	244	0%	-7	2%	528	1%	233
<b>Region Level</b>										
Beginning of Year Balance	-15%	-61	-23%	-93	-26%	-104	-40%	-104	-45%	-91
Year Contributions	0%	0	91%	100	100%	400	100%	257	95%	189
Subtotal	-55%	-61	6%	7	74%	296	60%	153	49%	99
Year Expenditure	712%	783	9%	10	0%	0	0%	0	99%	198
Transfers to Country Level	-683%	-751	91%	100	100%	400	100%	257	1%	2
Total Expenditure	29%	32	100%	110	100%	400	100%	257	100%	200
End Year Balance	0%	-93	-94%	-103	-26%	-104	-40%	-104	-51%	-101

\* including transfers to JPO overall account

\*\* including cancellation of prior years' obligations



**Tables 5.14 - Americas - Income and Expenditure with Funding Balances**

	2006		2007		2008		2009		Average	
(per Audited Financial Statements, with Support Costs Details from Subsequent Years' Budgets)										
<i>\$ amounts &amp; % shares of totals:</i>	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)
<b>Country Level</b>										
Beginning of Year Balance	1%	436	0%	109	6%	2618	1%	640	2%	951
Year Country Contributions	49%	14714	58%	22720	45%	21497	63%	34042	54%	23243
Other Income	0%	66	0%	79	0%	9	0%	93	0%	62
Subtotal	51%	15216	58%	22908	51%	24124	64%	34775	57%	24256
Year Expenditure*	73%	21873	77%	30124	77%	36595	79%	42604	77%	32799
Estimated Field Support Costs	28%	8274	24%	9578	24%	11455	23%	12238	24%	10386
Prior Years' Adjustments**	-1%	-366	-1%	-512	-1%	-596	-1%	-594	-1%	-517
Total Expenditure	100%	29781	100%	39190	100%	47454	100%	54248	100%	42668
Balance before Transfers	-49%	-14565	-42%	-16282	-49%	-23330	-36%	-19473	-34%	-18413
Transfers from Region/Subregion	20%	5815	22%	8656	10%	4657	9%	4973	14%	6025
Balance before Overall Funds	-29%	-8750	-19%	-7626	-39%	-18673	-27%	-14500	-29%	-12387
Transfers from Overall Funds	30%	8859	26%	10244	41%	19313	36%	19342	34%	14440
End Year Balance	0%	109	7%	2618	1%	640	9%	4842	4%	2052
<b>Subregion Level</b>										
Beginning of Year Balance	0%	0	0%	0	0%	0	100%	1230	6%	308
Year Contributions	99%	6054	100%	7462	126%	5887	0%	0	100%	4851
Other Income	1%	32	0%	0	0%	0	0%	0	0%	8
Subtotal	100%	6086	100%	7462	126%	5887	100%	1230	106%	5166
Year Expenditure	56%	3415	0%	0	0%	0	0%	0	18%	854
Transfers to Country Level	44%	2671	100%	7462	100%	4657	100%	1230	82%	4005
Total Expenditure	100%	6086	100%	7462	100%	4657	100%	1230	100%	4859
End Year Balance	0%	0	0%	0	26%	1230	0%	0	6%	308
<b>Region Level</b>										
Beginning of Year Balance	0%	-9	-1%	-13	NA	-27	50%	1871	22%	456
Year Contributions	100%	3144	99%	1194	NA	1898	49%	1845	100%	2020
Subtotal	100%	3135	98%	1181	NA	1871	99%	3716	122%	2476
Year Expenditure	0%	4	1%	14	NA	0	0%	0	0%	5
Transfers to Country Level	100%	3144	99%	1194	NA	0	100%	3743	100%	2020
Total Expenditure	100%	3148	100%	1208	NA	0	100%	3743	100%	2025
End Year Balance	0%	-13	-2%	-27	NA	1871	-1%	-27	22%	451

\* including transfers to JPO overall account

\*\* including cancellation of prior years' obligations

**Tables 5.15 - Total Income and Expenditure with Funding Balances**

	2006		2007		2008		2009		Average	
(per Audited Financial Statements, with Support Costs Details from Subsequent Years' Budgets)										
<i>\$ amounts &amp; % shares of totals:</i>	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)	%	(\$ 000)
<b>Country Level</b>										
Beginning of Year Balance	3%	25514	4%	43356	2%	28812	2%	27260	3%	31236
Year Country Contributions	60%	506996	54%	567559	62%	792862	61%	870837	59%	684564
Other Income	1%	5996	0%	4090	0%	5692	0%	4725	0%	5126
Subtotal	64%	538506	59%	615005	64%	827366	63%	902822	63%	720925
Year Expenditure*	84%	709167	86%	899850	87%	1118609	89%	1275271	87%	1000724
Estimated Field Support Costs	18%	150180	15%	158047	15%	187976	13%	188432	15%	171159
Prior Years' Adjustments**	-2%	-17688	-1%	-12820	-2%	-23615	-2%	-28558	-2%	-20670
Total Expenditure	100%	841659	100%	1045077	100%	1282970	100%	1435145	100%	1151213
Balance before Transfers	-36%	-303153	-41%	-430072	-36%	-455604	-37%	-532323	-37%	-430288
Transfers from Region/Subregion Level	31%	256865	30%	309147	25%	325234	25%	359086	27%	312583
Transfers from Overall Funds	11%	89646	14%	149733	12%	157630	17%	240166	14%	159294
End Year Balance	5%	43358	3%	28808	2%	27260	5%	66929	4%	41589
<b>Region/Subregion Levels</b>										
Beginning of Year Balance	9%	25079	3%	9955	3%	11730	10%	36030	6%	20699
Year Contributions	94%	262840	100%	323773	107%	364100	100%	368515	101%	329807
Other Income	0%	252	0%	1078	0%	369	0%	456	0%	539
Subtotal	104%	288171	104%	334806	111%	376199	109%	405001	107%	351044
Year Expenditure	8%	21351	4%	13925	4%	14935	3%	10910	5%	15280
Transfers to Country Level	92%	256865	96%	309147	96%	325234	97%	359086	95%	312583
Total Expenditure	100%	278216	100%	323072	100%	340169	100%	369996	100%	327863
End Year Balance	4%	9955	4%	11734	11%	36030	9%	35005	7%	23181
<b>Global Programmes</b> <i>(including JPO overall accounts)</i>										
Beginning of Year Balance	42%	27270	41%	44100	44%	46435	55%	60218	46%	44506
Year Contributions	89%	57326	70%	74260	88%	92075	102%	111972	87%	83908
Other Income	0%	14	0%	7	0%	18	0%	11	0%	13
Subtotal	132%	84610	111%	118367	133%	138528	157%	172201	133%	128427
Year Expenditure	46%	29505	49%	52257	44%	46118	48%	52759	47%	45160
Estimated Support Costs	59%	37624	52%	55539	60%	62254	54%	58718	56%	53534
Prior Years' Adjustments**	-4%	-2834	-1%	-960	-4%	-3931	-2%	-2050	-3%	-2444
Total Expenditure	100%	64295	100%	106836	100%	104441	100%	109427	100%	96250
Balance before Transfers	32%	20315	11%	11531	33%	34087	57%	62774	33%	32177
Transfers from Overall Funds	37%	23787	33%	34906	25%	26131	13%	14709	26%	24883
End Year Balance	69%	44102	43%	46437	58%	60218	71%	77483	59%	57060
<b>Headquarters</b> <i>(including Regular Budget &amp; Working Capital/Staff Benefits Funds transfers)</i>										
Beginning of Year Balance	-2%	-3199	-4%	-6442	-5%	-9066	-7%	-10979	-4%	-7422
Year Contributions	38%	60660	38%	61372	35%	59795	43%	71884	38%	63428
Other Income	0%	171	0%	97	0%	262	0%	77	0%	152
Subtotal	36%	57632	34%	55027	30%	50991	36%	60982	34%	56158
Year Expenditure	50%	78862	54%	87136	59%	101046	63%	106630	57%	93419
Estimated Support Costs	47%	74036	46%	75256	39%	66535	37%	61777	42%	69401
Prior Years' Adjustments**	4%	5642	0%	264	2%	3628	0%	120	1%	2414
Total Expenditure	100%	158540	100%	162656	100%	171209	100%	168527	100%	165233
Balance before Transfers	-64%	-100908	-66%	-107629	-70%	-120218	-64%	-107545	-66%	-109075
From/to Administrative Funds	9%	14889	10%	15590	-13%	-21735	-1%	-1797	1%	1737
Transfers from Overall Funds	50%	79578	51%	82974	76%	130972	59%	98848	59%	98093
End Year Balance	-4%	-6441	-6%	-9065	-6%	-10981	-6%	-10494	-6%	-9245

<b>Overall Funds***</b>	<i>(including Field Overall, Supplementary Overall and Operational Reserve)</i>									
Beginning of Year Balance	0%	0	10%	30050	11%	40013	12%	44933	9%	28749
Year Unearmarked Contributions	97%	215676	85%	262357	85%	305693	79%	304850	85%	272144
Operational Reserve Contributions	3%	7384	4%	12997	4%	12900	8%	30029	5%	15828
Annual Field/Supplementary Overall	0%	0	1%	3000	0%	1060	1%	3573	1%	1908
Other Income	0%	0	0%	0	0%	0	1%	4142	0%	1036
Prior Years' Expenditure Adjustments*	0%	0	0%	-775	0%	0	0%	-282	0%	-264
Subtotal	100%	223060	100%	307629	100%	359666	100%	387245	100%	319400
Transfers to Field and Headquarters	87%	193010	87%	267616	88%	314733	91%	353722	88%	282270
End Year Balance	13%	30050	13%	40013	12%	44933	9%	33523	12%	37130

\* including transfers to JPO overall account

\*\* including cancellation of prior years' obligations

\*\*\* from unrestricted contributions mainly (94%), plus contributions to overall annual and/or supplementary field programmes

#### d. Current cost recovery practices for program activities funded through core and non-core revenue streams

285. Support costs under the Annual Programme including Headquarters are budgeted before the beginning of the year. Supplementary Programme budgets through the year have been providing for direct support costs, plus 7 percent of the respective earmarked contributions to be transferred to the Annual Programme for the additional indirect support costs. Under the new budgeting since 2010, although this **transfer for indirect costs** applies to the full pillars 3 and 4, its amount should decrease because the larger, need-based pillars 1 and 2 will require little or no supplementary budget.

286. Although the **Supplementary Programme** is better funded than the Annual programme, its earmarked contributions fall short (by 2 percent) from matching its lower direct support costs of 5-6 percent plus a levy of 7 percent for indirect support costs, in spite of substantial contributions to its global programme component. In the field, these earmarked contributions hardly represent on average the expenditure and direct support costs (before any indirect costs) and do not even match the net expenditure in Europe and Africa. The above 7 percent transfer is thus more an accounting device than any regular levy on donors providing earmarked contributions.

287. Globally, the “**cost recovery**” performance of UNHCR is even lower, to the extent that, throughout 2006-2009, the total earmarked contributions have covered only the total net expenditure before any support costs, as shown in **Table 5.9**. As mentioned above and further detailed in **Tables 5.10 to 5.15**, on average the funding of all the support costs, plus around 60 percent of overheads not covered by the UN Regular budget, rests therefore primarily on unrestricted contributions such as Norway’s. As an illustration given by a UNHCR official, a donor could want to finance refugee tents and not the delivery of these tents: how could we then refuse such contributions?

288. First, such a low cost-recovery will become a **constraint to growth**. As against the growth in expenditure since 2007, the support costs and overheads have decreased little and no faster than the already insufficient level of unrestricted contributions. By 2009, these critical contributions represented 17 percent of expenditure, or yet only **20 percent** after integrating field overall contributions and miscellaneous adjustments and income. The support costs and overheads to be offset accounted for **24 percent** of expenditure (before exceptional adjustments). This persistent 4 percent gap should eventually reduce reserves and impede growth.

289. Second, this low cost-recovery should curtail the **equity and relevance** of UNHCR’s assistance. Country needs are bound to differ, at least sometimes, from the priorities of the “earmarking” donors (i.e. those providing earmarked contributions) and the more so that the bulk of contributions comes from a handful of donors. Since unrestricted contributions are **not** enough to offset support costs and overheads, there is no room left to attend different country priorities. UNHCR calculated that those programmes fully funded by unrestricted contributions accounted for a negligible share of only US\$28.3 million or 1.8 percent of their total field expenditure in 2010. The detailed accounts for previous years (2007-2009) also confirm that no significant funding goes to

countries and programmes that have not received substantial earmarked contributions. Whenever country needs are different, they would be overruled by the priorities of the few earmarking donors, including their possible geographical, political and cultural objectives. Past examples of different priorities range from donors rejecting AIDS programmes with contraceptives, education programmes with Islamic references, or simply those humanitarian crises not publicized by the international media.

290. Third, the unevenness of cost-recovery illustrates and amplifies the lack of **geographical equity**. As noted above, unrestricted contributions serve to match disproportionate shares of expenditure in the Americas and Europe and for Headquarters (35 percent and above in 2009) at the expense of the global programmes and the three other regions (13 percent and below). To that extent, unrestricted contributions may be regarded as supporting those donors who are most under-financing their programmes, as well as their geographical influence and visibility, rather than UNHCR's development and membership.

291. Main possible **remedies** would include: integrating direct support into programme expenditure whenever justified; enforcing a flat levy on all earmarked contributions (supplementary or not) as other UN agencies; developing regional and global, thematic programmes; promoting informal advisory groups of non-earmarking donors; documenting and raising these issues through UNHCR's governing bodies; and balancing such funding gaps through the current joint programming initiatives among UN agencies. In particular, mixing thematic earmarking with regional/country earmarking provide far more strategic flexibility to meet country needs and sustain a consistent strategy.

#### **e. Assessment of the Quality of Current Financial Data, Compilation Practices, Instrument, Procedures and Reporting Practices**

292. UNHCR's financial management does not call for major comments. As compared to other UN agencies, it is affected by high funding uncertainties, high security requirements, substantial involvement in temporary emergencies, and rather high centralization (e.g., fund-raising).

293. Since 2010, UNHCR has just implemented a biennial cycle as other agencies, a new budget structure into 4 "pillars" - splitting its original mandate (refugees, stateless) from additions (integration, IDPs) and a need-based budget plan according to rough censuses of affected populations. It has finally gathered the resources needed to set up IPSAS within a year or two.

294. Although, by contrast with past budgets, the need-based budget is not realistic, it calls the attention of donors on less publicized country needs and probably reduces the need for repetitive supplementary budget submission though the year. Typically UNHCR would now pass a budget of about US\$3 billion, issue internally much lower budget ceilings and collect donor pledges of less than US\$600 million by the beginning of the year, and thereafter receive some US\$2 billion of actual funding.

295. UNHCR publishes particularly detailed financial information, including on its website, although it has not provided most of the additional data requested under the study. ACAQB and its auditors have been identifying the main issues, such as the need to provide for staff benefits and end-of services liabilities, to account for land and buildings, to reduce the staff in between assignments and to implement IPSAS. UNHCR has attended these concerns at a reasonable pace with a few delays.

296. The main possible recommendations would be to add to the audits a sample verification of support costs and the different earmarking levels and their uses, and to integrate in the accounts the often sizeable expendable property and non-earmarked contributions in kind.

UNDP

## 6. UNDP

### a. Role in Development

297. The United Nation Development Program's (UNDP) mission statement was endorsed by its Board in May 1996<sup>146</sup>. UNDP is the UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. Its field presence is ensured through 5 regional service centres and 129 full-fledged country offices, working on solutions to global and national development challenges in 166 countries. As countries develop local capacity, they draw on the people of UNDP and wide range of partners. The UNDP network unites and coordinates global and national efforts to reach the Millennium Development Goals by 2015 and covers poverty reduction, democratic governance, crisis prevention and recovery, and environment and sustainable development, as well as cross-cutting themes, such as women empowerment and capacity building.

298. In 2010, UNDP employed about 8000 staff worldwide. Reflecting the decentralized nature of its services, 82 percent of its staff worked outside New York headquarters. Its overall annual expenditures were about US\$5 billion.

299. UNDP is one of the the largest UN agencies in terms of staffing and budget. Good coordination between agencies is being encouraged through the Resident Coordinator (RC) system. UNDP's leading role in development derives from its decades of universal presence providing technical and policy support to developing countries and its coordinating role on behalf of the UN's development system. As established in General Assembly resolution 34/213, and most recently underscored in resolution 59/250, the management of the resident coordination system continues to be firmly anchored in UNDP. The system is managed by UNDP which is its primary (about 74 percent) source of funding -- US\$128 million in 2010, of which US\$95 million funded by UNDP<sup>147</sup>. The UNDP Resident Representative normally also serves as the Resident Coordinator of development activities for the UN system as a whole. Through such coordination, UNDP seeks to ensure the most effective use of UN and international aid resources. The "delivering as one" eight country pilot can be seen as part of this overall system<sup>148</sup>. It is complemented by UN Country Teams working to position more strategically the UN's development assistance. As mentioned later in the report, UNDP oversees a number of other programmes as part of its budget.

300. The present report is focused on financial flows. It builds on review of publically available documents supplemented by exchanges with UN officials at UNDP headquarters in New York. As is the case for other agencies covered by the report, substantial details are available on regional and thematic expenditures, as well administrative expenses (funded by the biennial support budget) which account for a relatively small part of total budget. Data limitation prevent a detailed presentation of

<sup>146</sup> See Board paper dated January 1997. <http://www.undp.org/execbrd/pdf/9628205e.pdf>

<sup>147</sup> [http://www.un.org/en/ecosoc/docs/adv2011/11-rc\\_report\\_19\\_may\\_2011.pdf](http://www.un.org/en/ecosoc/docs/adv2011/11-rc_report_19_may_2011.pdf)

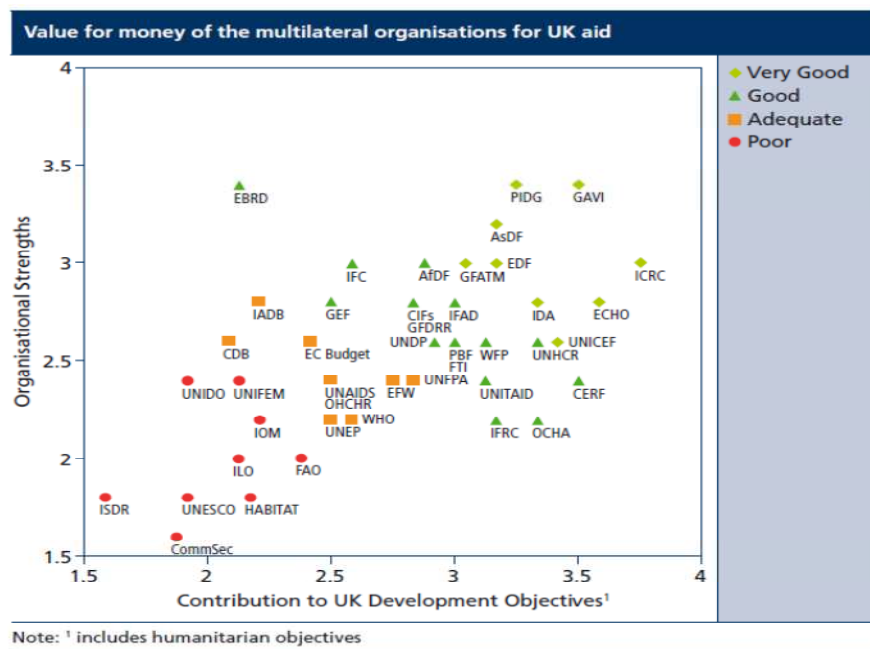
<sup>148</sup> An independent evaluation of this pilot by the UN was launched in early 2011



expenditure my categories of expenditure or tracking how much of the funds reach their ultimate beneficiary.

301. DfID has recently undertaken a review of multilateral aid, in which UN agencies feature prominently.<sup>149</sup> As shown in **Figure 6.1** below, the overall rating for UNDP is “good”. Strong contributions to development objectives included UNDP’s central role in the delivery of the MDG and related focus on governance and security, and strong leadership. Organizational strengths included strong partnerships with UN agencies, member states and donors, with a need to improve partnership with the World Bank in support of fragile states. UNDP’s transparent resource allocation and good disclosure practice were other positive elements, mitigated by a mandate that seems too broad, weak HR management, and insufficient cost control. Another weakness was the need to continue building skills across the organization. Questions were raised over ability to deliver results and lack of climate strategy. Performance in fragile states was judged to be mixed. Overall, continued organizational strengthening will be helped by management’s commitment to reform, as long as sufficient political consensus can be reached at the level of the executive Board. Much of these issues are related to efficiency and effectiveness that are beyond the scope of this report. However, areas such as cost of doing business and breadth of scope are relevant to this study.

**Figure 6.1 - Classification of Multilateral Agencies (2011)**



**b. Trends in Resources**

302. **Table 6.1** below presents the evolution of the UNDP resource envelope during the 2000 decade. It also provides additional information for 2008 and 2009 on managed revenues and tries to reconcile

<sup>149</sup> <http://www.dfid.gov.uk/About-DFID/Who-we-work-with/Multilateral-agencies/Multilateral-Aid-Review/>

data from different sources, which may not be fully consistent (with a small unexplained difference of about 0.2 percent).

**Table 6.1: UNDP resources by type of revenue (US dollar millions, current prices)**

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>UNDP</b>									
Voluntary Contributions	651.8	663.1	762.4	842.0	914.5	916.3	1108.2	1087.6	1004.9
Cost-Sharing contributions	1245.6	1229.3	1442.8	1921.7	2261.5	2321.0	2435.2	2594.2	2653.4
Contributions to local office <sup>a/</sup>	22.1	20.2	20.3	16.4	20.2	20.4	21.9	26.3	24.8
Extrabudgetary activities	7.9	37.4	45.8	59.6	35.9	40.4	71.1	45.1	70.8
Trust Funds, inc. GEF	507.3	709.0	739.0	1003.5	1337.0	1192.4	1122.8	1038.0	985.2
Management services	88.2	143.7	78.7	91.9	143.2	122.6	246.8	407.2	324.7
<b>Total UNDP Income</b>	<b>2522.9</b>	<b>2802.7</b>	<b>3089</b>	<b>3935.1</b>	<b>4712.3</b>	<b>4613.1</b>	<b>5006.0</b>	<b>5198.4</b>	<b>5063.8</b>
<b>Entities under UNDP</b>									
UNCDF	26.1	25.7	37.6	23.4	19.8	22.0	28.5	43.2	35.2
UNSO	1.5	1.8	0.9	1.3	0.4	3.7	6.0	1.3	1.7
UNV	9.9	11.5	23.5	8.7	19.0	19.6	21.8	16.1	36.2
UNIFEM	27.9	34.6	34.0	49.2	53.6	57.6	118.3	204.4	164.5
UNDP Energy Account	0.6	0.0	0.6	0.5	0.7	0.1	0.3	0.0	0.3
<b>Total UNDP Income <sup>a/</sup></b>	<b>2588.9</b>	<b>2876.3</b>	<b>3185.6</b>	<b>4018.2</b>	<b>4805.8</b>	<b>4716.1</b>	<b>5180.9</b>	<b>5463.4</b>	<b>5301.7</b>
<b>Of which: Norway</b>									
Contribution – Total									288
- Regular								138	123
Rank as donor Regular								1	1
<b>Indicator</b>									
Regular resources as % of total contributions	25.8	23.7	24.7	21.4	19.4	19.9	22.1	20.9	19.8

Source: UNDP Board documents: Annual review of the financial situation 2009, annual report to the administrator May and July 2010) and Statistical Annex; DP/2010/35 and DP/2010/35/Add.1 <http://www.undp.org/execution/pdf/dp2010-35Add1.pdf>; <http://www.undp.org/execution/pdf/dp2010-35Add1.pdf>; and <http://www.undp.org/execution/pdf/dp2010-17Add2.pdf> Similar reports for other years

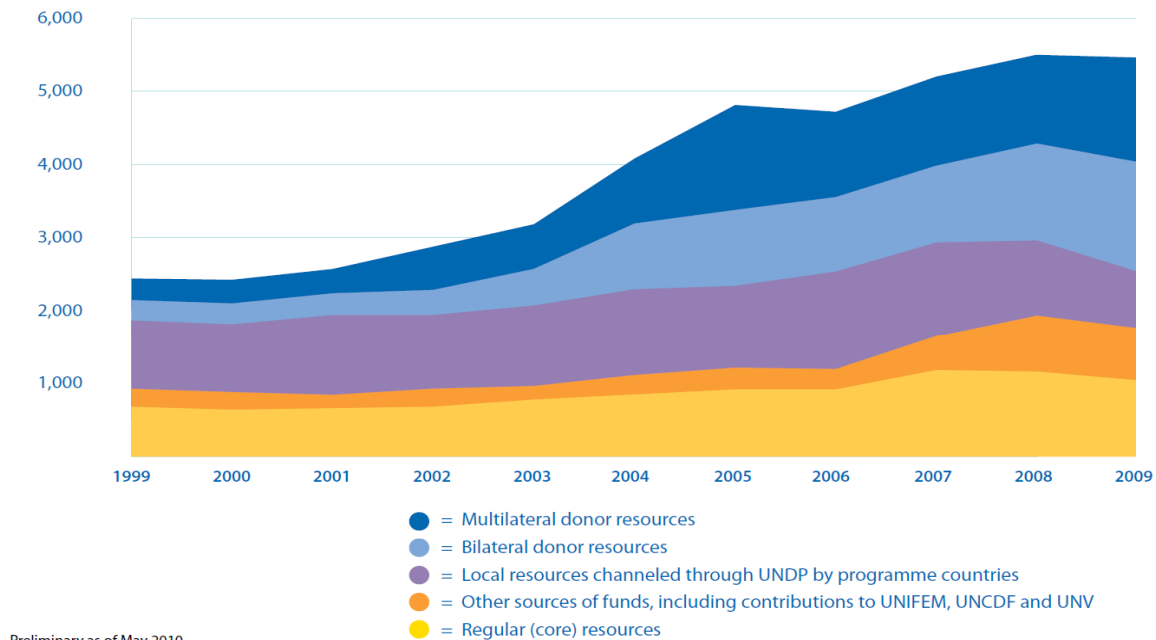
Note: <sup>a/</sup> includes cash counterpart prior to 2005

303. Official documents mention a total annual resource envelope for UNDP of around US\$6 billion for 2008 and 2009. The above table is below that amount. The difference between the two figures is explained by other net income and interest (about US\$500 million in 2008 and 2009). Various funds and programs administratively overseen by UNDP which account for (between 2 percent and 5 percent of total annual UNDP income could have been considered largely pass-through activities<sup>150</sup> – for example, this is how UNFPA treats its procurement activities. In the future, UNDP may wish to standardize its presentation of income figures from various points of view to ensure full consistency

<sup>150</sup> This duality is mentioned in a number of documents, see for instance DP/2010/18 on status of regular funding: <http://www.undp.org/execution/word/dp2010-18.doc> footnote on P.3

and clarity within data from various publications and to clarify what is revenue from trust funds and other funds versus what largely constitutes a pass-through activity to an autonomous fund. The analysis of this report going forward generally excludes Trust Funds and the five semi-autonomous agencies/funds (UNCDF, UNSO, UNV, UNIFEM and Energy account) under the purview of UNDP. Worth noting, however, is the relative high importance of the trust funds, the incomes of which averaged about US\$1 billion in recent years. UNIFEM is the most important fund, growing by a factor close to 6 during the decade and became part of UN Women in 2010.

**Figure 6.2: Annual Contributions to UNDP –US\$ million**



Preliminary as of May 2010  
Source: Partnerships Bureau/UNDP

304. UNDP income doubled in nominal terms during the last decade. In parallel, reflecting the increased importance of earmarked (non-core) resources, the ratio of regular to total resources fell from about one-third to one-quarter. Furthermore, the immediate outlook for continued growth of regular resources, which peaked in 2008, looks mixed at best and as recognized in recent UNDP Board papers amounts are likely to be below UNDP’s strategic plan. This is partly due to some key donors not being able to continue the same commitment level as before. Furthermore, UNDP management feels that the increased importance of earmarking affects its ability to pursue a flexible programming approach and to fully address priorities set by its Board. On the other hand, there are prospects for continued growth of some other funds, notably UNCDF and UNIFEM. Preliminary figures for 2010 indicate that while contributions to regular resources declined by about 4 percent, non-core resources grew by close to 9 percent. The resource envelope for UNDP thus increased, but at the cost of less flexibility. **Figure 6.2** above provides a snapshot of evolution of resources over time<sup>151</sup>.

305. Another concern mentioned during Board presentations, is UNDP’s continued over-dependence on limited number of donors. It is estimated that the top 10 donors provide 82 percent of regular

<sup>151</sup> See <http://www.undp.org/publications/UNDPaction2010/pdf/wUNDPinAction-E-40-42-Resources-credits.pdf>

resources in 2010, compared to 86 percent in 2000. To reducing the degree of dependence on these donors, UNDP aims to broaden the donor base and to seek higher contributions from program countries. A similar approach is also being pursued in the case of funds managed by UNDP.

306. Total Norwegian contributions to UNDP were about US\$250 million in 2009, divided equally between core and non-core. The Norwegian Government is UNDP's top donor in terms of provision of core resources. If other contributions are taken into account, the ranks fourth (after US, U.K. and almost on par with the Netherlands). **Table 6.2** below provides more information on top donors.

**Table 6.2 - Top 10 UNDP donors - Regular resources**

Donor	Contributions in local currency			Contributions in millions of dollars		
	2008	2009	Percent change	2008	2009	% change
Norway	770	770	-	138	123	-11
Netherlands	90	90	-	117	122	5
United States of America				97	103	6
United Kingdom of Great Britain and Northern Ireland	55	58	5	96	93	-3
Sweden	720	720	-	110	91	-17
Japan *				73	74	1
Spain	42	45	7	54	65	20
Denmark	350	320	-9	73	55	-25
Switzerland	54	54	-	46	54	18
Canada	57	50	-12	55	48	-14
<b>Total of top 10 donors</b>	N/A	N/A	N/A	<b>859</b>	<b>828</b>	-4
<b>Others</b>	N/A	N/A	N/A	<b>238</b>	<b>186</b>	-22
<b>Total resources</b>				<b>1,097</b>	<b>1,014</b>	<b>-8</b>

Source: UNDP Board document - Table 7, DP/2010/35/Add.1.

\* Japan's contributions are pledged and received in US\$.

### c. Current Planning and Budgeting Processes

#### *Key steps in process*

307. **UNDP** planning and budgeting follows a process somewhat similar to that of UNFPA, with which it shares a board. **Table 6.3** below describes the main steps involved. The process described in the table relates to the 2008-2011 plan and the two biennium within that period. The four year plan is reviewed by the Executive Board prior to its approval 9 months later (with a further exceptional revision and reissue six months later). The Administrator reports annually on the operationalisation

and implementation of the Strategic Plan. The Biennium Support Budget is presented to the Executive Board every two years. The financial situation and status of resource funding is reviewed annually.

**Table 6.3 - UNDP planning and implementation process, an overview (2007-2010)**

<b>Planning and budgeting process</b>	<b>Date</b>
• Preparation and presentation of draft four year plan	December 2007
• Adoption of four year Plan 2008-2011	September 2007
• Revision and reissue of plan	June 2008
• Estimates for the biennial support budget for 2008-2009	January 2008
• Estimates for the biennial support budget for 2010-2011 and ACABQ report	January 2010
<b>Implementation and follow-up</b>	
• Operationalization of strategic Plan 2008-11	May/June 2009
• Status of regular resources funding 2009-on	May/June 2009
• Annual review of the financial situation 2008	September 2009
• Status of regular resources funding 2010-on	June/July 2010
• Administrator report on strategic plan 2009	June/July 2010
• Annual review of the financial situation 2009	August/September 2010

### *Strategic Framework*

308. The budgeting process at UNDP is underpinned by a 4-year strategic plan. The current plan originally covered the period 2008-2011<sup>152</sup> and outlines the agency's strategic priorities. However, it was subsequently extended for two years to cover the period 2008-2013, as part of harmonization of activities with UNFPA and UNICEF. At the same time the plan was brought up-to-date through an action plan<sup>153</sup> aimed accelerating progress towards MDGs.

309. The strategic plan's overall directions cover the following mutually reinforcing areas: (a) national ownership; (b) capacity development; (c) effective aid management; (d) South-South cooperation; (e) poverty alleviation, inter alia through achievement of MDGs; (f) democratic governance; (g) crisis prevention and recovery; (h) environment and sustainable development; and (i) gender equality and empowerment of women. The strategic plan describes how UNDP activities contribute towards the achievement of these goals, and integrate the activities of various funds (for example UNIFEM in the case of gender). A strong point of this list is that it is quite comprehensive and includes a hierarchy of output/intermediate results and outcome-oriented goals. Also, the coverage is broad, which allows the organisation to respond in a cross-sectoral fashion and increases the scope for collaboration with other agencies – which also presents a risk unless a clear division of labor is agreed. As joint programmes deepens this risk should be reduced.

310. The strategic plan also includes a detailed results framework, with specific targets<sup>154</sup>. This logical framework starts with higher level objectives to which UNDP contributes (listed above), but for which it is not directly accountable. It then lists expected outcome supported by UNDP,

<sup>152</sup> See DP/2007/43/Rev. 1 of May 2008: <http://www.undp.org/execbrd/pdf/dp07-43Rev1.pdf>

<sup>153</sup> <http://www.undp.org/execbrd/undp-action-plan.shtml>

<sup>154</sup> <http://www.undp.org/execbrd/word/dp07-43AddI.doc>

output/activities (intermediate results) and related indicators. The results framework includes two types of results: (i) development with 5 goals: Achievement of the MDGs and poverty reduction; democratic governance, crisis prevention and recovery; energy and environment for sustainable development; and (ii) institutional with 3 goals: coordination; management results; and cross cutting issues including South-South collaboration. For the first type of result, the framework does not contain a baseline indicator and target, which is a weakness

311. The action-plan emphasized a more focused agenda that recognizes the urgency of accelerating MDGs, in order to reach 2015 targets, as well as tackling climate change and supporting economic transformation. More specifically, UNDP would: (a) support national development agendas and the achievement of the Millennium Development Goals through more focused interventions at the country level to support strategic and transformational outcomes; (b) harness and strengthen its global knowledge network and advisory capabilities to support country level transformations and quality program interventions; (c) cultivate and extend strategic partnerships which facilitate transformative knowledge transfers, both across the South and between the North and the South; (d) leverage its global presence to connect partners, knowledge and stakeholders; and (e) achieve measurable development results and communicate its contribution to developing national capacities to achieve sustainable human development; (f) be effective, efficient and flexible; (g) champion UN development effectiveness.

312. The following interventions would support these objectives: (i) positioning UNDP as a world class knowledge based development organization; (ii) measuring and managing for results; (iii) strategic communications; (iv) strengthening strategic partnerships; (v) managing performance and developing staff; (vi) driving effectiveness, internal efficiencies and realigning incentives; and (vii) driving UN development coordination at country level.

313. Expected broad results are as follows: (1) more focused, substantive, and strategically positioned UNDP assistance in support of countries' own development agendas; (2) a strong focus on development results through a strengthened culture of results-based management, and clear communication and reporting on what UNDP is achieving; (3) a significant global network of partnerships for development; (4) more systematic approach to South-South co-operation to facilitate the sharing of relevant experience and expertise; (5) realigned incentive structures throughout the organization; strengthened leadership and management skills; shortened recruitment times, and systematic staff development and recognition systems<sup>155</sup>; (6) UNDP's new knowledge platform, rolled out across the organization, providing a dynamic and real time capability for staff to capture and apply knowledge; (7) active use of knowledge at all levels of the organization to improve the effectiveness of development programs and operations; (8) measurable efficiency gains; and (9) clearer and simpler communication products.

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<sup>155</sup> As noted in the 2011 annual report, improved human resource management is an integral part of the action plan. Measures in pace include reliance on candidate pool, skills enhancement for future managers, and new performance appraisal system. See [http://www.undp.org/annualreport2011/downloads/undp\\_AR\\_2010-2011\\_ENGLISH.pdf](http://www.undp.org/annualreport2011/downloads/undp_AR_2010-2011_ENGLISH.pdf) P.36

314. The plan and guidance from UNDP Board provide broad guidelines on resource allocation<sup>156</sup>, by recognizing the special needs of Africa, least developed and landlocked countries, and small island states. It notes that capacity development is UNDP's overarching goal. In undertaking its mandate, UNDP is encouraged to work with all stakeholders, not only national government, but also civil society, NGOs and the private sector. The agency should thus rely to the fullest extent possible on national execution and recognize that individual programs should be country-driven. The Board decision includes a request UNDP to improve its results framework, with indicators that are attributable to its activities.

315. To support its implementation, the UNDP strategy also called for an improved accountability framework; enhanced risk management, better resource management, and an integrated approach towards planning, budgeting and human resource management. The aforementioned institutional indicators and linked to these goals.

### *Financial Framework*

316. Over its initial 4-year period, the Strategic Plan provides estimates for financial flows at an aggregate level. It calls for an expenditure envelope of about US\$21 billion<sup>157</sup>. Regular resources are estimated at US\$5.3 billion, with an assumed increasing annual trend (US\$150 million each year). The envelopes for bilateral contribution and for country cofinancing are US\$5 billion and US\$4.8 billion, with a projected decreasing annual trend (US\$25 million each year for both). Multilateral contributions are expected to rise slightly over the period (by US\$50 million each year). Administered funds are expected to remain constant (US\$1.25 billion each year).

317. Resource allocations are according to the Strategic Plan and distributed across different budget categories. Core resources are allocated to the “target resources assignment from core” (TRAC) methodology based on country classification, GNI and population<sup>158</sup>. This methodology with minor changes, notably in thresholds for country classification, repeats the approach used in the 2003-2007 Strategic Plan. It includes a provision of minimum funding of US\$350,000 to any “non-net” contributor country (i.e., low and middle income). As in the case of other agencies, this provision may provide the impetus for agency presence in countries where the justification is not strong and a dispersion of efforts over too many small activities. Whether or not this observation is justified would be worth pursuing in the context of a future evaluation of UNDP programmes, evaluation should recognize that quite a number of these countries have significant programme activities funded from other resources. This question may be revisited in the context of the discussions on differentiated country office presence in the ongoing change agenda.

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<sup>156</sup> Multiyear funding framework: <http://www.undp.org/execbrd/word/dp08-23.doc>

<sup>157</sup> This figure is lower than the US\$6 billion per-annum mentioned elsewhere as it excludes pass-through activities described in the previous chapter.

<sup>158</sup> See 2007 Board document: <http://www.undp.org/execbrd/pdf/dp07-44.pdf>

318. With respect to overall resources, it is assumed that 90.2 percent will be allocated to programmes and associated costs (presumably including UNDP management costs, through cost recovery<sup>159</sup>), 7.3 percent for management functions, and the remaining 2.4 percent will cover UN system coordination. Interviews of UNDP management conducted in the context of preparing this report have confirmed that the agency does not implement programs and this minimize likelihood of co-mingling of resources across resource envelopes – in other words there is low risk that programs de-facto fund a portion of UNDP’s operating costs.

319. Finally, it should be noted that the activities of some of independent institutions under UNDP’s purview is also underpinned by a strategic framework. For instance, this is the case for UNIFEM<sup>160</sup>. However, given that the focus of this report is on UNDP managed programmes, these institutions are not reviewed here.

320. Budget estimates for the 2010-11 biennium were reviewed by the Advisory Committee on Administrative and Budgetary Questions (ACABQ)<sup>161</sup>, with key issues highlighted below. The Committee welcomed the results-based budget and encourages its use to realize efficiency and eliminate duplication. However, it also notes that resource use is not always evident and recommends a consolidated presentation of budget estimates from various sources (biennial and miscellaneous). Improved cost classification, notably between development and management activities, is also recommended. It also notes that the financial framework projects a resource balance (surplus) of US\$2 billion at the end of the period, an issue taken-up in the next chapter. The report also notes the vulnerability of the program due to the limited donor base and to any significant shortfall to voluntary contributions. It also recommends that the Board looks into the feasibility of implementing the Human Resource strategy, which calls for a net decrease of 117 posts (from 3,334). There are also comments on the question of cost recovery, reflected here in a later chapter on this subject.

#### **d. Mapping Expenditures at Headquarters, Regional and Country Level – Programme Expenditures**

321. The present chapter presents a mapping of UNDP expenditures, from which specialized agencies are excluded<sup>162</sup>. **Table 6.4** presents aggregate expenditures by UNDP during the past decade.

322. Comparing these figures with those for income presented in **Table 6.1**, UNDP expenditures have been less than income and the gap (surplus) as increased in absolute and relative terms over time (about US\$50 million at the outset and about US\$400 million for more recent years, or from 2 percent to 10 percent of expenditures. This was raised as an issue in the aforementioned ACABQ report, with more details on the cumulative numbers presented in the latest audit reports.

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<sup>159</sup> See cost recovery document, discussed later-on in this report: <http://www.undp.org/execbrd/pdf/dp08-2e.pdf>

<sup>160</sup> See 2007 Board document for UNIFEM: [http://www.unifem.org/attachments/products/UNIFEM\\_SP\\_2008-2011\\_eng.pdf](http://www.unifem.org/attachments/products/UNIFEM_SP_2008-2011_eng.pdf); also 2005 document for UNCDF: [http://assets.mediaglobal.org/documents/UNCDF\\_Business\\_Plan.pdf](http://assets.mediaglobal.org/documents/UNCDF_Business_Plan.pdf);

<sup>161</sup> <http://www.undp.org/execbrd/word/dp2010-4.doc>

<sup>162</sup> An review of financial flows in these agencies would require a separate analysis that is outside the scope of the present report.



**Table 6.4: UNDP Expenditures by Source (US dollar millions, current prices)**

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009
Program Expenditures	1599	1506	1752	2047	2489	2744	2730	2952	2966
Biennial Support Budget	375	375	422	475	526	573	665	718	744
Miscellaneous	62	53	79	31	39	52	64	90	140
<b>Total Expenditure</b>	2036	1933	2254	2553	3053	3368	3458	3761	3849
<i>Program expenditure as % of total</i>	78.5	77.9	77.8	80.2	81.5	81.5	78.9	78.5	77.0

Source: <http://www.undp.org/execbrd/pdf/dp2010-17Add2.pdf>; p.8

323. A number of reasons have been cited for the under-spending and range from prudent management of reserves so that resources are available if there is a temporary shortfall in revenues, to the fact that project implementation is multiyear and commitment balances are carried forward. It should be noted that the statistical annex to the 2010 Administrator report<sup>163</sup> cites a lower figure of US\$3,765 million for total expenditures in 2009 (linked to strategic plan). We were unable to reconcile these two numbers but assume that the difference is made up by part of expenditures classified as “other program expenditure and programme support expenditure”, with an outturn of US\$343 million – see **Table 6.4** below – or that the figures are provisional and not reported at the same time. The aforementioned difference is much smaller for 2008 (US\$17 million). A fuller analysis of cash balances is presented in volume 1 of the present report.

324. **Table 6.5** below presents UNDP expenditures by major objectives/practice (intended results) of the ongoing strategic plan. The outturn for 2004-2007, the previous strategic plan, has been retrofitted/mapped to expenditures by broad results categories.

325. There is no fully comparable information for the earlier period. Throughout the 2004-2009 period the bulk of resources are allocated to MDGs (close to 33 percent) and fostering democratic governance (about 40 percent, but with a declining trend over time). Crisis prevention is an area that receives greater attention in 2008 and 2009, so does sustainable development in 2009 (possibly reflecting the growing importance of the climate change). Finally, the ratio of other programme-related to total expenditure increases over time, from an average of 5 percent per annum during 2004-7, to an average of 9 percent per annum during 2008-9. **Figure 6.3** on next page depicts the 2009 expenditures by broad results area.

<sup>163</sup> [http://www.undp.org/execbrd/pdf/EB\\_annual\\_report\\_Annexes\\_final\\_1\\_July.pdf](http://www.undp.org/execbrd/pdf/EB_annual_report_Annexes_final_1_July.pdf); P.48

**Table 6.5 - UNDP Expenditure by Objective**

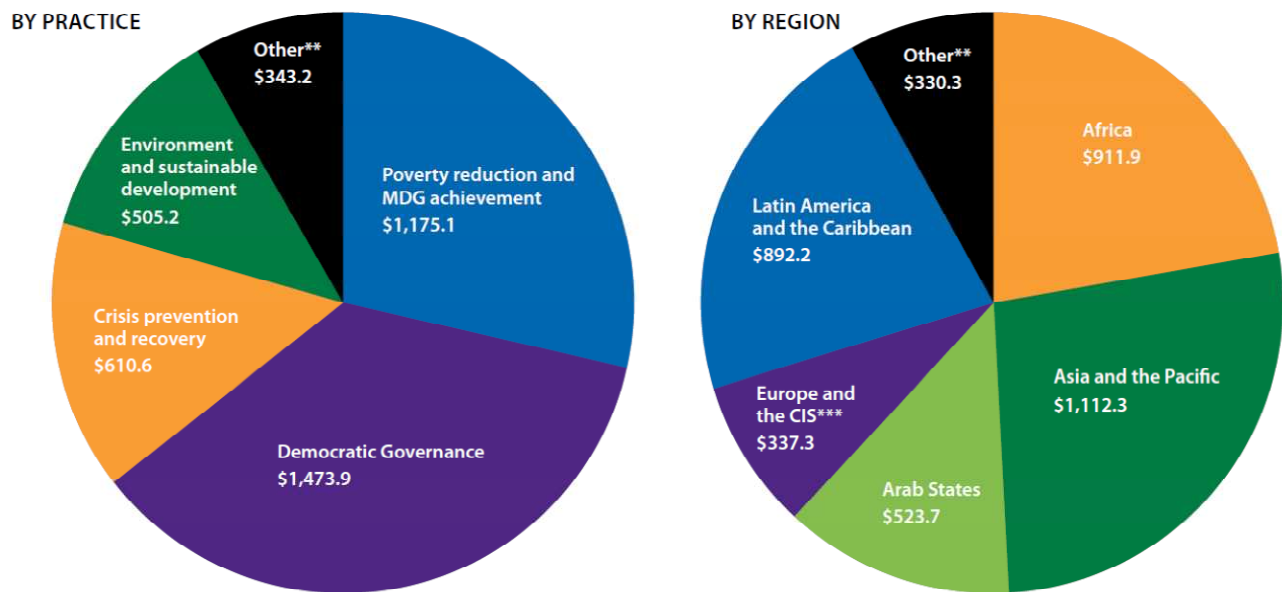
	2004-2007		2008		2009	
	US\$ million	% Total	US\$ million	% Total	US\$ million	% Total
<b>Achieving the MDGs and Reducing Human Poverty</b>						
Promoting inclusive growth, gender equality and MDG achievement			925	24.7	851	22.6
Fostering inclusive globalization			38	1.0	44	1.1
Mitigating the impact of HIV and AIDS on human development			256	6.8	246	6.2
Other programme activities			37	1.0	34	0.9
<b>Total</b>	3,702	31.6	1,256	33.5	1,175	31.1
<b>Fostering Democratic Governance</b>						
Fostering inclusive participation			211	5.6	246	6.2
Strengthening responsive governing institutions			1,044	27.9	1,087	28.1
Supporting national partners to implement democratic governance practices grounded in human rights, gender equality and anti-corruption			142	3.8	131	3.4
Other programme activities			32	0.9	9	0.2
<b>Total</b>	5,180	44.2	1,429	38.2	1,473	39.1
<b>Supporting Crisis Prevention and Recovery</b>						
Enhancing conflict and disaster risk management capabilities			227	6.1	234	6.1
Strengthening post-crisis governance functions			70	1.9	66	1.7
Restoring the foundations for development			355	9.5	294	7.4
Other programme activities			4	0.1	17	0.4
<b>Total</b>	1,567	13.4	656	17.5	611	16.1
<b>Managing Energy and the Environment for Sustainable Development</b>						
Mainstreaming environment and energy			270	7.2	287	7.4
Catalysing environmental finance			7	0.2	32	0.8
Promoting climate change adaptation			12	0.3	25	0.6
Expanding access to environmental and energy services for the poor			98	2.6	143	3.7
Other programme activities			16	0.4	18	0.5
<b>Total</b>	1,263	10.8	403	10.8	505	13.1
Sub-total programme expenditure linked to Strategic Plan development results framework	11,712	100.0	3,744	100.0	3,764	100.0
Other programme-related expenditure	2,577	22.0	352	9.4	343	9.1
<b>Grand Total Programme Expenditure</b>	14,289		4,096		4,107	

Source: Annual Report 2010, 2009 and 2008

326. The UNDP strategic plan and resource allocation mechanism gives priority to Least Developed Countries (LDCs) and Africa. This priority is reflected in expenditures outturn in **Table 6.6** below. It should be noted that the figures for 2009 are lower than what is presented in **Figure 6.3**, mainly because only programme expenditures are presented in Table 6.5. This difference in coverage does not materially change the trends.

327. Regional expenditures show significant changes during the decade. The most significant shift has been the decline in Latin America and Caribbean, from 60 percent in 2001 to 26 percent in 2009, and a parallel decrease in the nominal level of expenditures despite the expansion of the overall resource envelope. This change not only reflects the higher priority given to other regions, but also the fact that fewer of Latin America and Caribbean countries are now classified amongst the very poor.

**Figure 6.3 - Composition of Expenditures 2009 (US\$ million or %)**



Source: UNDP Annual Report 2010

328. The increased priority given to Africa and Asia/Pacific (including Afghanistan) is reflected in the more than doubling of UNDP’s total expenditures in these regions, which now almost equals Latin America and the Caribbean. Both regions receive about the same amount of resources, which grew from about 11 percent of total expenditures to its present level of about 25 percent.

329. Expenditures in favour of CIS states have remained fairly constant at about 7 percent of total during the period and have thus close to doubled in nominal terms. Expenditures on Arab States have gone up by a factor close to 6 and as share of total have tripled to almost 14 percent, albeit from a low base. This growth is largely explained by Sudan, Iraq, Egypt and Somalia.

330. The above analysis shows that Africa, the region of the world facing the steepest challenges to reach MDGs, is given high priority with 25 percent of **total** allocations. This is further reinforced by the fact that, as shown in **Table 6.7** below, in 2009 Regular Resources programme expenditures in the African regions rank the highest at 50.1 percent of the total followed by the Asia Pacific region at 29.6 percent<sup>164</sup>. With respect to Donor Resources (i.e., Third Party Donors to aid Programme Countries), Asia Pacific region (39.5 percent) ranks the highest due to the fact that UNDP’s largest country programme is located in Afghanistan, followed by the African region (26.2 percent). Also, it is worthwhile to note that the vast majority of programme expenditures incurred in Latin America and the Caribbean region were from Local Resources provided to UNDP by Programme Governments to fund programme/projects in their own countries. Regular resource allocation seems in line with the UNDP

<sup>164</sup> It should be noted that while ratios for common indicators are broadly similar in both tables, the absolute figures vary because of use of different source documents and appears to be due to differences in coverage. This is an example of the compatibility problem in data from various sources mentioned elsewhere.

strategic framework and priorities. Donor-driven earmarked aid is a factor outside UNDP's control that partly determines allocation across regions and the relative high share of expenditures in Asia Pacific and Arab states. High level of local resources drives the significant expenditures in Latin America.

331. UNDP's coordination mandate and universality principle that leads to presence in 166 countries also seems to be a factor in allocating resources. This leaves the question whether UNDP should pursue a more selective approach in its support, emphasizing the very poor even more, even if this is at the expense of not being present in the richer, high middle-income countries or those with small programs. In 2008, the latter group consisted of 17 countries where UNDP expenditure was less than US\$700,000, with all but one below US\$400,000. However, it should be noted that majority of these small programmes are located in tiny island states.

**Table 6.6 - Distribution of Programme Expenditures by Region (US\$ million and Percentage Share)**

	Africa	Asia/Pacific	Arab States	Europe & CIS	Latin America & Caribbean	Other
2001						
Value	175	168	74	109	915	80
%	11.5	11.0	4.9	7.2	60.2	5.3
2002						
Value	168	193	73	100	860	89
%	11.3	13.0	4.9	6.7	58.0	6.0
2003						
Value	220	222	82	117	994	101
%	12.7	12.8	4.7	6.7	57.3	5.8
2004						
Value	274	359	115	128	1036	106
%	13.6	17.8	5.7	6.3	51.3	5.3
2005						
Value	447	443	171	188	1152	134
%	17.6	17.5	6.7	7.4	45.4	5.3
2006						
Value	527	391	239	183	1313	146
%	18.8	14.0	8.5	6.5	46.9	5.2
2007						
Value	506	441	300	178	1201	162
%	18.1	15.8	10.8	6.4	43.1	5.8
2008						
Value	752	536	401	205	1046	94
%	24.8	17.7	13.2	6.8	34.5	3.1
2009						
Value	750	750	413	215	769	117
%	24.9	24.9	13.7	7.1	25.5	3.9

Source: Annual Report of the Administrator 2003, 2005, 2007, 2009 and 2010; statistical annex.

**Table 6.7 - Distribution of Programme Expenditures by Region and Source 2009  
(US\$ million and Percentage Share)**

<b>Region</b>	Africa	Arab States	Asia Pacific	Europe & CIS	L. America & Caribbean	<b>Grand Total</b>
<b>Regular Resources</b>						
Value	247.0	34.0	145.9	37.1	29.0	<b>492.6</b>
%	50.1	6.8	29.6	7.5	5.9	<b>100.0</b>
<b>Donor Resources</b>						
Value	620.0	363.1	934.3	227.1	218.9	<b>2,363.4</b>
%	26.2	15.4	39.5	9.6	9.3	<b>100.0</b>
<b>Local Resources</b>						
Value	32.9	123.6	22.4	40.0	624.8	<b>843.8</b>
%	3.9	14.7	2.7	4.7	74.1	<b>100.0</b>
<b>Total</b>						
Value	899.9	520.4	1,102.6	304.2	872.7	<b>3,700.0</b>
%	24.3	14.1	29.8	8.2	23.6	<b>100.0</b>

Source: Data provided by UNDP on the basis of report on Annual Review of the Financial Situation.

332. **Table 6.8** below provides the breakdown of expenditure by broad categories. The period covered is 2004-2009, as the data presentation for earlier years use a somewhat different format.

**Table 6.8 - Expenditures by Category (US\$ million and Percentage Share)**

	Personnel	Equipment	Service Contract	Training	Travel	Micro grant	Miscellaneous
<b>2004</b>							
Value	555	320	604	20	82	73	363
%	27.5	15.9	29.9	1.0	4.1	3.6	18.0
<b>2005</b>							
Value	648	299	769	32	105	79	605
%	25.5	11.8	30.3	1.3	4.1	3.1	23.8
<b>2006</b>							
Value	692	328	838	43	140	162	595
%	24.7	11.7	29.9	1.5	5.0	5.8	21.3
<b>2007</b>							
Value	756	277	837	45	140	202	540
%	27.0	9.9	29.9	1.6	5.0	7.2	19.3
<b>2008</b>							
Value	854	320	900	24	175	243	520
%	28.1	10.5	29.6	0.8	5.8	8.0	17.1
<b>2009</b>							
Value	997	241	759	12	193	229	582
%	33.1	8.0	25.2	0.4	6.4	7.6	19.3

Source: Annual Report of the Administrator 2005, 2007, 2009 and 2010; statistical annex

333. Not surprisingly for an institution that builds capacity and provides advice, instead of funding other development projects involving civil works, personnel and service contracts (consultants/subcontractors) account for between 56 percent and 60 percent of expenditures during the period (with some variability from year to year). Within this ratio, much of personnel growth over time has been at the relative expense of subcontractors.

334. The second largest item, miscellaneous expenditures, accounts for about 20 percent of expenditures during the period. It presumably covers types of expenditures different from other categories, which conceptually include operating costs, civil works, fees and per-diems (if not part of training). A further breakdown of this category is not available in public documents. The training budget is quite limited, around 1 percent, which seems quite low in view of capacity building activities supported by UNDP. Some/much of the actual training costs are presumably subsumed within the service contract category. Finally, travel has seen a steady increase from 4 to 6 percent of expenditures. This largely appears to reflect higher air transport costs following 9/11, depreciation of the US dollar and, more recently, the high cost of fuel.

#### **e. Current Cost-Recovery Practices for Program Activities**

335. The main elements of UNDP's policy on cost recovery for regular and other resource for much of the last decade is described in a document<sup>165</sup> dating back to June 2003. The main principles are as follows:

- The Biennial Support Budget of UNDP will provide a base structure for all operations at the headquarters and country levels;
- The costs associated with the delivery of services to programmes above the base structure shall be borne by the relevant funding sources (Regular & Other Resources) within each programme;
- Generally, there are two categories of services provided to programmes; the first of which includes general oversight, management, and quality control, while the second category includes direct services in the context of implementation; and,
- Other Resources-funded programmes benefit from UNDP's global operations (which include strategic initiatives, policy development and corporate systems) and hence should contribute to them.

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<sup>165</sup> [http://www.pnud.or.cr/dmdocuments/Cost\\_Recovery.pdf](http://www.pnud.or.cr/dmdocuments/Cost_Recovery.pdf)

**Table 6.9: UNDP Cost recovery fees 2003-2008**

Source of Funds: TF and TPCS; Fee Range: 5%-7%					
	Country Office(s)	Regional Bureau	BDP or BCPR	Central Services <sup>1</sup>	Global Operations
Country (incl. TTF Country) <sup>2</sup>	everything above 2%	0.67%	0%	0.33%	1%
Regional (incl. TTF Regional) <sup>3</sup>	0.67%	everything above 2%	0%	0.33%	1%
Global/Interreg. (incl. TTF, GEF, MP, Cap21) <sup>4</sup>	0.33%	0.33%	everything above 2%	0.33%	1%
Hybrid Projects <sup>5</sup> (incl. GFATM, BCPR TF)	everything above 2.33%	0.33%	0.67%	0.33%	1%
Source of Funds: PCCS; Fee 3%					
	Country Office(s)	Regional Bureau	Central Services	Global Operations	
	everything above 0.6%	0.4%	0.2%	Interest on XB balance	

Source: UNDP Procedures. [http://www.pnud.or.cr/dmdocuments/Cost\\_Recovery.pdf](http://www.pnud.or.cr/dmdocuments/Cost_Recovery.pdf)

336. Only projects fully or partially funded from “Other Resources” (non-core) are subject to a General Management Support (GMS) fee, which is based on a percentage of the resources disbursed. Up to 2008, the fee ranges from 5 percent to 7 percent **Table 6.9** above describes how the fee was distributed till 2008, much of period under review and current cost recovery parameters are detailed below.

337. The implementation of above policies was discussed in a 2007 document<sup>166</sup> presented to the UNDP’s Executive Board in January 2008. The executive Board Decision (DP/2007/18) harmonized the general management service fee to 7 percent (except for PCCS which is at 3 percent) -- exceptions require headquarters approval and are subsequently disclosed to the executive board. For Trust Funds and Third Party Cost-Sharing (TF & TPCS), the fee is at 5 percent, and for Programme Country Cost-Sharing (PCCS), the fee is at a lower rate of 3 percent. Prior to this decision, a fee range of 5-7 percent was allowed for Trust Funds and Third Party Cost-Sharing.

338. The aforementioned review was underpinned by an assessment (DP/2007/36) completed mid-year<sup>167</sup>. In its decision, the Board:

- Noted that the cost recovery policy adopted in 2003 remained valid and the assessment of effectiveness, which does not contain sufficient information on the costs incurred in providing management support.

<sup>166</sup> <http://www.undp.org/execbrd/pdf/dp08-2e.pdf>

<sup>167</sup> <http://www.undp.org/execbrd/word/dp07-36.doc>

- Reiterated that regular resources, because of their untied nature, are the bedrock of the operational activities of UNDP, and, in this regard, expressed concern that the relative share of regular resources available to UNDP has decreased. It encouraged all donors to strive to increase contributions to regular resources.
- Reiterated that all other resources should support the priorities in the strategic plan and that regular resources should not subsidize the support costs for programmes funded by other resources.
- Encouraged UNDP to provide detailed information to programme country partners on the income and expenditure of programme support costs in country programme budgets.
- Encouraged UNDP to present a proposal to the Executive Board, with the biennial support budget, 2008-2009, on how indirect cost recovery is allocated in support of programme implementation.
- Welcomed the recent progress in alignment of cost recovery policy among United Nations Development Group Executive Committee agencies, and encouraged the Administrator, in his role as chair of the UNDG and in consultation with other UN agencies, to further develop a common approach to recovery of costs for management of joint activities and the provision of services.
- Encouraged UNDP to intensify consultations with UNFPA and UNICEF to standardize the methodology of calculating administrative costs; and to harmonize cost-recovery principles for programme country contributions with the objective of ensuring full recovery of all costs for implementing activities financed from these contributions.
- Decided that, for the time being: (a) a recovery rate of 7 percent be adopted for recovery of indirect support costs for new third party contributions; (b) Maintain a basic 3 percent recovery rate of indirect support costs for all new programme country contributions; (c) and maintain the authority of UNDP to grant waivers to the cost recovery rate through a case-by-case review that would take into account specific priorities, modalities incurring lower indirect costs, and harmonization goals, and to inform the Board on all exceptions in the annual financial reporting.

339. A subsequent report by ACABQ<sup>168</sup> notes general compliance with the above rates to new projects. Cost recovery would thus generate US\$565 million in income for 2010-11, compared to US\$509 million for 2008-9. Nevertheless, despite progress, the report states that the share of the burden of other resources on the biennial support budget remains relatively high.

340. The debate to-date lacks an important element related to economies of scale associated with project management. Any project has some fixed costs linked to minimum oversight, reporting and so on, plus a variable one which is linked to project complexity. In other words, the larger and simpler the project, the lower the preparation and supervision cost compared to amount disbursed. The following example from typical World Bank IDA project in the Africa Region helps illustrate this. Such a project is usually prepared in a year and implemented over five. Preparation resources from are on average around US\$250,000, while annual supervision costs are about US\$150,000. The smallest project now is about US\$20 million, and the largest can exceed US\$100 million. Therefore the ratio of cost to disbursement ranges from less than 1 percent to 5 percent in rare cases. This ratio excludes certain

<sup>168</sup> <http://www.undp.org/execbrd/word/dp2010-4.doc>; P. 9-11.



relatively small overheads, such as the cost of managing disbursements. The average number is well below the cost recovery used by the UN system.

341. In UNDP’s case (and indeed other agencies) small project size and cost of managing many donors and multitude of beneficiaries contribute to the higher cost of doing business. **Table 6.10** below provides information on project size and helps illustrate the problem: 82 percent of the contributions are between US\$1-5 million. UN management rightly sees multi-country, multi-donor Trust Funds and projects (even if partially earmarked) as a way to achieve efficiency gains. Another would be to have a minimum limit, at least US\$5 million and preferably above US\$10 million, for non-core projects, before UN agencies agree to manage them.

**Table 6.10: Other resources contributions over \$1 million received in 2005**

Size	# contributions	%
Above \$100m	1	0.19
Between \$100million and \$50 million	2	0.37
Between \$50 million and \$25 million	8	1.49
Between \$25 million and \$15 million	15	2.79
Between \$15 million and \$10 million	19	3.54
Between \$10 million and \$5 million	52	9.68
Between \$5 million and \$1 million	440	81.94
<b>Total number of contributions</b>	<b>537</b>	

342. A final point concerns whether or not other resources are fully aligned with UNDP priorities. Official documents emphasize the importance of such alignment. However, in the absence of detailed information on projects it is impossible to state this principle is strictly adhered to – any possible misalignment might come up in the context of evaluation of country programmes. However, the last two annual reports have included an analysis of project alignment in the annex based on a sample of about 50 and show that indeed there is overall a high degree of alignment between UNDP and country priorities on the one side and the strategic plan on the other side. Furthermore, marginal projects could be subject to a review before being taken-up by the agency. Joint programming would increase inter-agency collaboration and help put in place a process to identify the agency best-suited to implement a particular non-core project.

#### **f. Estimates of Staffing Structures and Costs**

343. The latest information on UNDP’s total workforce<sup>169</sup> was presented to its Board in January 2011<sup>170</sup>. A workforce snapshot (see figure 6.4 below) indicates that as of 1 September 2010, UNDP’s total staff strength was 8,421, made up of: (a) 2,597 (31 per cent) International Professionals, including participants in UNDP’s Leadership Development Programme and participants in the Junior Professional Officers Programme; (b) 1,397 (17 percent) national officers; (c) 3,901 (46 percent)

<sup>169</sup> Information on UNDP workforce presented in this chapter includes staff at UNCDF, UNIFEM and UNV.

<sup>170</sup> [http://www.undp.org/execbrd/pdf/dp2011-16\\_statistics.pdf](http://www.undp.org/execbrd/pdf/dp2011-16_statistics.pdf)

General Service staff; and (d) 526 (6 percent) staff on temporary “ALD” contracts, now discontinued. This latter group includes 388 professional and 138 General Service staff. Appointment of limited duration was to be phased out by 31 December 2010.

**Figure 6.4: Distribution of UNDP Workforce**



Source: UN [http://www.undp.org/execbrd/pdf/dp2011-16\\_statistics.pdf](http://www.undp.org/execbrd/pdf/dp2011-16_statistics.pdf)

344. There is not any publically available analysis of whether the overall staffing level is appropriate and whether this distribution of the workforce is appropriate given UNDP’s strategic mission objectives. Also there is need for analysis of whether or not there is an adequate balance between operational staff and the 46 percent of staff delivering general services. One point to keep in mind is that the highly decentralized nature of UNDP work tends to requires more support staff than would be needed if most were headquarters based. The cost of this approach would need to be compared to the benefits of professional staff being closer to the client – a benefit apparent especially in conflict/post conflict countries where UN agencies tend to be the only ones present on the ground.

345. **Table 6.11** below provides a breakdown of regional distribution of Staff. By and large, there is a good alignment between staffing and expenditures presented in **Figure 6.3**. The main outliers are Latin America, with low staffing level compared to expenditures and Africa, with somewhat more. These differences may be explained in part by the advisory needs of client countries and, possibly, larger project size in the former region.

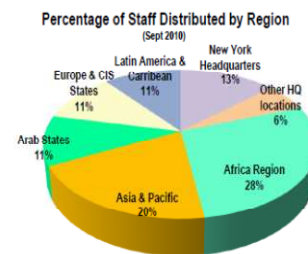
346. UNDP work force grew by 29 percent during the second half of last decade, from 6508 staff to 8421. This is attributable to increased capacity required in activities in crisis countries, conversion of a large number of ALD contracts that were discontinued and converted to regular contracts in pursuant to the Contracutal Reform approved by the General Assembly, and establishment of approximately 50 new Country Director positions in programme countries as an integral part of UN Reform. Regular resources only funded a portion of these posts. In the 2004-5 biennium support budget 3,306 posts were authorized and the corresponding figure for the 2008-9 biennium was 3,334 – growth of only 1 percent. The increase in staff was thus largely with funding other than regular resources. Personnel cost for staff funded by the biennium support budget increased by 29 percent over the period. Given the increase in total personnel costs shown in **Table 6.8**, and taking into account the 62 percent growth in staff funded by other resources, it appears that unit costs increased more for the latter category compared with staff funded by the biennium budget. The reason for this may be related to new hiring

being composed mostly of skilled professional, but this could not be verified on the basis of available information. Another reason could be high security costs for personnel funded by other resources in fragile countries.

347. **Table 6.12** below provides information on this evolution and breakdown by gender. Some of this growth may have been due to the larger work program. The question of whether efficiency gains would have been possible would need to be addressed in a study of efficiency of UNDP’s service delivery.

**Table 6.11: Regional Distribution of UNDP Staff**

Region	#	Percentage
New York Headquarters	1139	14%
Other HQ locations	503	6%
Africa Region	2372	28%
Asia & Pacific	1670	20%
Arab States	914	11%
Europe & CIS States	904	11%
Latin America & Caribbean	919	11%
<b>Total</b>	<b>8421</b>	<b>100%</b>



Source: UN [http://www.undp.org/execbrd/pdf/dp2011-16\\_statistics.pdf](http://www.undp.org/execbrd/pdf/dp2011-16_statistics.pdf)

**Table 6.12: UNDP Staffing 2004-2010**

Year(end)	Total	Female		Male	
		Count	Percentage	Count	Percentage
2004	6508	3328	51%	3180	49%
2005	6976	3559	51%	3417	49%
2006	7355	3775	51%	3580	49%
2007	7761	3943	51%	3818	49%
2008	7983	3983	50%	4000	50%
2009	8531	4201	49%	4330	51%
As at 1 Sept '10	8421	4347	52%	4074	48%

Source: UN [http://www.undp.org/execbrd/pdf/dp2011-16\\_statistics.pdf](http://www.undp.org/execbrd/pdf/dp2011-16_statistics.pdf)

348. In order to meet its strategic objectives, UNDP would need to meet three additional challenges: (i) gender balance; (ii) the retirement of senior staff; and (iii) ensuring appropriate skills mix – which is critical in terms of service delivery. Ensuring gender balance is an important institutional objective for UNDP. Women now account for 45 percent of the agency’s international professional workforce, reflecting progress since 2004 when this figure stood at 38 percent<sup>171</sup>. Fifty-seven percent of women are in junior management, 39 percent in middle management, and 38 percent at the senior management level. This indicates a steady increase in the percentage of women in all three management categories and the targets for 2015 envisioned in the UNDP Strategic Plan are within reach.

349. The issue of retirement of senior staff is pressing. As shown in **Table 6.13** close to 25 percent of UNDP staff is to retire within a decade. More specifically, by 2015 a total of 773 (9 percent) staff

<sup>171</sup> See [http://www.undp.org/execbrd/pdf/dp2011-16\\_statistics.pdf](http://www.undp.org/execbrd/pdf/dp2011-16_statistics.pdf)

members will be retiring. Of these, 111 will be senior managers. The high attrition level among senior management (32 percent), including Resident Coordinators, Resident Representatives, Country Directors and middle management (10 percent), is a concern. But as noted in the Board report, although the retirements will challenge UNDP’s ability to preserve institutional memory and to promote inter-generational knowledge transfer, they will also provide an opportunity to better balance UNDP’s workforce and correct talent gaps where they exist.

350. As noted above, staff retirement during forthcoming years will provide an opportunity to improve skills-mix. Additionally, UNDP advocates inter-agency flexibility that would allow staff to rotate from one agency to the other and should allow for a better alignment of skills with business needs. Training will also enable staff, especially those in mid-career, to acquire skills that would allow them to provide different services. For instance, staff skilled in accounting and finance may move from back-office disbursement functions into front line work such a Public Expenditure Financial Accounting (PEFA) reviews which constitute the basis for improving national systems so as to facilitate the flow of donor funds flowing without need for parallel systems.

**Table 6.13: Age Distribution of UNDP Staff (2010)**

Age Grps	Number	%
20-29	585	7%
30-39	2977	35%
40-49	2809	33%
50-59	1917	23%
60 & more	133	2%
	8421	100%

Source: UN [http://www.undp.org/execbrd/pdf/dp2011-16\\_statistics.pdf](http://www.undp.org/execbrd/pdf/dp2011-16_statistics.pdf)

351. A difficult issue faced by UNDP is that of exit of redundant staff whose skills are no longer required and whose narrow expertise renders the not fungible, even with training. There are a number of ways this can be addressed, including: (1) making such staff redundant; and (2) hiring staff on fixed-term contracts, which may be renewed but not automatically. According to information provided to the consultants, UNDP already follows the latter approach and the majority of staff is on fixed term contracts.

352. However, a recent UNDP Board report<sup>172</sup> closes with a cautionary note pointing out that recent reforms may have reduced management flexibility in these matters. “Current staff members will be retooled where possible, so they can develop the skills required for a knowledge-based organization that is also professionalizing some of its operational functions. But with the issuance of permanent contracts, UNDP may be confronted with the challenge of having permanent staff members who might be unable to adapt to the demands of a knowledge-based organization and to their new roles in it. The new internal justice system has been a welcome addition to the United Nations system and one which

<sup>172</sup> <http://www.undp.org/execbrd/word/dp2011-16.doc>; paras 56-57

UNDP strongly supports. Some of the recent judgments, however, have been seemingly at odds with the contractual reform. While the Member States reiterate that fixed-term appointments do not carry any expectancy of renewal, recent judgments seem to indicate that the organizations must justify their decisions not to renew a fixed-term appointment. This poses a challenge to effective human resources management.” This analysis reflects the importance of treating employees fairly while ensuring clients receive the best service possible, and is quite critical for UNDP where delivering knowledge and capacity is at the centre of its strategic plan. Striking such a balance may be politically and institutionally challenging and will require a commitment from management and the UNDP Board. To stimulate a dialogue amongst stakeholders, a study of options would seem warranted at this point.

### **g. Assessment of the Quality of Current Financial Data, Compilation Practices, Instrument, Procedures and Reporting Practices**

353. Good fiduciary controls are essential for any organization such as UNDP managing donor funds. They help ensure that financial flows can be tracked and that accounting figures are reliable. Similarly, a strong procurement system contributes to more efficient and transparent expenditures. Finally, availability of public information reinforces transparency and maximizes the sharing of information. From a narrower point of view, these systems reinforce the validity of analysis of the present report. UNDP’s experience in these three areas is discussed below.

#### ***Availability of Information***

354. UNDP<sup>173</sup>, and many other agencies, should get recognition for making Board paper available to the public. One issue is that neither external searches nor internal ones easily result in finding the right document, which can be a time consuming process. A more important issue is that most publically available papers usually cover 2 years of data, which makes analysis such as the one in this report difficult. Also, in the past, some of the detailed data did not seem to be publically available – for instance UNDP staffing included agencies and breakdown of certain expenditures. Reconciliation of data from one paper to another was also hard at times. One example is the revenue figures used in section 2 of this report, some of which included agencies while others did not. To address this shortcoming UNDP recently launched a [data.undp.org](http://data.undp.org) portal that provides detailed financial data for the organization, in addition to the standard reporting. Furthermore, UNDP is also a founding member of the International Aid Transparency Initiative (IATI).

#### ***Financial Management***

355. UNDP benefits from strong financial management and supported by good controls. The proposed adoption of international financial standards (IPSAS) in 2012 would thus address the major remaining weakness. Two key documents provide a good overview of financial management issues during the past decade. The first, lists auditor recommendations that have been outstanding for over 18

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<sup>173</sup> <http://www.undp.org/execbrd/sessions.shtml>

months<sup>174</sup>. **Table 6.13** below contains the full list of such issues. The second document is the recently published audit report for the 2008/9 biennium, the conclusions of which are also presented in this section.

356. There are 29 audit recommendations between 2004 and 2008 still outstanding. They are distributed thematically as follows: (a) involve action by host country (4 cases); (b) security situation in a country (1 case); (c) involve cooperation with other UN agencies (2 cases); (d) need involvement from HQ (6 cases); (e) lack of resources (7 cases); (f) slow pace of implementation (5 cases); and (g) inaction by country office (2 cases). The issues mainly relate to financial, project/programme and HR management, and procurement areas.

357. The first five actions depend on the host country and are outside UNDP's control. The issue of establishing a policy towards corrupt vendors is important and material. UN already has a policy framework adopted in 2001<sup>175</sup>, but it is an issue for the UN as a whole. Implementation would involve including and enforcing anticorruption clauses on standard contracts – whether project implementation is by a UN agency or a third party -- and a process for debarring firms. UNDP has recently developed a sanction policy<sup>176</sup>, adopted by the whole UN system. The cost of implementing such policies would need to be covered by UN's administrative budget. It should be noted that some multilateral donors such as the EU, World Bank and African Development Bank<sup>177</sup> have adopted such measures that could be adapted to UN needs. Financial management issues (5) are related either to clarifying regulations or reconciling accounts. The information provided does not quantify the significance/materiality of the problem. Most of the remaining issues relate to programme management (7) and seem important enough to warrant rapid follow-up. A few issues outside these categories are related to procurement or administration.

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<http://www.undp.org/execbrd/pdf/Annex%20to%20DP%202010%2031%20High%20Priority%20Recommendations%20Unresolved%20for%2018%20Months%20or%20More.pdf>

<sup>175</sup> <http://www.unodc.org/pdf/crime/gpacpublications/manual.pdf>

<sup>176</sup> The sanctions policy (which is available at <https://intranet.undp.org/global/popp/cap/Pages/Vendor-Sanction-Procedures.aspx>) goes beyond corruption and bases sanctions on a vendor's involvement with six types of proscribed practices: Corruption, Fraud, Coercion, Collusion, Unethical Practices, and Obstruction.

<sup>177</sup> [http://www.nottingham.ac.uk/pprg/documentsarchive/fulltextarticles/sope\\_exclusions\\_in\\_proc.pdf](http://www.nottingham.ac.uk/pprg/documentsarchive/fulltextarticles/sope_exclusions_in_proc.pdf);

<http://web.worldbank.org/WBSITE/EXTERNAL/OPPORTUNITIES/EXTCORPPROUREMENT/0,,contentMDK:22030756~pagePK:64147231~piPK:64147158~theSitePK:438017,00.html>; and

<http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-related-Procurement/Rules%20of%20procedure%20for%20procurement%20Goods%20and%20Works.pdf>

**Table 6.14: Audit Recommendations Outstanding for more than 18 months**

<b>Unresolved recommendations (by cause, by year)</b>	
<b>Involves action by host country Government</b>	
<i>2004</i>	
<i>Partnership and resource mobilization</i>	
<ul style="list-style-type: none"> <li>▪ Pursue efforts to sign the standard basic assistance agreement and address the issue of the Government contribution to local costs (GLOC) as part of the agreement.</li> <li>▪ Pursue ongoing efforts to resolve outstanding matters with Government and obtain full collection of unpaid GLOC.</li> </ul>	
<i>2007</i>	
<i>United Nations system coordination</i>	
<ul style="list-style-type: none"> <li>▪ Find an agreement as soon as possible and negotiate the lowest rate for VSAT use.</li> </ul>	
<i>2008</i>	
<i>Partnership and resource mobilization</i>	
<ul style="list-style-type: none"> <li>▪ Undertake efforts to recover the shortfall of close to \$1 million of the outstanding GLOC amount.</li> </ul>	
<b>Security situation in country</b>	
<i>2005</i>	
<i>Financial management</i>	
<ul style="list-style-type: none"> <li>▪ Close bank accounts with certain banks.</li> </ul>	
<b>Involves cooperation of other United Nations agencies</b>	
<i>2008</i>	
<i>Procurement (Headquarters)</i>	
<ul style="list-style-type: none"> <li>▪ Establish a policy on suspending and removing vendors from UNDP vendor rosters if they perform poorly or are engaged in unethical or corrupt practices.</li> <li>▪ Establish a policy on dealing with vendors that have been suspended or removed from rosters of other UN and international organizations.</li> </ul>	
<b>Needs involvement of/assistance from HQ</b>	
<i>2006</i>	
<i>Financial management</i>	
<ul style="list-style-type: none"> <li>▪ Clear outstanding salary advance Accounts Receivable Locally (ARL) account with HQ assistance.</li> </ul>	
<i>2007</i>	
<i>Governance and strategic management</i>	
<ul style="list-style-type: none"> <li>▪ In the light of restructuring of the office, update staff job descriptions.</li> </ul>	

### Unresolved recommendations (by cause, by year)

#### *Financial management*

- Obtain approval from the Bureau of Management (BOM) to make local payment in US dollars.
- Issue guidelines on foreign currency payments to local vendors, in consultation with BOM.
- Follow up on advances and thoroughly document all disbursements.

#### *Information Technology*

- Review Atlas functionalities with regard to the budget override function and ensure that only approving manager profiles have rights to override budgets.

2008

#### *Financial Management*

- ARL accounts should regularly be reconciled.

### Lack of resources (financial or human)

2007

#### *Governance and strategic management*

- Fill staffing gaps.

#### *Project management*

- Ensure that project resources are only committed for purposes directly related to projects.
- Do not use project funds to finance office support staff.

#### *HR management*

- Assess the current distribution of tasks as well as the capacity of the operations unit and properly assign task.

2008

#### *Project Management*

- Finalise the project monitoring strategy and plan of action.

#### *Procurement (Headquarters)*

- Develop a software tool for procurement planning.
- Establish a formal mechanism for the reporting of all vendor protests.



<b>Unresolved recommendations (by cause, by year)</b>
<b>Delay caused by lack of result in efforts/slow pace of implementation</b>
<i>2007</i>
<p><i>Project management</i></p> <ul style="list-style-type: none"> <li>▪ Ensure that proper inventory records are established and organize physical count</li> <li>▪ Manage the nationally implemented (NIM) projects audit process.</li> <li>▪ Follow-up on outstanding NIM advances.</li> </ul> <p><i>Procurement</i></p> <ul style="list-style-type: none"> <li>▪ Amend contracts with the garage, airlines and travel agencies.</li> </ul> <p><i>HR management</i></p> <ul style="list-style-type: none"> <li>▪ Prepare and implement a recruitment plan.</li> </ul>
<i>2008</i>
<p><i>Programme Management</i></p> <ul style="list-style-type: none"> <li>▪ An oversight and internal control specialist should be hired to oversee the internal monitoring and evaluation activity for programme and projects.</li> </ul>
<b>Lack of or inadequate action by country office concerned</b>
<i>2007</i>
<p><i>Partnership and resource mobilization</i></p> <ul style="list-style-type: none"> <li>▪ Prepare a resource mobilization strategy reflecting its vision and objective and how these would be achieved.</li> </ul>
<i>2008</i>
<p><i>Human Resource Management</i></p> <ul style="list-style-type: none"> <li>▪ Adjustments needed in some functions within the country office structure.</li> </ul>

Source: UNDP

358. The Board of Auditors audited the financial statements and reviewed the operations of the UNDP for the biennium ended 31 December 2009. The Board issued an unmodified opinion on the financial statements for the period under review, as reflected in Chapter I of the present report. The Board also issued an unmodified opinion on the financial statements for the biennium 2006-2007. The main observations are summarized below.

359. Of the 82 recommendations made for the biennium 2006-2007, 53 recommendations were fully implemented, 25 recommendations were under implementation, 2 recommendations while 2 recommendations were overtaken by events. Certain recommendations have long-term action plans, and need more time in order to be fully implemented. The two recommendations that are not implemented and other recommendations are linked to financial statement matters, which can be completely addressed only when UNDP fully implements the International Public Sector Accounting

Standards in 2012. The Board evaluated the ageing of its previous recommendations that had not yet been fully implemented – as discussed above.

360. UNDP carried in its books about US\$5.0 billion in excess of income over expenditures for its total programme/project activities as at 31 December 2009. About US\$1.1 billion of these funds were accumulated during the biennium. UNDP also had trust funds that had minimal or no expenditure for one or two biennium, indicating slow disbursement of funds.

361. The Board continued to observe two trends: first, that the proportion of direct implementation compared to other delivery modalities continued to increase<sup>178</sup>; the second was that the biennial support budget as a percentage of total expenditure remained constant at around 14 percent to 16 percent. UNDP indicated that the significant proportion of resources incurred for directly implemented projects are in country offices in special circumstances or in crisis.

362. UNDP disclosed in its notes to the financial statements a total liability for after-service health insurance as at 31 December 2009 of US\$430 million. UNDP had not fully provided for the liability but recognized in its accounts a total of \$373 million of the liability as at 31 December 2009 (2007: US\$268 million). The agency also disclosed in the notes to the financial statements liabilities for repatriation benefits of US\$67.2 million, termination benefits of US\$10.2 million and US\$46.8 million for accrued annual leave. However, a provision for those amounts was not raised in the accounts of UNDP. The Board has also provided several other detailed comments in connection with the validation of those liabilities. While the total liability for after-service health insurance for the United Nations Capital Development Fund (UNCDF) and the United Nations Development Fund for Women (UNIFEM)<sup>179</sup> was disclosed in the notes to the financial statements, the Board noted that neither had provided for the liability.

363. Management work plans were not submitted within the stipulated deadlines and the indicators of achievement reflected in the results-based management database were not always specific, measurable, accurate, relevant and time-bound (SMART), as required by the results-based management framework.

364. The Board noted an improvement in the performance of monthly bank reconciliations during its country office audit visits; however, some country offices had long-outstanding reconciling items and in some country offices there was no segregation of duties in the performance of bank reconciliations. The Board noted that some audit reports for national implementation modality were not submitted within the deadline. There were also inconsistencies among the auditors of the national implementation modality in that some auditors issued inappropriate opinions, based on the Board's review (which preceded the Office of Audit and Investigations review and quality control process). Some challenges

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<sup>178</sup> As cited elsewhere in the report, UNDP management has indicated that direct implementation has been abandoned.

<sup>179</sup> As indicated at the outset, the review of these funds is outside the scope of this report.

continued to be experienced in identifying all projects to be audited and in analyzing the audit opinions received.

365. The Board noted that, in the few country offices that it audited, the country offices were not systemically checking prospective vendors against the list of suppliers prohibited by the Security Council even though UNDP had developed controls to assess and monitor prospective vendors against the list of suppliers prohibited by the Security Council under the terms of Security Council resolution 1267 (1999). The Board noted that not all country offices prepared procurement plans. The Board noted that 40 percent of buyers at country offices were not certified. Follow-up is needed to ensure that these shortcomings are not related to significant governance problems.

366. The Board has made several recommendations based on its audit. The main recommendations are that UNDP:

- Carry out project risk management to mitigate the risks arising from the implementation of the International Public Sector Accounting Standards throughout the life of the project.
- Perform a review of Atlas user rights for journal entries to address incompatible functions; and perform regular reviews of the journals captured and approved to ensure that journal entries have not been captured and approved by the same person.
- Ensure that all country office certify their unliquidated obligations; and clear balances included in unliquidated obligations that do not represent open purchase orders.
- Implement processes to monitor the ageing of receivable balances; intensify its efforts to follow-up and recover receivable balances; review long- outstanding receivable balances during the preparation of its financial statements; and continue to investigate all staff debtors balances and assess recoverability in compliance with UNDP rules.
- Establish an urgent deadline to clear all legacy balances.
- Continue to reclassify and disclose interest due to donors in its presentation of financial statements; and periodically reconcile the account to reflect interest refunds due to donors.
- Continue to follow up with donors to ensure that interest earned on contributions is refunded or reprogrammed.
- Implement measures to fully analyse and review the accounts related to refunds pending to donors and take steps to clear those accounts regularly.
- Consider revising its presentation of the notes to the financial statements to ensure alignment with the face of the financial statements to ensure they are complete and understandable.
- Continue its efforts to close all inactive trust funds.
- Perform a review of trust funds with minimal activity and address any reasons for delay in execution of projects or inform/consult with the donor to determine whether additional funding can be made available to cover the excess expenditure.
- Continue to follow up all trust funds in deficit; and recover from the donors, expenditure incurred in excess of the funding received.

- Liaise with the UNDG Advisory Group to implement additional controls to ensure that participating organizations submit progress reports to allow for timely donor reporting.
- The United Nations Development Operations Coordination Office, in collaboration with the responsible decision-making departments and committees, identify and mandate the organs of relevant entities that would be able to perform all the management review, oversight and assurance tasks related to Multi-Donor Trust Funds on a proactive basis.
- Provide fully for all end-of-service liabilities.
- Consider a funding policy for all end-of-service liabilities.
- Reconsider and formalize its portfolio investment strategy for after- service health insurance-related assets.
- Accurately calculate and disclose the actual accrued annual leave and repatriation grant liabilities on the face of the financial statements.
- UNCDF and UNIFEM fully provide for after-service health insurance and end-of-service liabilities; establish a policy to fund the liabilities; and correctly calculate and accrue for the annual leave liability.
- Prioritize the financial closure of all operationally closed projects; and address the causes for delays in the finalization of projects.
- The harmonized approach to cash transfer process at country offices as it relates to UNDP be reviewed by regional bureaus to provide an independent review of the process and headquarters take on the responsibility of driving the harmonized approach to cash transfer implementation, monitoring and oversight of the progress of UNDP country offices.
- Further strengthen controls at the country office level to ensure that, prior to dealing with prospective vendors, the country offices ensure that the vendors are not on the Security Council list of prohibited suppliers.
- Ensure that the newly developed Atlas checking mechanism is implemented.
- Improve all controls over leave administration to ensure accurate leave balances.
- Perform an internal audit of leave management to ensure the accuracy of leave balances.
- Prioritize addressing weaknesses in leave administration; expedite the configuration and use of Atlas absence management module; and ensure that leave monitors leave administration is independently reviewed by their direct supervisors.
- Consider approval of the information technology security policy; communicate the formalized information technology security policy to all relevant stakeholders; and monitor compliance on a regular basis.
- Conduct an information and communication technology security risk assessment regularly.
- Perform regular quality assurance checks of all data fixes made in the production environment; ensure that all types of changes are signed off by business owners; ensure that all mandatory fields are captured in TeamTrack; and regularly review the activities of database administrators and access to the production environment.
- Review access of all users on the deviation report; review the appropriateness of users with multiple profiles on a periodic basis; and monitor the actions and activities of security administrators on a regular basis.

- When duly completed, obtain a SAS 70 Type II report from the United Nations Information Computer Centre to gain assurance that the key controls at the hosting provider were operating with sufficient effectiveness.
- Ensure that all country offices comply with the minimum operating security standards.
- Ensure that all regional centres in consultation with regional bureaus sign all long-term corporate agreements within the set deadlines
- UNCDF implement controls to ensure that cash advances are applied timely; and adjust its cash balance and reclassify the amounts accordingly;
- UNIFEM perform adequate bank reconciliation processes in order to identify duplicate payments and other reconciling items; follow up to obtain clarification of the unexplained amount.

367. The ratio analysis for all resources indicates that UNDP generally has a healthy financial position. In particular, the cash/total assets ratio for regular resources has improved slightly compared to the 2007 biennium – this change may not be significant due to definitional issues, for instance cash in interest bearing accounts being clarified as investments. The cash/liability ratio was below one, but that does not indicate that UNDP is unable to settle its debts as and when they fall due. Excess cash is invested in bonds to maximize investment returns, as can be evidenced by the low cash ratio to total assets. Investments in bonds account for 61 per cent of total assets. Taking investments in bonds into consideration indicates that UNDP has enough resources to cover its liabilities.

### *Procurement*

368. The audit reports have highlighted a number of procurement issues that are not repeated here. During the period under review, a key reform concerned UNDP and UNOPS initiated partial merger of certain IAPSO functions with UNOPS in May 2007. The partial merger was implemented on 1 January 2008, with a transfer of assets, business processes and staff<sup>180</sup>. The analysis of composition of UNDP procurement is presented with the one for all agencies in the summary volume of this report. Another achievement noted in the latest Annual Report concerns the adoption of more efficient business processes that have reduced procurement delays by a month for cases below US\$1 million.

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<sup>180</sup> <http://www.undp.org/execbrd/word/dp08-43.doc>

COUNTRY CASE STUDY  
VIETNAM

## 7. Country Case Study - Vietnam

### a. Acknowledgment

369. This section documents information gathered in meetings with UN agencies in Vietnam, the Government of the Socialist Republic of Vietnam, multilateral and bilateral donors, as well as exchanges with independent consultants and other experts with decades of experience in Vietnam. Specifically, the mission met twice with His Excellency, the Norwegian Ambassador to Vietnam, and received excellent support from the Ambassador and Embassy staff.

370. The mission received excellent collaboration from UN officials, who generously shared information and offered opinions on even sensitive issues. As a result of this support, the mission was able to collect detailed information about UN expenditures in addition to what is available in official sources. The cooperation received also demonstrated that UN country offices in Vietnam have gone a long way towards meeting the transparency and accountability standards to which the UN system has pledged allegiance and which taxpayers funding UN activities expect.<sup>181</sup> The expectations generated by this study is maybe best illustrated by a personal email received from a UN representative stating that “We do hope the overall result of your work will provide the evidence that NORAD needs to continue support UN Reform in Vietnam”. The context made it clear that the emphasis was on reform and not on more financial contributions.

371. Occasional administrative hurdles in securing meetings were swiftly overcome thanks to outstanding logistics support from Mekong Economics Ltd, and the mission was able to meet with all identified key actors in Hanoi. A particular gratitude goes to Ms. Nguyen Thi Thu Hien, economist at Mekong Economics. Without Ms. Hien’s dedication to the cause and hard work, the meetings that generated the essential input for this report would have not materialized.

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<sup>181</sup> In the context of discussing the UNDP Biennial Support Budget for 2010-2011, the Norwegian delegation to the UN stressed the need to ensure that [UN] budgets are further developed to increase transparency and accountability.

## b. UN in Vietnam<sup>182</sup>

372. **Economic relevance.** Vietnam received US\$3.7 billion in net ODA in 2009, with Japan being the largest donor with US\$1.1 billion in grants and loans, followed by the World Bank/IDA with US\$0.9 billion. In this context, the UN system, with a disbursement of some US\$86 million in 2009 – or 2.3 percent of total assistance -- is a relatively small player in financial terms. As a reference, the NGOs present in Vietnam disburse around US\$120 million per year. However, the 14 UN agencies with some 230 staff that are active in Vietnam are filling key niches in the development arena with limited presence of other donors. This impact is reinforced by the move from traditional projects toward an increasing role of policy advisory assistance.<sup>183</sup> The IMF and the World Bank did not enter the Vietnam arena until 1994, leaving for years to the UN the role of being the sole international organization that would provide policy advice at a time when the government was still undecided on how to proceed with market reform and giving the UN a legacy of goodwill.

373. **The One UN reform.** As is the case in many other countries, the number of UN agencies active in Vietnam and overlapping activities led over the years to worsening problems with fragmentation and duplication of activities within the UN system. Both UNDP and UNIDO do work on macroeconomics issues. Both agencies also work on environmental issue. Some five-six UN agencies work on gender issues. “The UN never sees the whole elephant” as one donor country representative characterized the fragmentation of the UN system. According to the same donor representative, “this [has] made the Vietnamese Government irritated.”

374. In response to these problems, Vietnam, at the urging of the Government, was made a pilot country under the “One United Nations” reform program aimed at increasing the coherence of the UN agencies by transforming them into a harmonized system with unity of purpose, coherence in management and efficiency and effectiveness in operations. Or, in the words of the Resident Coordinator, the purpose is “to make the UN family speak with one voice. The reform process is all about harmonization.” From originally 6 agencies (called “Phase I”), all 14 UN agencies present in Vietnam are now part of the UN One initiative. The reform program has the strong support of the Government of Vietnam as well as of the donor community. Donor assessment is that the Government has played “a great role” in the implementation of the reform. (See **Box 6.1**)

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<sup>182</sup> World Food Program (WFP) has no official presence in Vietnam and is therefore not part of this report. Generally, Government ministries do not use NGOs for implementation of projects funded by the UN. (The fairly competent local administration is one reason for the relatively limited role of NGOs in Vietnam.) Mainly for this reason, the mission did not meet with NGO representatives in Hanoi.

<sup>183</sup> Staff estimates according to a tally 12 UN agencies in Vietnam. The estimate does not include staff employed under UN-funded projects and programmes. A UN website “Who we are” lists several other UN organizations not included in this staff tally as active in Vietnam, including the United Nations Office on Drugs and Crime (UNODC); the International Organization on Migration (IOM); United Nations Development Fund for Women (UNIFEM); United Nations Volunteers (UNV); and UN-Habitat. Several of these organizations present information about projects they are doing in Vietnam on their websites. However, except UNODC, with 20 employees, none of these organizations provides information about the number of staff employed. None of them gives information about income and expenditures. See <http://www.un.org.vn/en/the-un-in-viet-nam-mainmenu-37.html>.



### Box 6.1 - UN reform in Vietnam

Vietnam is a pilot country under the “One UN” reform program since 2006. A task force, comprising the Government of Vietnam, the UN Country Team and the donor community, has been formed to implement the program. Donors have set up an informal group to monitor implementation of the program, using a results matrix with indicators, such as progress on empowering the Resident Coordinator.

The “One Plan” part of the program seeks to combine the work of the 14 UN organizations in Vietnam within a single planning framework. It aims at bringing greater coherence and helping the UN to respond better to both key national priorities and the Millennium Development Goals. Harmonized project management practices have been established to simplify the procedures of in-country UN agencies, better align UN business practices with those of the Government, and to reduce the cost of interacting with the UN. A single budget has been agreed on, providing a clearer sense of total resources required. A One Plan Fund has been established to mobilize and allocate donor funds (in addition to what the agencies receive from donors through other channels) for the unfunded part of the One Plan, thus streamlining financing the UN’s programmatic work. The agencies bid for money from the fund. The UN Resident Coordinator takes the lead on common issues to ensure that the UN agencies speak with one voice, and present a common position. The Coordinator also guides the strategic development and management of the “One UN” reform process.

Norway contributed US\$40 million in 2009 and 2010 to a multi-donor fund aimed at improving the effectiveness and development impact of the UN system at country level.

Within the UN system, a number of agencies have expressed concerns over loss of autonomy and UNDP’s increasing influence under the One UN concept. “Headquarters, not the Resident Coordinator, has the last word”, as a representative for a smaller UN agency explained. The gain from being part of the One UN is also questioned. Agencies also prefer to get funding directly from donors. Meanwhile, UNICEF and other UN agencies are still reporting to their respective headquarters, weakening the One UN concept, while competition over territory and donor funding continues.

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*Sources:* UN websites; mission interviews with UN and donor country officials and independent experts. Poate, D. Dung, D. et. Al. 2010. Delivering as one. UN Pilot initiative in Viet Nam. Country-led evaluation.

375. The original One UN concept called for far-reaching integration of UNDP, UNFPA, and UNICEF. Five non-participating agencies subsequently intervened, arguing that they had been excluded from the decision. According to one donor representative, “when smaller agencies saw the money in the program, they complained to the Government that they had not been invited.” The concept was then revised to include all 14 agencies, but at a cost of a reduction in the speed of reform.

376. **Resources under the One Plan Fund.** The One Plan Fund was set up as part of the One UN reform to mobilize and allocate financial resources in a more strategic manner to participating UN agencies. Originally, the Fund comprised one “window” funding the original six founding UN agencies

under Phase I, but was expanded with another window in 2008 when the remaining UN agencies joined the One Plan. The two windows were harmonized by end-2009. As of end-2009, donors had provided UN in Vietnam with an accumulated total of nearly US\$65 million to the Fund, on top of resources being made available through the conventional regular and other resources channels. As of end-2009, an accumulated sum of US\$56 million had been transferred from the fund to participating agencies. Norway has contributed over 13 percent of this total, making Norway the third largest donor to the fund together with the Netherlands. There is no evidence that the set up of the One Plan Fund has resulted in reduced contributions to regular and other resources.

**Table 6.1 - Donor contributions to One Plan Fund through December 2009**  
US\$ million

Source of funds	Total contributions 2006-2009
Donor contributions	64,9
<i>of which</i>	
Norway	8,6
Fund earned interest	1,1
Agency earned interest income	-
<b><i>Total source of funds</i></b>	<b><i>66,1</i></b>
<b>Use of funds</b>	
Transfer to implementing agencies from donor contributions	56,1
Administrative agent fees	0.6
Direct cost (supporting to Steering Committee/Secretariat)	0.3
Bank charges	
<b><i>Total use of funds</i></b>	<b><i>57,1</i></b>
<b><i>Balance of funds available</i></b>	<b><i>9,0</i></b>

*Note:* The numbers combines contributions under two separate funding mechanisms (Windows 1 and 2).

*Source:* United Nations in Vietnam. Annual report 2009.

377. **Assessment of implementation.** Assessment about progress in implementing the One UN reform varies widely. UN officials stress that the inclusion of all 14 agencies into the One UN (called “Phase II”) has reduced duplication and opened opportunities for synergies. According to one UN official, “UN agencies are happy with the reform, since they no longer have to prepare proposals to donors in order to raise funds. Instead, they can now focus on their *raison d’être* – service delivery such as policy advice and research.” Another UN official stated that the One Plan “has made possible a transition from a donor-UN partnership to a UN-Government partnership as well more focus on outcomes of programs.” It was also pointed out that the One Plan groups activities by five thematic

groups, thus facilitating donors' focus on the broader picture at outcome level instead of myopic focus on individual project results.

378. UN officials also noted challenges about aspects of the UN reform process.<sup>184</sup> One stated (without adding specific evidence) that while the One Plan concept is good, “the way we operate is problematic”. Another UN official, while stating that the “UN has come a long way already”, also added that it is too early to say if the reform will improve the efficiency of the UN system in Vietnam. On the positive side, it was claimed that “one no longer sees proliferation of agencies doing the same things in the same places as before”; in this sense, most UN agencies in Vietnam have harmonized their activities. Some smaller UN agencies, however, were singled out as laggards in harmonizing activities with the Government's Plan, despite being part of One UN. Another obstacle is that Headquarters remain focused on the design of the reform process and controls and not yet on priorities and results. UNICEF still reports according to its old focus area (“Child protection “, etc.) classification and not according to the thematic classification used in the One Plan. One UN representative stated that “we cannot say that we have cut cost”, a reason for this being the duplicative and heavy reporting processes under the One UN initiative. The different funding mechanisms in the agencies was mentioning as another reason.

379. Despite these differing views, the mission was assured that “by 2012 all agencies will be onboard the same boat.”

380. The Government, on its part -- while noting the improvement from Phase I to Phase II and generally supporting the concept of the harmonization reform -- emphasizes the need for continued efforts on behalf of the UN to be better aligned better with national plans. One Government official noted that “implementation is not good enough”, exemplifying by reminding that some UN agencies still have their own plans, which compel Government Ministries to prepare one plan for each one of

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<sup>184</sup> The comments summarized made here are based on opinions offered by UN officials in meetings with the mission. It is interesting to compare these opinions with the statements made in the UN Vietnam One Plan Annual Report 2008: “The Headquarters of some Agencies have hitherto been reluctant to empower their country representatives to take decisions relating to UN Reform initiatives. This has often resulted in a cumbersome modes operandi. It is clear that the UN Country Team could also have benefited from robust and regular communications from Agency Headquarters to staff on the needs for UN coherence and change....Recent communications with Headquarters have confirmed the support for UN Reform...However, many challenges still remain to be tackled.” These are pretty blunt statements, seldom found in glossy papers issued by international organizations, At the same time, these statements also points to the severe problems within the UN system and that [in the words of the Annual Report] “the sustainability of the reform process in Vietnam (and other pilot countries) is still very vulnerable.”

A United Nations Evaluation Group (UNEG) evaluability assessment concluded that “progress in Vietnam has been impressive. [The Deliver as One] process is well documented and now that eight new agencies were joining the initiative, challenges of the parameters are or will be in place to allow for a meaningful of process in mid-2008 and the drawing of important lessons. However, the further operationalization of reform was encountering major challenges....While there was clarity of intent among [the founding agencies], a lack of common vision among all 14 agencies of what the end product of the reform would look like prevented the UN system in Vietnam from agreeing on important issues. While all UN organizations in Viet Nam signed the United Nations Development Assistance Framework (UNDAF) 2006-2010, not all agencies were ready to collaborate and coordinate their efforts in the formulation of a One Plan. *Source*: UNEG. Evaluation of the Pilot Initiative of Delivering as One Evaluability Assessment. Report on Vietnam. December 2008.

these agencies. To reduce the burden on the Government, “the UN agencies should have one common plan.” Another Government official noted that the “UN agencies can now sit down together to discuss programmes and ensure there is no overlap.”

381. Donors point to improvements in the ways the UN agencies operate, but also adding that the Phase I starting point was “a lengthy set of individual agencies’ proposals within one cover and without focus and priorities”. One main donor representative stated that “UN agencies [in Vietnam] are working well to realize One UN... [and that] there is good progress in defining priorities at local level”. Another main donor noted that “from a donor perspective, things are much easier now”, adding – as an explanation for somewhat uneven progress on reform -- that the agencies in Vietnam are now going through a “painful” internal process as a result of pressures under the One UN reform. Since the reform is still ongoing and the One UN has not yet found a definite form, everybody’s focus is very much on the process rather than on the outcomes that the reformed system is expected to deliver. Another donor representative expressed the hope of “real change in how the UN works in Vietnam”, stating specifically that “the UN needs more coherence and clear priorities”. At the same time, the same representative also noted that the UN now works better in areas such as gender and macroeconomic support and that there is an improvement in the cooperation between some agencies.

382. UN and donor representatives commenting on the issue were unison in their assessment about the restricting role UN Headquarters are exercising on the reform process. A representative for one major donor questioned if agency Headquarters “are on board for the delivery as one reform”, adding that “local agencies work very hard [to implement the UN reform], but initiatives are stopped by Headquarters. The problem is not at local level – the challenge is to harmonize at Headquarters level.” Another donor official pointed out that that it is difficult to coordinate the UN agencies in Vietnam because of resistance from UN agency Headquarters, adding that “to work, UN reform has to start from Headquarters.” At the same time, the same donor representative also noted that there are two groups within the UN family, with UNDP and others moving forward at good speed, but that some of the smaller agencies do not reform. The difficulty of monitoring implementation of the One UN reform – caused by the “abundance of indicators” - was also highlighted. Summarizing the points made, this donor representative stated that “[donors] also see positive change. The UN today is much better. But New York is not seen as being a champion for reform.”

383. While it is generally recognized that the One Plan has enabled more efficient communication between the UN agencies, the Government and donors, independent observers voices in Hanoi state that there is still insufficient evidence of reorientation in line with participating agencies special competencies (see **Box 6.2**). Efforts to strengthen monitoring and evaluations have been made, but differences in results structures and indicators remain a challenge. The UN perceived culture of soliciting donor money for whatever purpose, without sufficient regard to national priorities, is also pointed out. People with decades of experience about the UN in Vietnam readily admit the difficulties of knowing how donor money is de facto used. Cynicism about UN accounting to hide overhead cost was also present.

### Box 6.2 - The One UN reform – selected voices from outside

The One UN reform in Vietnam has the strong support of the Government of Vietnam, manifested in its active involvement in the preparation of the new One UN 2011-2016 Plan. The One UN reform also has the strong support from Norway, the UK and other donors, who make it clear that they would not accept any diversion from the One UN. Donors are also urging a shift in focus from funding to getting results. In principle, donors believe that the One UN will provide greater efficiency and simplicity. Other voices point to risks for over-centralization and accountability.

Generally, the assessment is that there is a fairly good commitment to the One UN concept within the UN system in Vietnam. There is a realization that “walls” have to be broken down and that attitudes towards cooperation have to change. While the first One Plan document was essentially a set of individual agency’s contributions within one cover, there is now good progress towards harmonization and the setting common priorities for the UN system in Vietnam.

At the same time, it is felt that – “despite all the talk about reform” -- there are indeed problems in implementing the One UN reform, but that these problems have their root primarily in recalcitrance on part of UN agencies at Headquarters level. The One Leader pillar of the reform program seems to be the most difficult part to implement. Donors are indeed questioning the commitment to the One UN concept at Headquarters. Government officials note that UNICEF and other agencies are retaining their own reporting systems and resist attempts at harmonization. Local initiatives towards harmonization are sometimes blocked at Headquarters level.

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*Sources:* Interviews with representatives of the donor community and other officials.

384. The UN – both globally and in Vietnam – is now repositioning itself to increasingly focus on policy advice and advocacy. This means it will be left to Japan and a very limited number of bilateral donors to fund the infrastructure and other investments Vietnam needs for its future development out of poverty. Even voices within the UN system question if this shift in UN assistance is what the Government of Vietnam wants, or if the UN system has the capacity to provide quality advice to a fairly sophisticated Government. Will current staffing and funding levels still be required, or can funding for the UN system be scaled back under this new approach? Are the values guiding UN’s assistance aligned with the priorities of the Vietnamese Government? How can we attribute future development outcomes to the UN’s advisory inputs? Despite years of efforts, methodologies to assess development outcomes are still in their infancy.

### c. Trends and Structure in UN Expenditures

#### Overall expenditure trends

385. UN expenditure in Vietnam has increased by, on average, 10.8 percent annually in current prices in recent years, resulting in an over 80 percent increase in overall expenditures in 2010 over the level in 2004. (Table 6.1) While regular and other resources expenditures have grown only modestly, expenditures funded by the One Plan Fund nearly tripled over the 2008-2010 period. As a result, donor contributions to the One Plan Fund provided Vietnam with over 50 percent more in additional resources over core and non-core contributions in 2010.

**Table 6.1 - Trends in UN expenditures by type of funding, 2006-2010**

US\$ million, current prices

	2004	2005	2006	2007	2008	2009	2010
<b>Regular resources</b>	n/a	n/a	17.1	19.7	17.2	20.4	20.0
<b>Other resources</b>	n/a	n/a	39.6	39.3	41.9	38.3	43.5
<b>One Plan Fund</b>	-	-	-	-	12.4	19.7	33.4
<b>Total</b>	<b>52.5</b>	<b>58.9</b>	<b>56.7</b>	<b>58.9</b>	<b>71.5</b>	<b>78.3</b>	<b>96.9</b>

Sources: UN. One Plan 2006-2010. One Plan II funding framework 2006-2010. Table A and Table B. UN Resident Coordinators Office; UNFPA Vietnam.

386. As bilateral donors are reducing their presence in Vietnam resources available under the One Plan Fund will fall. Thus, while US\$98.3 million was available to Vietnam under the One Plan Fund for the 2007-2011 period, fund resources for 2012-2016 are expected not to exceed US\$84 million. This decline is likely to be associated with an increasing share of available resources going to UN agencies with minimal activity in Vietnam.

387. According to one representative for the UN system, donors are happy with the One Fund since this has reduced pressures from individual agencies for earmarked funds, or in the words of one donor, “[Individual] UN agencies are no longer running around asking for money”. Resource mobilization is now done from country level with bilateral donors putting money into the One Plan Fund instead of making contributions to individual UN agencies. The mission was also told that donor feels that the One Fund mechanism has reduced competition among the agencies for funds. UN agencies are also happy, since they no longer have to prepare proposals to donors in order to raise funds. According to one UN representative, “the One Plan Fund has changed the dynamics within the UN system, with, in particular, accountability for received allocations now shifted down to the country offices of the agencies.”

388. Generally, Vietnam has good absorptive capacity, with funds usually used as they are made available. UNFPA, for example, usually spends about 98 percent of the funds allocated for the year. Vietnam sometimes gets additional [or supplementary] allocation from the regional pool when other

countries (e.g. Pakistan) do not utilize their allocation. Vietnam received a small, US\$200,000 allocation, from this source in 2009. This allocation is at regional management’s discretion.

### *Interagency allocation*

389. In terms of expenditure, UNDP and UNICEF are the two principal agencies in Vietnam, together accounting for nearly half of total expenditure. UNDP alone accounts for a quarter of the total spending of the UN system.

**Table 6.2 - One Plan expenditure by agency and funding source, 2009**

US\$ million

Agency	Source of expenditure			Plan	Total expenditure	Share of total expenditure (%)
	Regular	Other	One Fund			
FAO	0.6	5.4	0.6		6.6	8.4
ILO	0.4	4.9	0.2		5.5	7.0
UNAIDS	0.1	0.6	0.6		1.3	1.7
UNDP	6.6	6.4	5.8		18.8	24.9
UNESCO	0.2	0.6	0.4		1.2	1.6
UNFPA	3.9	1.3	2.4		7.6	9.7
UN-HABITAT	0.7	0.0	0.1		0.9	1.1
UNICEF	3.7	5.7	8.0		17.3	22.1
UNIDO	0.1	3.5	0.5		4.4	5.3
UNIFEM	0.4	0.4	-		0.8	1.0
UNODC	0.1	1.3	0.0		1.4	1.8
UNV	0.2	0.4	0.2		0.9	1.1
WHO	3.4	7.6	0.8		11.9	15.2
<b>Grand total</b>	<b>20.4</b>	<b>38.3</b>	<b>19.7</b>		<b>78.3</b>	<b>100.0</b>

Source: UN. Resident Coordinator’s Office.

390. The UN Country Team, jointly with the Government, decides on the allocation of One Fund resources among themes; although members of the tri-party group, donors are merely observers to this process. In response to a mission question regarding the workings of this mechanism, a donor country representative stated that the internal resource allocation is a new issue for the UN system and “another painful process”, adding that “the One UN [in principle] forces the UN to tell agency “A” that we do not need your participation since we are doing theme T”. Allegedly, this new allocation process “is a source of conflict among the organizations”. One view is that small agencies now get a larger share of total resources than before. As of today, a number of very small agencies – for example UNODC, which is monitoring international conventions on drugs. -- do have offices in Vietnam. The representative of one donor country asked if this is “reasonable”, implying a need for more selectivity in allocating One UN funds,

391. Expenditures funded from earmarked resources are, on average, nearly twice the amount of those funded by core allocations. Some smaller agencies, in particular, FAO, ILO and UNIDO, stand out because of the imbalance between regular and other resources expenditures. UNIDO, as one example, spends 31 times more from earmarked resources than it spends out of core allocations. The mission was told that the reason why donors, in particular the Nordics, provide significant non-core funding -- despite their concerns about rigidities and administrative costs associated with this funding mechanism -- is that “they want to make political statements” about priorities. Being main contributors to UN organizations does not imply that countries such as the Nordics can set priorities for core budget expenditures; developing and other countries on the agency boards at Headquarters often have other priorities. Ample earmarked funding can be seen as a way of “correcting” Headquarters priorities. The data in **Table 6.3** support these statements. The pronounced difference between other resources allocation versus the priorities for the outcomes areas “environmental protection” and “reduced vulnerability to natural disasters” according to expenditure shares for regular and One Plan Fund expenditures shown in **Table 6.4** below also supports this interpretation.

**Table 6.3 - Share of total expenditures by category of funding for selected UN agencies, 2009**  
Percent

Agency	Regular resources	Other resources	One Plan Fund
<b>UNDP</b>	32.2	16.8	29.4
<b>UNICEF</b>	17.9	14.8	40.6
<b>FAO</b>	3.1	14.0	3.1
<b>ILO</b>	1.8	12.9	0.9
<b>UNIDO</b>	0.3	9.3	2.7
<b>Total expenditures</b>	100.0	100.0	100.0

Source: UN. Resident Coordinator’s Office.

392. The actual distribution of One Plan Fund resources in 2009 between different outcome areas differs markedly from the expenditure priorities laid down in the One Plan Fund. (**Table 6.4**). At the same time, the structure of expenditures in 2009 is generally close to the budgeted allocation in the One Plan Fund. This raises issues regarding the *modus operandi* of the One Plan Fund. One a priori expectation is that budgeted and actual One Plan Fund allocation of expenditures should be rather close. Instead, the data in **Table 6.4** supports the interpretation that the role of the One Plan Fund is to offset regular and other resources contributions to ensure that total expenditures are fairly aligned with One Plan Fund and Government priorities. At the same time, due to indivisibilities in expenditures, changing disbursement patterns,, the structure of expenditures in 2009 may not be representative of the actual expenditure pattern during the whole 2006-2010 period. Moreover, the fact that budgeted contributions (US\$403 million) were higher than actual expenditures (US\$362 million) may also have contributed to the difference between budgeted and actual expenditure patterns.



**Table 6.4 - One Plan budgeted expenditures 2006-2010 and actual expenditures by programme outcome area (Percentage shares)**

One Plan Outcome area	One Plan budget 2006-10	Actual expenditure 2009			
		Regular resources	Other resources	One Plan Fund	Total resources
Equitable and Inclusive Social and Economic Policies, Plans and Laws	24	24.1	28.7	31.4	28.2
Social and Protection Services	38.0	45.2	29.7	44.9	37.6
Environmental Protection and the Rational Management of Natural and Cultural Resources	12.7	5.1	11.9	6.2	8.7
Accountable, Transparent and Participatory Governance	12.9	20.0	10.2	10.9	13.0
Reduced Vulnerability to Natural Disasters, Communicable Diseases and Other Emergencies	11.2	5.6	19.4	6.6	12.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total expenditures (US\$ million)</b>	<b>403.3</b>	<b>20,4</b>	<b>38,3</b>	<b>19,7</b>	<b>78,3</b>

*Note:* Values in table are percentage share (except last line). Number may not add up due to rounding.

*Source:* Resident Coordinator's office. Vietnam.

393. In response to a question regarding audits of expenditures, a donor representative commented that members of the UN team in Vietnam are arguing for a shift towards assessment of outcomes of the joint actions of participating UN agencies instead of focusing on the outcome of individual agencies actions. The same donor representative also stated that “our country [which supports this UN paradigm shift] no longer looks at the structure of expenditure by agency; what is being focused today is results and outcome at country level. The main question today is “what difference can the UN make?” Bringing up the issue of cost efficiency, the mission was told that “we look at what outcome do we get” for this dollar amount. There is a new way of thinking. What result can the UN deliver if we give this money?”<sup>185</sup> Issues about attribution or how to assess whether the delivery is worth resources used were not discussed in this context. However, the mission was told that one challenge is to get the number of outcomes down from “100” today to a few key attributable indicators.

<sup>185</sup> Most UN agencies bring in their own people for implementation of projects, which also make them relatively expensive. One exception is IFAD that uses the government administrative system down to local level for implementation of projects. The fairly competent local administration is one reason for the relatively limited role of NGOs in Vietnam. At the same time, working through the government system rather using foreign experts brought in especially for implementation of projects is also beneficial for the longer term sustainability of development efforts.

#### d. Expenditure trends and structure for selected UN agencies

##### UNDP

394. **Resources.** UNDP’s income comes from three sources: (a) core funding from Headquarters; (b) non-core funding from donors; and (c) the One UN Fund. Allocation received from the One Fund have fluctuated significantly from US\$6.9 million the first year to US\$3.8 million the next year, the reason for these fluctuations being a combination of changes in the size of the pool and changing allocation criteria. Overall, UNDP received about US\$32 million in core funding for the 2006-2010 Plan. While the Plan assumed about US\$48 million (revised to US\$62 million in 2007) in non-core funding, UNDP actually received US\$67.7 million.

395. Agreeing on allocation criteria for the One Plan Fund has been a contentious issue. According to UNDP, current funding arrangements undermine multi-year planning.

396. *Expenditures.* **Table 6.5** below shows the trends in UNDP expenditures over the past decade. Total spending out of regular resources has been stagnant in current prices for the 2001-2005 and 2006-2010 plans, respectively, implying a significant drop in real terms. At the same time, non-regular resources (other resources and trust funds) have nearly doubled, despite the UNDP’s strong preference for core funding. Sundry non-core funds are ending, meaning that the UNDP will have to rely increasingly on the One Plan Fund in the future.

**Table 6.5 - UNDP expenditures by resources, 2001-2010**

US\$ million, current prices

	<b>Total 2001- 2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Total 2006- 2010</b>
<b>Regular resources</b>	31.8	5.7	5.9	5.7	6.6	7.8	31.8
<b>Non-regular resources</b>	35.9	10.5	8.9	15.2	12.5	18.6	65.7
<b>Total resources</b>	67.7	16.2	14.8	20.9	19.0	26.5	97.5

*Note.* Non-regular resources include trust funds and One Fund income.

397. **Table 6.6** shows the breakdown of UNDP’s total expenditures in 2010. Thus, the table does not separate expenditures for the Biennial Support Budget and programme assistance (“projects”). Other Personnel expenses is the dominant cost category, but still lower than one would expect, given that the UNDP support generally has very little “brick and mortar” content. “General operating expenses” and “Facilities and administration” account for relatively large parts (23.7 and 21.5 percent, respectively) of programme expenditures. While the openness demonstrated by the UNDP (and UNFPA) offices should be lauded, a further disaggregation of these broad expenditure categories (with identification of Biennial Support Budget costs and programme expenditures) will be needed in a future study of UNDP activities in Vietnam.

**Table 6.6 - UNDP regular and non-regular resources expenditures 2010**  
000 US\$, current prices

<b>Budget category</b>	<b>Expenditure</b>	<b>Share of total expenditures (%)</b>
Other personnel expenses	11,068	41.8
General operating expenses	6,264	23.7
Facilities and administration	5,691	21.5
Miscellaneous operating expenses	1,099	4.1
Salary costs, regular staff	929	3.5
Recurrent payroll cost, regular staff	366	1.4
Overhead expenses	316	1.2
Foreign exchange	245	0.9
Non-payroll staff cost – Regular	170	0.6
Salary and related costs – TA	156	0.6
Staff management costs – Regular staff	129	0.5
Costs related to retired staff	53	0.2
<b>Total</b>	<b>26,485</b>	<b>100.0</b>

*Note:* The table does not separate Biennial Support Budget costs and programme expenditures.

*Source:* UNDP

### **UNICEF**

398. UNICEF/Vietnam receives around US\$5.5 million annually in allocation for regular resources from Headquarters. Allocation for regular programme expenditures is based on criteria such as population size, child mortality, etc. Limited part of this allocation can be used to cover some support budget expenditures for staff and rents, etc. Allocation for Biennial Support Budget expenses, at about US\$3 million for a two-year period, has been constant for several years. In the view of the Vietnam office, allocations at current levels will not be enough to cover support budget expenditures for staff. The Vietnam office expects that some 60-65 percent of staffing costs will be covered from regular programme resources in coming years.

399. In addition to allocations from Headquarters, the Vietnam office receives funding for other expenditures via three channels: (i) directly from bilateral and private donors and foundations, and national committees; (ii) thematic funding indirectly through bilateral/national committee contributions to these funds; (iii) and bilateral contributions to the local One Plan Fund. National committees raise about one-third of total core/non-core resources. However, fund-raising is a two-way street -- UNICEF also actively seeks additional funding.

**Table 6.7 - UNICEF expenditures by focus area, 2010**  
US\$ million

	Planned, Country Program			Actual expenditures		
	Total	Of which		Total	Of which	
		Regular resources	Other resources		Regular resources	Other resources
<b>Child survival and development</b>	5.638	1.139	4.499	5.525	0.816	4.709
<b>Child protection</b>	1.892	0.392	1.500	3.095	0.437	2.657
<b>Education</b>	2.048	0.448	1.600	3.189	0.420	2.769
<b>Planning and social policy</b>	0.890	0.460	0.430	2.214	0.526	1.689
<b>Provincial child-friendly program</b>	6.901	0.901	6.000	4.721	0.665	4.056
<b>Cross-sectoral</b>	0.660	0.660	0	1.410	1.015	0.395
<b>Total</b>	<b>18.029</b>	<b>4.000</b>	<b>14.029</b>	<b>20.154</b>	<b>3.879</b>	<b>16.275</b>

Source: UNICEF Vietnam.

400. The UNICEF/Vietnam office states that finds it relatively easy to mobilize funding.

401. Three main points stand out from **Table 6.7** above. The first is the pronounced difference in size between total regular and other resources expenditures, pointing to differences in priorities between donors and UNICEF Headquarters.<sup>186</sup> The second observation is that planned and outturn for regular resources is close, indicating predictability of regular expenditures. The third observation is that overall UNICEF in Vietnam receives more contributions in the form of other resources than anticipated in the agency Plan. The excess of actual over total planned expenditure would have been significantly higher had a US\$2.2 million shortfall in earmarked funding for the “Provincial Child-friendly program” not materialized.

### **UNFPA**

402. **Resources.** UNFPA Headquarters uses a formula with specific criteria for allocating funds among countries. Headquarters is very strict about the application of the formula. Allocation to

<sup>186</sup> The difference can also be interpreted as UNICEF’s offsetting of donor earmarked funds by withdrawal of regular funds. If latter holds, then the whole point of earmarking is lost as donors positive contribution is neutralized by a corresponding withdrawal of regular funding. UN priorities are met but donors extra efforts do not have any impact.

countries is done twice per year. Country offices get an indicative number for expenditure during the coming year in November/December. Following a Headquarters mid-year review of disbursement performance, a supplementary allocation is made to country offices (subject to timely use of allocated funds).

403. UNFPA/Vietnam usually gets around US\$20 million in regular resources from Headquarters for the five year programme period, or US\$4 million per year. In 2009/2010, UNFPA/Vietnam mobilized US\$3.5 million of other resources. UNFPA started to get funding from the One Plan Fund in 2008. Allocation from the fund was US\$2.5 million in 2009 and US\$2.6 million in 2010. Annual allocations are largely in line with previous years' funding: if the mid-year review of implementation performance shows that UNFPA has fully used its allocation, then the office will get the same amount for programme resources the next year.

404. Two items stand out from a comparison of UNFPA regular and other resources expenditures (**Table 2.8**). One is that the overall amount of regular and other expenditures is of broadly the same magnitude, in contrast to e.g. UNICEF, in which case other expenditures are more than four times higher regular expenditures. The second observation is that the structure of regular and other expenditures is similar, which can be interpreted as a sign that UNFPA institutional priorities and the priorities reflected in individual donors' aggregate contributions are broadly identical.

405. Several individual cost items stand out. Training for Government counterparts accounts for over one fifth of total expenditures. Roughly ten percent (or more than US\$900,000) of total programme cost is for local consultants; this implies that roughly 50 locals are employed on UNFPA projects as consultants rather than as staff. The term "services" does not reveal much about the use of some 17 percent of total UNFPA expenditures. The high costs for travel (nearly one million dollars) also stands out, in particular since travel costs reported under the support budget (about US\$10,000 in 2010) is minuscule in comparison. The expenditures for payroll and training of UNFPA staff charged to the programme budget appear at odd with other information gathered by the mission. Nearly half a million US\$ was spent on workshops and conferences; even on rather excessive assumptions regarding costs, this implies over 900 participants.<sup>187</sup>

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<sup>187</sup> An airline ticket Ho Chi Minh City Hanoi round-trip is about US\$ 425; assuming Washington DC hotel rates (US\$ 150) and typical per diem (US\$ 75), this comes to about US\$ 950 per participant.

**Table 6.8 UNFPA programme expenditures by detailed cost categories, 2010**

	Expenditure (000 US\$)			Share of total (%)		
	Regular resources	Other resources	Total resources	Regular resources	Other resources	Total resources
Audit service	2.0	6.0	8.0	0.0	0.1	0.1
Contribution to UN activities	20.0	-	20.0	0.5	-	0.2
Equipment	263.5	414.3	677.8	6.6	10.0	8.4
Exchange rate gain/loss	40.5	42.1	82.9	1.0	1.0	1.0
Training for Government counterparts	935.3	835.2	1,770.4	23.4	20.3	21.8
Indirect costs	-	264.7	264.7	0.0	6.4	3.3
International consultants	89.7	148.3	238.0	2.2	3.6	2.9
Local consultants	490.3	436.6	926.9	12.3	10.6	11.4
Publication	154.6	37.7	192,302	3.9	0.9	2.4
Salary for project staff	279.6	143.2	422.8	7.0	3.5	5.2
Services	634.8	753.5	1,387.6	15.9	18.3	17.1
Travel	436.9	558.4	995.2	11.0	13.5	12.3
UN service (inclusive UN common service budget)	7.0	6.4	13.4	0.2	0.2	0.2
Payroll for UNFPA staff (including staff retreat)	408.9	218.9	627.8	10.3	5.3	7.7
Training for UNFPA staff	23.8	11.5	35.3	0.6	0.3	0.4
Conferences/workshop	202.4	245.5	447.9	5.1	6.0	5.5
<b>Total</b>	<b>3,988.4</b>	<b>4,122.3</b>	<b>8,110.7</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: UNFPA. Vietnam

### UNHCR

406. **Budget process.** UNHCR differs from other UN agencies by being on a one-year budget cycle. The Vietnamese office submits a Country Operation Plan to Headquarters in April. After reviewing/modifying the proposal, Headquarters presents it to donors in October, and, based on contributions, then prepares a tentative budget for the coming year. This budget is fixed in November. After the budget is known, the Vietnamese office starts to talk to implementing partners.

407. **Expenditures.** UNHCR expenditures in Vietnam have shown large fluctuations over the years. When Vietnam had the boat refugees in the 1990s, expenses would be US\$10-50 million per year and

the office had a staff of up to 100 people. Total operational expenditures today amount to US\$500,000 to US\$1 million. They are funded from earmarked resources from the USA and the EU.

### Box 6.3 - UNHCR in Vietnam

UNHCR was the first UN agency to enter Vietnam in March 1975. “Refugees”, however, is not a popular concept with the Vietnamese Government and the UNHCR is not a favored UN agency in Vietnam. Reportedly, UNHCR, on its part, is critical of the Government.

The reason for this strained relation can be explained in a geographical context and the fact that (political) refugees most likely would come from neighboring countries such as China and Laos. Recognizing and sheltering such refugees would be seen as taking a political stance against these countries and could be seen as creating “instability”. Hence, to ensure good cooperation with other countries as well as between the Government and the UN system, UNHCR is not an official member of the UN family in Vietnam. If UNHCR was a member, then its mandate would have to be written into the One UN concept, which the Government would not like. One aspect of this stance is that UNDP and UNICEF “will not touch anything called refugee”.

#### e. Expenditure structure for selected UN projects

408. The mission received a comprehensive list of UN projects in Vietnam. The mission also received a detailed account of expenditures for two UN-funded projects and currently being implemented by Government agencies (Tables 6.9A and 6.9B). As is to be expected for this category of projects, most of the expenditures for the UNFPA’s support to the General Office for Population and Family Planning are staff-related expenditures (Table 6.9.A).

409. Without a special study of family planning activities, it is difficult to assess if, for example, the share (over one fifth) of total costs going to conferences and workshops is appropriate. A future evaluation of this project may also focus on the use of the over US\$200,000 for daily subsistence allowance.

**Table 6.9.A Expenditures for UNFPA-supported project to General Office for Population and Family Planning, 2010**

Cost category	Expenditures	
	US dollar	Percentage share
Local consultants	124,389	13.3
Salary for project personnel	33,677	3.6
Air and land travel	74,517	7.9
Daily subsistence allowance	203,153	21.6
Research	27,816	3.0
Communication services	97,238	10.4
Misc. supplies and translation services	24,554	2.6
Printing and publication	28,298	3.0
Training for counterparts	93,971	10.0
Conferences/workshops	204,756	21.8
Indirect costs	26,241	2.8
<b>Total expenditures</b>	<b>938,612</b>	<b>100.0</b>

Source: UN Resident Coordinator's office. Vietnam.

410. The mission received detailed information also for an ILO-funded project in the Ministry of Labour, Invalids and Social Affairs. "Implementing activities" account for over Euro one million of the Euro 2.5 million in total expenditures for the project (Table 6.9.B). This presentation demonstrates the mounting difficulties monitoring cost efficiency of UN projects as its agencies moves to an outcome/output-oriented accounting of expenditures.<sup>188</sup> Besides methodological difficulties of attributing the impact of UN-funded projects alone, this move to outcome-oriented presentation appears less meaningful in the case of the UN since its agencies are typically small in terms of funding compounded; thus, outcomes are essentially due to interventions by other, larger donors.

<sup>188</sup> ILO is not part of the study. The reason for including the information above in this study is to point to difficulties as the UN system moves to results- and outcome oriented budgeting (still in its infancy in UN organizations, despite more than a decade of development efforts).



**Table 6.9.B Budget for ILO-funded project implemented by the Ministry of Labour, Invalids and Social Affairs aimed at building capacity for elimination of worst cases of child labour**

Category	Cost (Euro)	% total cost
<b>Personnel</b>	<b>881,405</b>	<b>35.3</b>
<b>Administrative costs</b>	<b>176,302</b>	<b>7.1</b>
<b>Mid-term review and final evaluation</b>	<b>97,817</b>	<b>3.9</b>
<b>Cost of implementing activities</b>		
<i>Objective 1</i>		
Output 1.1 National database on child labour available and used	92,610	3.7
Output 1.2 Basic surveys in the main provinces are published	68,600	2.7
Output 1.3 Studies on child labour in detailed fields are implemented	34,300	1.4
<i>Objective 2</i>		
Output 2.1 Law and policies relevant to child labour are reviewed, updated and harmonized	44,590	1.8
Output 2.2 National capacity on the supervision and evaluation of child labour is strengthened	41,160	1.6
Output 2.3 Nation Action Plan on elimination of the worst forms of child labour is built	34,300	1.4
Output 2.4 Campaigns on national awareness raising are promoted	54,880	2.2
Output 2.5 Officers of implementing agencies are trained on child labour and its worst forms	24,010	1.0
<i>Objective 3</i>		
Output 3.1 Improved capacity of implementing partners on Design, Supervision and Evaluation of Child Labour Project	24,010	1.0
Output 3.2 The supervision system of child labour in the community is implemented at selected local regions.	61,740	2.5
Output 3.3 Around 5,000 child workers being engaged or at risks of engaging in the worst forms of child labour will be withdrawn from working places and/or directed towards education aid (including skills training, if appropriate) together with other assistance services; children withdrawn will be assisted with rehabilitation and community reintegration.	538,013	21.5
Output 3.4 About 300 teachers of high school, vocational schools will be trained on application of pilot programs such as “Business Knowledge” and “Education and Vocational Training”	34,300	1.4
Output 3.5 Integrated models at the local levels are re-applied.	34,300	1.4
<b>Total cost of implementing activities</b>	<b>1,086,813</b>	<b>43.5</b>
Total 1+2+3+4	2,242,337	
Cost of administration and management (8.5%)	173,429	6.9
Preparation for inflation	84,228	3.4
<b>Gross total</b>	<b>2,500,000</b>	<b>100.0</b>

Source: Government of Vietnam. Ministry of Labour, Invalids and Social Affairs

## f. The UN system's move to a policy advocacy and advisory role

411. The UN systems move towards a policy advocacy and advisory, away from providing physical inputs, came up in several meetings. UNICEF stated the Vietnam office will eliminate 20 percent of current staff positions by 2012 due to the combined impact of reduced donor funding and restructuring of staff to get the competences required for a shift to provision of advisory services. Some 10-15 percent of these staff may reapply if they have the required skills for the new positions. UNICEF “does not know if any other UN agency going through the same process”.<sup>189</sup> UNDP informed the mission that as it refocuses its activities on policy advice, the share of personnel costs in total expenditures will increase.

### Box 4 - Denmark – An alternative approach to bilateral support

Denmark is not part of the UN One initiative. Instead, Denmark supports the UN through core funding/grants to and policy dialogue with agency Headquarters. In the dialogue with the agencies, Denmark encourages them to reform their country level operations. The reason for this approach is that Denmark does not believe it can provide value added by getting involved in dialogue at the country level. As a policy, Denmark does not give non-core funding, but has, in specific cases, given thematic funding for humanitarian purposes. Core funding is for development.

Denmark's mission to the UN in New York monitors and evaluates funded agencies at Headquarters level. The Embassy in Vietnam does not monitor or audit how UN agencies use their funds; for this, it relies on the UN system. However, the Danish Embassy in Vietnam provides “input” to the mission in New York regarding how UN agencies are perceived in Vietnam.

*Source:* Interviews with donor agencies and independent local observers.

412. Both UN and donor representatives expressed scepticism regarding UN's ability to provide quality policy advice to the sophisticated Vietnamese Government. One exception is UNDP, which was singled out as an agency that does provide good policy advice. One donor official stated that “The UN system also has capacity to provide good policy advice at village and local level in Vietnam, [but] its capacity to provide useful advice at national level” is not assured. To live up to its ambitions, UN agencies could also consider different business models, for example, prioritizing based on comparative advantage or outsourcing specialized short-term support. In addition, with limited resources, in the words of one donor representative the “UN agencies have to be very good to be able to make a difference”.

<sup>189</sup> In 2008, UNICEF/Vietnam embarked on an analysis of children's situation in Vietnam. Very large resources were put into preparing, revising and rewriting (more than 7 times) the more than 300 pages document, only to see it being blocked and heavily diluted in the last minute because of intervention by the Ministry of Planning and Investment due to “sensitive content”. The experience “sheds light on the specific challenges that may arise in certain contexts when the UNICEF attempts to adhere to its core role of advocate and knowledge ‘leader’ in children”. Summary from Vietnam Country Office: Annual Report 2010.

## g. Vietnamese and UN Planning and budgeting

### *Government Planning*

413. Vietnam's socio-economic development policies over the medium term are guided by its five year socio-economic Plans. The just completed Plan for 2006-2010 is a fairly comprehensive document that lies out actions aimed at "creating the foundations to make [Vietnam] basically become a modern industrial economy by 2020". Policies to reach, for example, economic, social environmental, regional and institutional targets are spelled out in great detail. The document is interesting for its openness in the analysis of political and socio-economic weaknesses. A main shortcoming of the Plan is that it does not identify clear priorities.<sup>190</sup>

414. This lack of prioritization in the Vietnamese development plan has ramifications for the use of donor grants. As an example shared with the mission, if one donor offers earmarked fund for development of small and medium-scale enterprises under a UN program, the government readily accepts the offer, despite the fact there may be more important, unfunded priorities.

415. The National Social and Economic Development Plan for 2011-2015 is expected to be approved later in 2011, after the formation of a new Parliament following the Party Congress and elections.

### *UN planning and budgeting*

416. **Table 6.10** highlights the discrepancy between total budgeted and actual resources for 2008 under the One Plan. While the budgeted increase in regular resources in 2008 is relatively modest (6.3 percent) compared to 2007, the One Plan budget assumes that other resources in 2008 will be more than double the 2007 level of US\$39.2 million. The basis for this assumption is not documented. A comparison of budgeted other resources of US\$79.6 million against realized contributions of the more modest sum of US\$53.6 million in 2008 indicates inadequacies in the One Plan budget process. The assumed availability of other resources in the One Plan budget for 2009 and 2010 is similarly "optimistic".

417. Another feature of the UN budgeting process is the disparities in allocation between different agencies allocations – in particular the extremely large increases in percentage terms awarded smaller agencies -- for 2008-2010 (Phase II) compared to actual allocation 2004-2007 (**Box 6.5**). The mission's attempts at getting an understanding for the rationale for the proposed structure of changes in meetings with officials from the UN as well as the donor community were unsuccessful, with officials generally claiming insufficient knowledge of the table or not directly responding to the issue.<sup>191</sup>

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<sup>190</sup> The Socialist Republic of Vietnam. The Five Year Socio-economic development plan 2006-2010.

<sup>191</sup> One UN agency representative claimed no knowledge of the table, despite its inclusion in the One Plan document.

Table III in the One Plan documents the following steps in preparing the proposed increases in allocation for the different agencies: (1) Average annual allocation 2004-2007 for each agency is calculated; (2) a hypothetical allocation, assuming a 50 percent increase across the board for all agencies, is calculated, (apparently) to serve as a "benchmark"; (3) proposed allocations in dollar terms for each agency for 2008-2010 are presented, but without any explanation of the rationale for

**Table 6.10 One Plan Fund actual and budgeted resources for the UN system, 2007-2008**

US\$ million, current prices

Actual 2007		Budgeted for 2008		Actual 2008	
Regular resources	Other resources	Regular resources	Other resources	Regular resources	Other resources
19.7	39.2	21.2	79.6	17.2	53.9

Source: One Plan II estimates.

418. A possible explanation is that the increases in funding for 2008-2010 awarded some agencies is related to the expansion from the six “founding” agencies for One UN to today’s 14 participating agencies at the start of Phase II of the One UN. This explanation is consistent with the view expressed by independent, seasoned observers in Hanoi that the smaller UN agencies had to receive a financial incentive to get them onboard the UN One initiative. According to these observers, the UN – not being subject to hard budget constraints -- has not yet learnt to set priorities. Instead, getting more funding and doing more projects remains a key objective; whether these projects contribute to a better life for the Vietnamese in the longer term is not demonstrated. One observer expressed the view that if the budget process under the One UN fails to allocate resources according to One Plan (and, by extension, Government) priorities, donors will need to consider the option of funding specific outcomes.<sup>192</sup>

these proposals; and (4) the implied increase in percentage terms for 2008-2010 over actual allocation 2004 -2007 is calculated for each agency (**Box 6.5**).

<sup>192</sup> It is worth adding that one bilateral donor – that normally not even hints at critical views regarding the UN system – in a meeting with the mission questioned the cost effectiveness of some of the smaller UN agencies’ presence in Vietnam, specifically mentioning agencies being present mainly for the purpose of monitoring adherence to some international conventions.

### Box 6.5 - Proposed allocation for UN agencies 2008 – 2010

The table below shows the proposed expenditure allocations for participating UN agencies for the Phase II period of the One Plan. The proposal is interesting from two perspectives: (i) most UN agencies and donors confessed ignorance of the table, despite the fact that it is part of the One Plan document; and (ii) the extremely large increases in allocation for several smaller UN agencies compared to actual allocation over the 2004-2007. Looking at realized increases (by comparing with actual allocation for 2009 according to Table 2.2 above), funding for UNIDO nearly doubled during the two years 2007-2009, while allocation for ILO increased by 50 percent.

A UN representative stated that the increases in allocation do not represent priorities; instead "one should focus on the absolute numbers in new One Plan" [which is not yet out]. However, the same official also pointed out that there "will be more robust One Plan Fund allocation criteria in the future". One Government official suggested that the reason for the big increases in allocation for small agencies was that they saw the money in the UN One program, adding "once onboard, they have been slow to reform."

It's hard to establish that these large increases are proposed in order to align UN expenditure pattern with Government priorities. Instead numbers in the table are consistent with the interpretation that several smaller agencies had to "be bought" to get them on-board the One UN initiative. This points to a gap between the stated purpose of One UN and reality.

Agency	Actual size of program/allocation in 2007 (US\$ million)	Proposed increase in allocation 2008-2010 over 2004-2007 (%)
FAO	7.1	11.8
IFAD	0	-47.8
ILO	3.3	194.7
UNAIDS	0.9	131.9
UNDP	15.0	34.4
UNESCO	1.3	90.7
UNFPA	6.1	0.1
UNHABITAT	0.6	67.2
UNICEF	12.9	75.0
UNIDO	1.9	248.3
UNIFEM	0.1	418.7
UNODC	0.9	145.4
UNV	0.8	125.6
WHO	7.9	115.7
<b>Total</b>	<b>58.9</b>	

Source: UN One Plan 2006-2010.

## Alignment of Government and UN planning cycles

419. As mentioned above, currently under consideration, The National Social and Economic Development Plan for 2011-2015 is expected to be approved later in 2011, after the formation of a new Parliament following the Party Congress and elections. The UN One Plan 2006-2010 has been extended through 2011 to align the UN planning cycle with the Government's planning.<sup>193</sup>

420. The proposed increases in allocation in funding for the different agencies support the Government's claim that UN system is not yet aligned with Vietnam's development priorities. The issue of alignment between Government and UN priorities was discussed in several meetings. In the case of UNFPA, the mission was told that "priorities are absolutely aligned with those in the Government's Five Year Plan", adding that the UN system is now looking at what each individual agency can do to support Vietnam's development priorities based on each agency's comparative advantage.

421. The process of harmonizing Government and UN priorities was also discussed. From the UN perspective the alignment process was describes as follows: (i) Each ministry prepares a list of priority projects, which is (ii) sent to the Ministry of Planning and Investment (MPI). Based on this list, the Ministry (iii) prepares a list of national priorities. This latter list is (iv) sent to the UN for funding. Since the UN One Fund has limited resources, (v) only priority projects get funding. This ensures that UN and Government priorities are aligned. The Ministry of Agriculture and Rural Development stated that working groups have been formed to work out common priorities, sector by sector, as part of the preparation of the Government's new five-year plan.

422. According to some of the experts interviewed, the Government still accepts low-priority projects proposed by donors and funded by earmarked resources. Bringing up this issue, one Government official responded that, because of the joint Government-donor working groups, Vietnam "no longer gets lots of offers for earmarked, low-priority projects". Another Government official, asked to comment on a hypothetical case where a donor proposes a human rights project, stated that "the Government may accept the proposal since human rights may be a priority in the future".

### h. Current cost recovery practices for program activities funded through core and non-core revenue streams

423. **UN intra-agency cost issue.** Cost recovery is a highly contentious issue within the UN system, normally cast as a claim by UN agencies that the cost of implementing programmes funded by earmarked resources is "subsidized" by their regular resources. Another dimension to this issue, not reflected in official documents used for the agency studies, is the debate regarding the "fair" split of the surcharge on earmarked funds between Headquarters and country offices within UN agencies.

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<sup>193</sup> The Government's new Plan is expected to be released later during 2011, thus, information regarding government priorities was not available at the time of preparation of the new UN medium-term program. To align with Government priorities, the new UN programme will therefore run from 2012.

424. The cost for local office staff (mainly officers) are covered by the Biennial Support Budget as approved by the Executive Board of respective agency. The Support Budget, in turn, is funded by donor contributions to the agencies' regular resources. These officers spend part of their time working on projects, including projects funded by earmarked other resources. When they do field visits, costs are charged to the project. However, agency representatives interviewed by the mission generally claimed that "this charge for support for project implementation is insufficient". One UN officer stated that "the 60 percent of my time spent on a project is not charged to the project". In assessing the burden supervision, etc. of projects impose on country office staff, it is useful to keep in mind that UNFPA currently has 14 projects under implementation, while FAO and UNICEF both have 22 projects under implementation in Vietnam. On a very rough estimate, nearly half of all projects being implemented by UN agencies may be funded by earmarked, other resources.<sup>194</sup>

425. The larger UN agencies were unison in their claim that they are not fairly compensated for the work spent on the administration of projects funded by earmarked resources.<sup>195</sup> The representative for one UN agency stated that "salaries for staff working on projects are not covered by additional resources for the support budget. [The Vietnam office] gets nothing out of the 7 percent cost recovery imposed on earmarked funding; it all goes to New York. As things stand today, the local office has to dip into core resources to cover cost for administration of projects funded from other resources or thematic funds." As an example, it was mentioned that if Norway provides bilateral funding for a project in Vietnam – and Headquarters takes its 7 percent share – then the Vietnam office has to ask Norway and Headquarters "for another 7 percent to cover our administrative costs for the project" (in which case only 86 percent would be left for programme expenditures). According to this UN representative, "if this request is approved, at least part of the staff cost for the project would be covered."<sup>196</sup>

426. Another UN agency representative also voiced equally strong concerns about burden sharing between Headquarters and the Vietnamese office. To ensure that the mission did not miss the point, it was emphasized that the current policy of sharing the cost recovery resources with local offices "is on paper." Another dimension to this cost sharing issue is that it seems to be guided by ad hoc decisions rather than following codified principles. Evidence for this is that the Headquarters for the agency gave the Vietnam office US\$30,000 and US\$70,000 in 2008 and 2009, respectively, to compensate for the costs of administration of donor-funded earmarked projects, but gave nothing to the Vietnam office in

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<sup>194</sup> According to Table 2.1, other resources account for 45 percent of total UN expenditures in Vietnam.

<sup>195</sup> UNHCR follows the 7 percent rate agreed with other agencies. There is no discussion regarding the split of this rate between Headquarters and the country office. NGOs are not part of this study. However, the mission was informed that domestic NGOs charge 10 percent for implementing UN projects.

<sup>196</sup> Theoretically, the cost recovery is returned to the country office, to an extent, by funding the overall core 'pot' at HQ level (Regular Resources). The extent of this, though, is based on the distribution formula of regular resources, which may actually create 'subsidies' from higher income countries, to the least developed ones. In any case, it is not clear or transparent how the recovery is used and/or returned to the country office.

According to project documentation shared by a bilateral donor, UNICEF charged the project 11 percent for cost recovery. It is not clear from the document if this charge is in addition to the harmonized 7 percent levied by UNICEF Headquarters.

2010. The mission was reminded that most of the burden for handling projects funded by other resources falls on the local office. In the case of Vietnam, the local office of this agency has two officers dealing with the administration of earmarked funds.

427. A third UN representative informed the mission that if the Vietnam office gets more non-core funding, then the extra administrative costs are covered by splitting the 7 percent harmonized surcharge in the proportions 5 percent to the local Vietnam office and 2 percent to Headquarters. However, the Headquarters of this agency wants to increase its share of the charge. The Vietnamese office of this agency also imposes additional charges for processing e.g. pay checks for employees working on projects. The charges are defined as absolute amounts per action. The mission was told “these charges are rather small”. Interestingly, this information is not given in official documents.

428. As to solutions to this issue, it was suggested that non-core funding could work if local offices were fairly compensated by allowing them to levy a fee on earmarked and thematic funds to cover administrative costs. In the case of one UN agency, the mission was informed that this agency’s Headquarters has announced a “simplified (harmonized) policy for compensating country offices for administrative costs for implementing project funded by earmarked contributions. A study of cost classification is being carried out in this context. One issue is to clarify what percentage of their time staff funded by the Biennial Support Budget spends on project implementation. Starting January 2012 a new policy under which local offices will be compensated for time spent on managing projects will come into effect.<sup>197</sup>

429. Bringing up the issue about support cost charges in the meetings with Government ministries disclosed that the agreement of using a harmonized cost recovery rate of seven percent is far from applied by the UN agencies. The Ministry of Agriculture and Rural Development informed that the different rates charged by UN agencies (for example, FAO 12 percent, WHO 10 percent, and UNDP 7 percent) impose a very heavy administrative burden on the Ministry. Pressures to harmonize these rates have not met with any success thus far. The Ministry hopes that the One UN will result in one rate. The Ministry of Labour, Invalids and Social Affairs stated that ILO charges 8.5 percent to cover its administrative costs for implementation of projects. This rate -- higher than the 7 percent rate generally used by e.g. UNDP -- cannot be negotiated. The reason cited for ILO’s demand for a higher rate is that ILO (in contrast to e.g. UNDP) does not have own staff in Vietnam and that the costs for recruitment of project staff and other administrative complexities make ILO projects more expensive to implement.

430. **Biennial Support Budget cost structure.** Table 6.11 shows actual Biennial Support Budget expenditures for UNFPA in 2010. Payroll costs account for roughly 85 percent of total costs. This being an administrative budget, a high share for payroll costs is to be expected. Four internationally recruited staff account for close to 60 percent of total costs. The cost for travel appears very low, taking into account the presence of internationally recruited staff on the payroll. It is unclear if the high share

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<sup>197</sup> No further details on how this new compensation policy will be funded – by increasing the standardized 7 percent rate, or by formalizing a split of it between Headquarters and local offices -- were given. No mentioning of donor backing for such a policy change was made.



of travel costs in programme expenditures (see **Table 6.8** above) bears any relation to the UNFPA's extremely low expenditures on travel under the support budget.

**Table 6.11 - UNFPA. Biennial Support Budget actual expenditures, 2010**

<b>Expenditure category</b>	<b>US\$ million</b>	<b>Share of total (%)</b>
<b>International posts</b>	<b>513,192</b>	<b>59.3</b>
<b>Local posts</b>	<b>219,971</b>	<b>25.4</b>
<i>Of which</i>		
National professional	140,116	16.2
General service staff	79,854	9.2
<b>Total payroll expenditures</b>	<b>733,163</b>	<b>84.7</b>
<b>Operational costs</b>	<b>42,658</b>	<b>4.9</b>
<i>Of which</i>		
Information technology equipment	9,920	
Supplies	4,260	
Miscellaneous expenditures	11,781	
<b>Travel</b>	<b>1,491</b>	<b>0.2</b>
<b>Hospitality</b>	<b>1,500</b>	<b>0.2</b>
<b>Mandatory costs</b>	<b>87,187</b>	<b>10.1</b>
<b>Total</b>	<b>865,999</b>	<b>100.0</b>

Source: UN Vietnam. Resident Coordinator's Office.

431. **Table 6.12** gives expenditures according to the proposed Biennial Support Budget for UNICEF in 2012. Compared to UNFPA, UNICEF shows a higher percentage share for payroll costs, with over 90 percent of total expenditures being payroll costs if non-posts costs (overtime and short term clerical staff) are included. Looking at individual expenditure items, while payroll costs for the Resident Representative is about the same in UNICEF and UNFPA at about US\$330,000 per year including benefits, next-in-rank officers (3 in total) in UNICEF are about twice as well-paid in UNICEF as in UNFPA.<sup>198</sup> Both UNFPA and UNICEF spend limited amount on hospitality. While the UNFPA is a little higher than UNICEF in terms of support budget costs as a share of total expenditures, the difference is not significant, given the UNFPA's lower volume of expenditures (Table 3.16).

<sup>198</sup> In a comment to the current report, UNICEF notes that UNICEF, due to its relative size, complexity, and international nature, relies more on international expertise for those functions.

**Table 6.12 - UNICEF. Proposed Biennial Support Budget for 2012**

Expenditure category	US\$ million	Share of total (%)
<b>International posts</b>	<b>1,061,652</b>	<b>65.0</b>
<b>Local posts</b>	<b>392,857</b>	<b>24.0</b>
<i>Of which</i>		
National professional	165,333	10.1
General service staff	227,524	13.9
<b>Total payroll expenditures</b>	<b>1,454,509</b>	<b>89.0</b>
<b>Non-Posts Payroll costs</b>	<b>26,289</b>	<b>1.6</b>
<b>Travel</b>	<b>23,388</b>	<b>1.4</b>
<b>Operating costs</b>	<b>107,478</b>	<b>6.6</b>
<i>Of which</i>		
Contractual services	2,000	
Rental and maintenance	79,600	4.9
Rental furniture/equipment	5,000	
Communications	20,000	
Hospitality	878	
<b>Furniture and equipment</b>	<b>22,056</b>	<b>1.4</b>
Fixtures	2,000	
Office equipment	8,500	
Computer hardware	10,556	
Communications equipment	1,000	
<b>Total</b>	<b>1,633,720</b>	

*Note:* The proposed 2011 Biennial Support Budget covers 2012-2013. The table above shows proposed expenditures for 2012 only. Non-post expenditures refers to costs for overtime and short-term clerical staff.

*Source:* UN Vietnam. Resident Coordinator's Office.

**Table 6.13 - Interagency comparison of overhead costs as share of total expenditures**  
US\$ million

	UNFPA	UNICEF
Biennial Support Budget	0.866	1.633
Total expenditures	7.593	17.304
Biennial Support Budget costs as share of total expenditures (%)	11.4	9.4

*Note:* Support budget expenditures for UNFPA are actual data, those for UNICEF are estimates for 2012.

*Sources:* Table 2.2, 210 and 2.11

### i. Assessment of the Quality of Current Financial Data, Compilation Practices, Instrument, Procedures and Reporting Practices

432. **Procurement.** Prior to the One UN reform program, each UN agency had its own procurement guidelines. According to information given in the meeting with Ministry of Finance officials, procurement regulations within the UN system have been harmonized as part of the program. The general rule is that funding and implementing agencies have to follow Vietnamese Bidding Law and procurement regulations. This rule also applies to projects implemented by NGOs.<sup>199</sup> However, if donors request for the use of procurement rules, different from Vietnam’s laws and regulations, and as prescribed in international agreements, the donor shall be allowed to apply the relevant provisions. UNFPA, for example, follows Government rules in the case of national implementation, but adheres to UN regulations when implementing own projects. In the former case, the UNFPA provides quarterly cash advances to the Government ministry or other implementing partner as agreed in an annual work program in accordance with UN rules.<sup>200</sup>

433. Additional details on the procurement process were given in the meetings with the Ministries of Finance and Labour, Invalids and Social Affairs, respectively. Thus, in the case of small projects (value less than US\$2,500), procuring Government agency has to solicit bids from at least three suppliers. Firms “qualified to bid are well known in Hanoi.” In these cases, the procuring ministry will select the winner directly. Small projects, however, account for no more than 5 – 10 percent of total procurement.

434. In the case of contracts for large projects that are in the Government’s development Plan, procurement follows guidelines agreed between the Government and concerned UN agency. The Ministry of Planning and Investment checks if documents are in accordance with Vietnamese law. The

<sup>199</sup> Ministry of Finance. General government rules for procurement and audit under donor funded development programmes and projects are laid down in Circular No 225/2010/TT-BTC. Guiding the State Financial Management Applicable to Foreign Non-Refundable Aid within the State Budget Revenues. Ha Noi, 31 December 2010.

<sup>200</sup> In the meeting with the UNHCR, the mission was informed that UNHCR does little procurement in Vietnam. It does, however, fund the construction of lots of schools at a cost of about US\$ 100,000 each of which the Government contributes some 25 - 50 percent. Contracts for the construction of the schools are signed with local governments in accordance with Vietnamese law.

implementing ministry has to publish the tender in three newspapers. In addition, the ministry can also approach known suppliers directly. A joint Government/UN committee reviews the bids and proposes the winner based on three selection criteria: (a) experience; (b) compliance with technical requirements of the project; and (c) price. The committee's proposal has to be approved by implementing ministry. If the project costs more than VND 500 million (about US\$25,000), the Ministry of Planning and Investment has to give final approval; in the case it costs less than VND 500 million, the implementing ministry can go ahead with the project.

435. The mission was reminded that as the UN system moves more and more towards policy dialogue, there will be less money spent on procurement of goods. The impact on services will depend on the extent to which there are outsourced.

436. **Audit.** According to Government regulations, audits of donor-funded projects shall be carried out based on international standards and the specific stipulations laid down in the project document agreed with the donor. In the absence of an agreement regarding selection of auditors, the “State Auditor shall conduct the audit”.<sup>201</sup>

437. Wherever the project document does not specify the use of the State Auditor, the donor or the benefitting ministry shall hire independent auditors to conduct the audit in accordance with international conventions. According to the Ministry of Finance, the UN agency hires the firm to do the audit. UNFPA, for example, uses KPMG to carry out audits. 80 percent of the engaged audit companies are foreign. The Ministry receives a copy of the auditor's report. UNHCR uses a domestic audit bureau.<sup>202</sup>

438. The frequency of audits depends on the country risk level and implementation modality. Projects implemented by the Government are audited in connections with the mid-term review and at the end of the project. In the case of projects implemented by UN agencies in high risk countries, projects are audited 2-3 times per year; in low-risk countries, there is an annual audit.

439. The mission was told by the Ministry of Finance that audit results for donor projects are “generally good”, with auditors usually concluding that the findings are “not significant”. This statement was supported by the “unqualified” result of the UNFPA audit for 2006-2008.

440. UNFPA already applies the International Public Sector Accounting Standards (IPSAS) in Vietnam. The move to IPSAS is expected to be completed by 2012.

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<sup>201</sup> Observers with many significant experience in Vietnam expressed cynicism about UN accounting, claiming that the “UN does accounting tricks to hide overhead” and that the bureaucracy is geared towards hiding the cost of administration” and that” people are put under project accounts to hide costs.” A seasoned observer in Hanoi noted that “there are not too many UNDP projects in Vietnam. So how does the UNDP use the roughly US\$ 19 million it spent in 2009?”

<sup>202</sup> An interesting side comment made in the meetings with the UNHCR is that “UNHCR knows where its part of the money goes, but does the Government know its part?”

441. The mission brought up donor monitoring and audit of projects implemented by UN agencies in meetings with bilateral donors. The general impression from these discussions is that donors take a hands-off approach to financial aspects of UN implementation of projects. DFID does not audit at project level for the reason that it does not want to micro-manage or check UN compliance, but “understands” that UN has independent auditors. However, DFID receives financial and audit reports from UN agency Headquarters. The mission was also informed that there was “a big battle last year” about monitoring of UN projects, and that “at the end of the day it was agreed that donors should monitor by result/outcomes.” However, this leads to the problem of attribution. A donor representative mentioned “they get reports from the UN when projects had been completed” and that these reports contained detailed accounts of costs. No mentioning was made about the possibility of more pro-active monitoring of the use of donor money.

#### **j. Assessment of Information Gaps**

442. As a result of the excellent cooperation demonstrated by the UN agencies met, as well as Government Ministries and major donors, the mission was able to gather detailed information about UN activities in Vietnam. Most importantly, the mission received information about programme expenditures by far-reaching detail for two major UN agencies. The mission also collected detailed information regarding Biennial Support Budget costs for two major agencies.

443. Despite sharing simple basic tables with blanks for the numbers prior to meetings, the mission was not able to gather comprehensive information for calculating “indicators” as laid out in the Inception Report. The efforts to gather comprehensive information for one single year – for example 2009 – proved overwhelming; and, the mission had instead to settle for what information was provided.

444. The mission received a comprehensive list of UN projects in Vietnam. The mission also received a very detailed account of expenditures for one project currently being implemented by the Ministry of Labour, Invalids and Social Affairs. Similar information from other agencies has not yet been received. During meetings, requests were made for sundry additional information. Significant information has been provided subsequent to the meetings, in particular by the Resident Coordinators office.

## APPENDIX

**Table A1. LIST OF MEETINGS**

Date		Time	Agency	Address in Hanoi	Official(s) met
Wed	6-Apr	11am	Norwegian Embassy	191 Ba Trieu	H. E. Mr. S. T. Risa, Ambassador of Norway Ms. Zenia Chrysostomidis
		3pm	IFAD	Unit 304, UN Apartment Building, 2E Van Phuc, Kim Ma	Ms. Atsuko Toda, Country Programme Manager
Thu	7-Apr	9.30am	UNDP	25-29 Phan Boi Chau	Ms. Setsuko Yamazaki, Country Director
		2pm	Ministry of Agriculture and Rural Development	2 Ngoc Ha	Nguyen Thi Tuyet Hoa, Deputy Director General, Ms. Bui Thi Binh
Fri	8-Apr	12.30 am	Swedish Embassy	2 Nui Truc	Ms. Elsa Hastad, First Secretary
		3pm	Danish Embassy	19 Dien Bien Phu	Ms. Lis Rosenholm, Deputy Head of Mission
Sat - Sun 9-10 Apr		Weekend			
Mon		2pm - 3pm	UNICEF	81A Tran Quoc Toan	Ms. Lotta Sylwander, Representative
		4pm	World Bank	7th Fl., 63 Ly Thai To	Mr. Alain Barbu, Manager. Portfolio and Operations
Tue	12-Apr	National Holiday			
Wed	13-Apr	8.30am - 9h30am	UNHCR	60 Nguyen Thai Hoc	Mr. Son, Chief of Mission
		10am - 11.30 am	UNFPA, UN	2E Van Phuc, Ba Dinh	Mr. Bruce Campbell, Resident Coordinator Ms. Hong; Ms. L. Nylin UN Coordination Specialist
		3pm	UK embassy/DFID	31 Hai Ba Trung	Ms. Ngo Quynh Hoa, Sector Manager
Thu	14-Apr	9.15 am	Norwegian Embassy, Norad	Vincom, 191 Ba Trieu	H. E. Mr. S. T. Risa, Ambassador of Norway Ms. Zenia Chrysostomidis
		10am-11am	Ministry of Finance	R. 319, 28 Tran Hung Dao	Mr. Nguyen Manh Hoa, Deputy Director General Mr. Do Thanh
		13.30-15.00	Ministry of Labour, Invalids and Social Affairs	R112, 2 Dinh Le	Mr. Nguyen Kim Phuong, Deputy Director General Mr. Nguyen Hoai Duc, Officer

**TABLE A.2: LIST OF UN PROJECTS UNDER IMPLEMENTATION IN 2011**

UN Agency	Project ID	Project / AWP Title	Start and end year (as per current DPO)
FAO	UNJP/VIE/038/UNJ	Green Production and Trade to Increase Income and Employment Opportunities for the Rural Poor	2010-2012
FAO	UNJP/VIE/042/UNJ	Improved Food Safety Management	2009-2011
FAO	UNJP/VIE/043/UNJ	Food Safety Information, Education and Communication	2009-2011
FAO	GCP/RAS/222/JPN	Strengthened Food Inspection Systems	2007-2012
FAO	GCP/RAS/223/JPN	Support to the FAO Programme on Capacity Building in Food Safety	2007-2012
FAO	GCP/RAS/226/JPN	Cooperation for the improvement for phytosanitary capacity through capacity building	2007-2011
FAO	UNJP/VIE/039/UNJ	Integrated Nutrition and Food Security Strategies for Children and Vulnerable Groups in Viet Nam (MDGF-2007)	2010-2012
FAO	UNJP/VIE/041/UNJ	Capacity building and policy reform for pesticide risk reduction in Vietnam	2009-2011
FAO	GCP /RAS/237/SPA	Regional Fisheries Livelihoods Programme for Southeast Asia	2009-2013
FAO	GCP /RAS/240/JPN	Capacity building and enhanced regional collaboration for the conservation and sustainable use of plant genetic resources in Asia	2009-2012
FAO	TCP/VIE/3203	Assistance to the floriculture sector (delayed OP output 3.8.1)	2010-2012
FAO	GCP/VIE/XXX/SPA	Application of biotechnology for development of rice and soybean varieties to withstand climate change for ensuring food security in Vietnam	2011-2013
FAO	GCP/VIE/035/ITA	Market-Oriented Agroforestry to Reduce Poverty in Quang Nam Province - (follow-up phase to GCP/VIE/027/ITA)	2008-2011
FAO	UNJP/VIE/044/UNJ	UN-REDD Programme	2009-2010
FAO	GCP/GLO/194/MUL	Forest Monitoring and Assessment (delayed OP output 3.11.5)	2010-2013
FAO	TCP/VIE/XXXX	TCP Sustainable Forest Harvesting (delayed OP output 3.11.5)	2010-2011
FAO	GCP/VIE/029/ITA	Integrated Management of Lagoon Activities in Thua Thien and Hue Provinces	2005-2010
FAO	TCP/VIE/3106	Demand driven technical advice to MARD	2010
FAO	GCP/RAS/241/JPN	Study on Analysis of Sustainable Water Resources Use	2009-2012
FAO	GEF/POPS	Building capacity to eliminate POPs pesticides stockpiles in Vietnam (joint with UNDP)	2009-2011
FAO	UNJP/VIE/037/UNJ	Strengthening the capacity building for risk reduction and emergency preparedness in the Northern Mountainous region of Vietnam	2009-2011
FAO	UNJP/VIE/XXX/UNJ	Phase III: Capacity Building Support aimed at Strengthening the Management of Animal and Public Health Emergencies in Viet Nam - with a focus on the Prevention and Control of Highly Pathogenic Emerging Diseases of Zoonotic and Economic Importance, including Highly Pathogenic Avian Influenza (HPAI).	2011- (Continuation / mainstreaming of GoV / UN Joint Programme on HPAI 2006-2010)



UN Agency	Project ID	Project / AWP Title	Start and end year (as per current DPO)
IFAD	GRANT 907-VIETNAM	Rural Development Strategy for 2010 – 2015 with Vision to 2020	2008-2010
IFAD	GRANT 997-VIETNAM	Capacity strengthening for Quality Management	2008-2013
IFAD	C-IT-59-VN3	Pilot Project for Poverty reduction in Ia Pa District, Gia Lai Province	2009-2011
ILO	Project ID tbc	Comprehensive national plan for inclusive and progressive social security	-
ILO	VIE/08/06P/SPA INT/08/69/IRL	Employment Policies support Decent Work	2008-2012 2008-2011
ILO	RAS/08/07M/JPN RAS/0850MIRL INT/08/70/IRL VIE/09/02M/OUF VIE/09/53M/UND VIE/09/51/IFC	Improved Private Sector Development Policies, programmes, regulations and practices that promote income, trade, investment, wealth and employment creation, in particular youth and other disadvantaged, at national and local levels.	2009 - 2011 2008-2011 2008-2011 2010 -2011 2010- 2012 2009- 2013
ILO	VIE/08/03M/UNA	Government Policies effectively promoting tripartite HIV/AIDS Workplace policies and responses	No extension
ILO	VIE/09/52M/UND	The principles of accountability, transparency, participation and rule of law are integrated into Viet Nam’s representative, administrative, judicial and legal systems	2009-2012
ILO	VIE/09/03M/OUF	Policies, legislation, programmes and national institutional infrastructure in place for effective promotion of labour rights and harmonious industrial relations	2009- 2011
UNAIDS	DPO in process of finalization	Improved HIV Coordination and Planning	2010-2011
UNAIDS	DPO in process of finalization	Strengthened capacities of national and provincial people’s representatives and leaders to ensure that HIV concerns are mainstreamed in policies, legal documents and plans and their implementation is monitored	2010-2011
UNAIDS	DPO in process of finalization	Process on “Moving Towards Universal Access to Prevention, Treatment, Care and Support” initiated and monitored, including target-setting, resource estimation and development of a roadmap	2010-2011
UNAIDS	DPO in process of finalization	Enhanced civil society capacity, collaboration and participation in the global, regional and country response in support of people living with HIV	2010-2011
UNAIDS	DPO in process of finalization	Volunteerism and social mobilization to support services for people infected with and affected by HIV	2010-2011
UNAIDS	DPO in process of finalization	Volunteerism and social mobilization to support services for people infected with and affected by HIV	2010-2011

UN Agency	Project ID	Project / AWP Title	Start and end year (as per current DPO)
UNESCO	223VIE40XX	Supporting the safeguarding of intangible cultural heritage in Vietnam	2011-2011
UNESCO	223VIE40XX	Implementation of integrated culture and tourism strategy for sustainable development in Quang Nam	2009-2011
UNESCO	223VIE20XX	Inter-sectoral and inter-agency project on customary rights	2009-2011
UNESCO	223VIE10XX	Strengthening evidence based educational planning and management in Viet Nam	2009-2011
UNESCO	223VIE10XX	Supporting improvement of education quality in Vietnam	2009-2011
UNESCO	223VIE10XX	Strengthening education sector response to HIV&AIDS	2009-2011
UNESCO	223VIE10XX	Supporting inter-sectoral approaches to mainstreaming gender into education programmes	2009-2011
UNESCO	223VIE50XX	Supporting strengthening media education in Vietnam	2009-2011
UN HABITAT	00071406	Housing Policy Advocacy + Capacity Building	2009-2011
UN HABITAT	00071405	Urbanization / Urban observatory system + National Urbanization Strategy	2009-2011
UN HABITAT	New Project – ID tbc	Dong Ha CDS proposal	2010-2011
UN HABITAT	New Project – ID tbc	Thanh Hoa CDS	2010-2011
UN HABITAT	New Project – ID tbc	Capacity building on integration of climate change in to urban planning	2010-2011
UNFPA	VNM7R202	Improve Quality of RH Service Delivery at all levels	2006-2010
UNFPA	VNM7R203	Increase availability of Quality Maternal and Neonatal Services	2006-2010
UNFPA	VNM7R205	RH Information and Services for unmarried Young People and Migrants	2006-2010
UNFPA	VNM7R208	Increased Access to HIV/AIDS information and Prevention Services	2006-2010
UNFPA	VNM7R301	Increased Awareness of SRH & Gender	2006-2010
UNFPA	VNM7R304	Enhance Men's Involvement and Empowerment for Women in SRH Communication Activities and Improvement of Legal Environment (GENDER)	2006-2010
UNFPA	VNM7P201	Enhance Capacity of Relevant Central Institutions in Reviewing, formulating and Advocating for Pop/RH Policies and Programmes in line with International Agreement of which VN is signatory	2006-2010
UNFPA	VNM7P101	Support for Several Surveys and Evaluation of Pop/FP to enhance Information Provision and dissemination	2006-2010
UNFPA	VNM7P102	Strengthen the Technical Capacity of Partners in Usage and Dissemination of Age and Sex Disaggregated Data in Planning and Policy Making at National and Provincial Levels	2006-2010
UNFPA	VNM7P103	Improve Capacity of the GACA and UNFPA CO in Management and Co-ordination and Implementation of CP7	2006-2010
UNFPA	VNM7A101	Support to UNFPA CO for Programme Co-ordination Assistance (PCA)	2006-2010
UNFPA	RAS06P01	Intensified response to HIV Prevention	2006-2010
UNFPA	VNM7R207	Capacity Building for VINAFPA in RH Care and Gender Equality	2006-2010
UNFPA	VNM7G31A	Joint Programme on Gender Equality	2009-2011

UN Agency	Project ID	Project / AWP title	Start and end year (as per current DPO)
UNDP	46946	KonTum Joint UN Programme	2007-2010
UNDP	15593	Support to National Targeted Prog.for Poverty Reduction (HEPR-MOLISA)	2002-2010
UNDP	64014	Support for in-depth assessment of Urban poverty in Hanoi and Ho Chi Minh City	01/03/2009 31/12/2010
UNDP	46998	International Human Right Treaties in Vietnam	2007-2010
UNDP	48249	Economic Diplomacy	2006-2010
UNDP	51380	Social Corporate Responsibility	2008-2010
UNDP	44322	Strengthen Country Programme Management Support 2006-2010	2006-2010
UNDP	50207	Ethnic Minority Policies	2008-2012
UNDP	49713	Climate change adaptation MONRE/ MARD	2008-2012
UNDP	51111	Disaster Risk Management	2008-2011
UNDP	57013	Climate change mainstreaming with MPI	2009-2011
UNDP	50739	Strengthening the Capacities for Budgetary Decision and Oversight of People's Elected Bodies in Vietnam	2009-2012
UNDP	49114	Capacity of Representative Bodies (ONA)	2008-2012
UNDP	40723	Support Government Inspectorate	2009-2012
UNDP	58492	Strengthening Access to Justice and Protection Right	2009-2014
UNDP	49826	Support to Public Administration Reform in Ho Chi Minh City, 2008-2011	2007-2011
UNDP	56616	Strengthening the capacity of Vietnamese Government's agencies in accelerating and improving PAR efficiency and effectiveness	2009-2012
UNDP	49827	Financial Policy Analysis II	2008-2011
UNDP	50525	Empowerment of Women in the Public Sector	2008-2012
UNDP	50249	Support for Effective Policy Making ( VASS)	2008-2011
UNDP	56485	Policy Advisory	2009-2011
UNDP	49750	Building capacity to eliminate POPs pesticides stockpile	2009-2012
UNDP	48414	PIMS 2596 POPS FSP: Reducing Health-Care Waste	2009-2012
UNDP	57333	PIMS3327 CC RP: ASIA BRESL (VIET NAM)	2009-2014
UNDP	57593	Dioxin/ Agent Orange remediation	2009-2014
UNDP	In Pipeline	Strengthening capacity for macro-economics policy advising and overseeing	TBD
UNDP		Support Poverty Reduction	
UNDP		Socio Economic Development Monitoring - to support the reform in statistics systems in VN	
UNDP		Support Social Security Reform	
UNDP		Protected Area Financing	
UNDP		Energy Efficiency in Commercial Building	
UNDP		Waste Heat Recovery for Power Generation (HRPG) in Vietnam's Cement Industry	
UNDP		Enhancing legislative capacities in Viet Nam through support for strategic and policy-oriented research and exchange activities ( ILS)	
UNDP		Legal Education	
UNDP		Provincial Public Administration	
UNDP		Civil Society	
UNDP		Cluster Munitions	

UN Agency	Project ID	Project / AWP title	Start and end year (as per current DPO)
UNICEF	YK201/MOH	Child Survival and Development – Integrated Health, Sanitation and Injury Prevention	2006-2010
UNICEF	YK201/MARD	Child Survival and Development – Rural Water Supply and Environments	2006-2010
UNICEF	YK201/MOLISA	Child Survival and Development – Child Safety Promotion	2006-2010
UNICEF	YK201/C4D	Child Survival and Development – Avian Influenza	2006-2010
UNICEF	YE204/ECD	Education – Early Childhood Development	2006-2010
UNICEF	YE204/CFPE	Education – Child-friendly Primary Education	2006-2010
UNICEF	YE204/ADAP	Education – Adolescent Development and Participation	2006-2010
UNICEF	YS205/CPS	Child Protection – Child Protection System	2006-2010
UNICEF	YS205/JJS	Child Protection – Justice System for Children and Adolescents	2006-2010
UNICEF	YS205/CNSP	Child Protection – Protection and Care for Children and Adolescents in need of Special Protection	2006-2010
UNICEF	YY206/SP	Planning and Social Policy – Social Policy	2006-2010
UNICEF	YY206/SA	Planning and Social Policy – Capacity Building for Social Audit	2009-2010
UNICEF	YY206/CBEO	Planning and Social Policy – Capacity Building for Elected Officials	2006-2010
UNICEF	YY206/PME	Planning and Social Policy – Planning, Monitoring and Evaluation	2006-2010
UNICEF	YY206/CPM	Planning and Social Policy – Country Programme Management	2006-2010
UNICEF	SI/209/CB	Provincial Child-friendly Programme – Capacity Building and M&E	2006-2010
UNICEF	SI/209/Kon Tum	Provincial Child-friendly Programme – Kon Tum Provincial Child-friendly Project	2007-2010
UNICEF	SI/209/Dong Thap	Provincial Child-friendly Programme – Dong Thap Provincial Child-friendly Project	2006-2010
UNICEF	SI/209/Dien Bien	Provincial Child-friendly Programme – Dien Bien Provincial Child-friendly Project	2007-2010
UNICEF	SI/209/Ninh Thuan	Provincial Child-friendly Programme – Ninh Thuan Provincial Child-friendly Project	2007-2010
UNICEF	SI/209/An Giang	Provincial Child-friendly Programme – An Giang Provincial Child-friendly Project	2008-2010
UNICEF	SI/209/HCMC	Provincial Child-friendly Programme – Ho Chi Minh City Provincial Child-friendly Project	2010-2011

UN Agency	Project ID	Project / AWP title	Start and end year (as per current DPO)
UNIDO	TFVIE08001	Technical Assistance to Business Registration Reform	2008-2011
UNIDO	TEVIE08003	SME Cluster Development	2009-2011
UNIDO	FMVIE09003	Green production and trade to increase income and employment opportunities for the rural poor (UN Joint Programme)	2010-2012
UNIDO	FBVIE09007	Policy advice to science, technology and innovation strategy 2011-2020 and High Technology Law implementation	2009-2011
UNIDO	FBVIE09008	Building national capacity in industrial diagnosis and trade competitiveness analysis	2009-2011
UNIDO	FBVIE09009	Platform for Investment monitoring & supplier development phases 1 & 2	2010-2011
UNIDO	USVIE08004	Post WTO accession support to Vietnam-TBT/SPS capacity development in key export sectors	2008-2011
UNIDO	EEVIE08007	Helping Vietnamese SMEs adapt & adopt CSR for improved linkages with global supply chains in sustainable production	2009-2012
UNIDO	GFVIE08005	Introduction of BAT & BEP methodology to demonstrate reduction or elimination of UP-POPs releases from industry	2008-2010
UNIDO	GFVIE09001	Promoting energy efficiency in industries through system optimization and energy management standards	2010-2014
UNIDO	TBD	Environmental policies	New
UNIDO	TBD	Environmental management for resource efficient production	New
UNIFEM	63312	Gender budgeting	2008-no DPO
UNIFEM	63312	Gender, poverty, trade and WTO	2007-2011
UNIFEM	73744	Strengthening women's response to climate change	2009-2010
UNIFEM	63312	Engaging men and boys in gender equality	2008-2011
UNIFEM	73729	Capacity building for Gender Equality Department/MOLISA	2009-2011
UNIFEM	63312	Gender and macroeconomic issues	2009-2011
UNIFEM	63312	Protection of Women migrant workers	2009-2012
UNIFEM	63312	Gender violence and HIV	2007-2010
UNIFEM	70846	Joint Programme on Gender Equality	2009-2011
UNIFEM	73745	CEDAW SEAP	2004-2012

UN Agency	Project ID	Project / AWP title	Start and end year (as per current DPO)
UNODC	VNMJ93	Support for developing effective ATS prevention strategies and measures for East Asia: A Pilot in Viet Nam	2009-2011
UNODC	VNMK16	HIV prevention, care, treatment and support in prisons and pre-trial detention centres in Viet Nam	2010-2011
UNODC	VNMK33	Addressing barriers to access to HIV prevention, treatment, care and support services for male and female injecting drug users in Vietnam	2010-2011
UNODC	VNMK34	Improving HIV prevention and drug dependence treatment service provision for injecting drug users in Northwest Vietnam	Future project
UNODC	VIEH65	Strengthening Drug Law Enforcement Agency Information Collection and Sharing Procedures	2009-2010
UNODC	VNMS79	Strengthening Viet Nam's criminal justice responses to migrant smuggling and human trafficking through enhanced border control capacities and international cooperation	2009-2011
UNV	00051097	Strengthening Capacity of Volunteerism for Development in Viet Nam (VDVN)	February 2009 – December 2011
UNV	00047016	Greater Involvement of PLHIV - GIPA	January 2009 – December 2010

UN Agency	Project ID	Project / AWP title	Start and end year (as per current DPO)
WHO	WPVNM1002464	Prevention and Control of HIV, TB and Malaria	2010 –2011
WHO	WPVNM1002493	Health Promotion and Development, Reduction of Risk Factors for Health Conditions and Tobacco Free Initiatives	2010 –2011
WHO	WPVNM1002475	Maternal and Child Health Programme	2010 –2011
WHO	WPVNM1002470	Prevention and Control of Communicable Diseases in Viet Nam	2010 –2011
WHO	WPVNM1002436	Health Systems Policies and Coordination	2010 –2011
WHO	WPVNM1002468	Prevention and Control of Non-communicable Diseases, Mental Disorders, Violence, Injuries and Visual Impairment Programme	2010 –2011
WHO	WPVNM1002485	Environmental Health and Occupational Health	2010 –2011
WHO	WPVNM1002439	Pharmaceuticals and Essential Drugs	2010 –2011
WHO	WPVNM1002494	Health Planning, Monitoring and Evaluation, Health Research and Health Information System Development Programme	2010 –2011
WHO	WPVNM1002473	Health Technology, Laboratories, and Blood Safety	2010 –2011
WHO	WPVNM1002437	Human Resources for Health	2010 –2011
WHO	WPVNM1002474	Emergency Preparedness and Response	2010 –2011
WHO	WPVNM1002438	Health Care Financing	2010 –2011
WHO	WPVNM1002581	Social Determinants of Health, Gender and Human Rights for Health	2010 –2011
WHO	WPVNM1002574	Immunization and Vaccine Development	2010 –2011

Source: UN Resident Coordinator's Office. Hanoi. Vietnam.

**TABLE A.3 UNFPA PROGRAMME EXPENDITURES BY DETAILED COST CATEGORY, 2009 AND 2010**

US\$ million

	2009			2010		
	Core	Non-Core	Total	Core	Non-Core	Total
Audit service	28,532	4,775	23,307	1,984	6,000	7,984
Contribution to UN activities	17,336	20,905	38,241	20,000	-	20,000
Equipment	506,464	661,283	1,167,747	263,494	414,275	677,768
Exchange rate gain/loss	51,676	69,214	120,890	40,453	42,127	82,580
Training for Government counterparts	627,130	452,290	1,079,420	935,260	835,155	1,770,415
Indirect costs	-	237,065	237,065	-	264,745	264,745
International consultants	37,900	81,968	119,869	89,710	148,298	238,008
Local consultants	487,591	502,617	990,208	490,324	436,603	926,927
Publication	145,318	128,804	274,122	154,558	37,744	192,302
Salary for project staff	203,205	320,262	523,467	279,558	143,222	422,780
Services	788,621	734,269	1,522,890	634,077	753,473	1,387,550
Travel	644,282	490,628	1,134,910	436,884	558,355	995,239
UN service (inclusive UN common service budget)	5,163	1,398	5,163	7,000	6,399	13,399
Payroll for UNFPA staff (including staff retreat)	472,895	131,806	472,895	408,871	218,908	627,779
Training for UNFPA staff	6523	3,419	6,523	23,799	11,532	35,331
Conferences/workshop	-			202,406	245,500	447,906
<b>Total</b>	<b>3,876,013</b>	<b>3,841,701</b>	<b>7,717,714</b>	<b>3,988,379</b>	<b>4,122,335</b>	<b>8,110,713</b>

Source: UN. Vietnam. Resident Coordinator's office

COUNTRY CASE STUDY  
UGANDA



## 8. Country Case Study - Uganda

### a. Introduction

445. Uganda was selected under the present study as one of the two complementary country cases based on the following considerations: within the largest recipient region, Africa; having received significant Norwegian aid through every UN organisation studied; and not a « UN as One » country like the other case of Viet Nam.

446. A study consultant met on 11-14 April 2011 with the Kampala offices of WFP, UNHCR, UNOCHA, UNDP, the UN Resident Coordinator, UNICEF and UNFPA, in addition to the Norwegian Embassy. Most meetings were with the Head of the office, or her/his Deputy or Head of Programmes (except for WFP) assisted by relevant colleagues (except for UNHCR). In addition to Uganda, interviewees sometimes drew on their prior experience of other countries regarding specific issues.

447. As announced beforehand, discussion topics included:

- Relationships between these UN country offices, the Norwegian Embassy and Norway;
- Relationships between the UN country offices and their regional and Head offices (including financial flows and reporting);
- Coordination between the UN country offices and between the country operations of the respective UN organizations;
- Donor funds available for UN operations as compared to plans and needs, and any global financing constraint;
- Donor funds earmarked for, or restricted to specific UN programmes and purposes, and any related financial constraints;
- Level of support costs, or indirect costs of UN programmes as compared to funds available, and any related financial constraints.

448. Thanks are addressed to all UN interviewees for their faultless cooperation and to the Norwegian Embassy for its introductions and guidance.

### b. Relationships with Norway

449. The six UN country offices visited compliment the Norwegian Embassy for its active support to the UN and to donor coordination, while reporting no direct relationships with the Norwegian Government. Their awareness of Norway as UN donor is uneven and limited. For instance, UNICEF, UNHCR and WFP interviewees are recollecting no recent contribution and UNDP only quote some co-sponsored studies (Northern Uganda governance, gender-based violence, post-conflict IDP and livelihood survey). However, UNOCHA and UNFPA regard Norway as their largest and closest donor, and the UNHCR office notes that it may benefit from Norwegian core funding without knowing it.

450. The Embassy has significant functions and means beyond those of an ad-hoc relay. It extends smaller direct contracts to UN agencies (FAO, UNFPA, WFP and WHO) and recently financed the dismantling of the UNOCHA office. It identifies new aid projects, supervises activities and comments on the UN agencies' country programme. At times, the Embassy may be further called upon to review the use of aid funds (Juba peace negotiations) or to take over the funding of repeat operations (WFP-Northern Uganda funding from Oslo's Humanitarian Section).

### **c. Relationships with headquarters**

451. All the UN country offices visited develop and implement freely their activities in collaboration with the Government and within the rather broad framework of the common UNDAF and individual country programmes approved by their respective headquarters. Regional offices (UNHCR, WFP) pool specialists (e.g., nutrition) and extend technical support rather than control. Country offices may also provide some services for neighbouring countries like central food procurement (WFP) and refugee camps (UNHCR).

452. The autonomy and workings of country offices vary substantially in other ways. Fund raising may rest mostly with the office (WFP, UNFPA, UNOCHA-50 percent) or be centralized by headquarters, largely (UNDP, UNICEF) or fully (UNHCR). Reporting to headquarters is mainly done monthly (WFP), quarterly (UNDP), or just annually (UNFPA, UNICEF). Operating and financial procedures set by headquarters remain quite different in spite of harmonization efforts.

453. Areas for improvement quoted by country offices include funding uncertainties and delays and the short notice for responding to requests from headquarters (surveys, meetings). UNOCHA reports to both New York (operations, policies) and Geneva (funding, personnel) with possible duplication and inconsistencies. Donor representatives are not easily convinced that their proposed local contributions are included in UNHCR headquarters' overall projections and already allocated to different activities. All offices would welcome more headquarters' support (official visit, policy statement) in managing the eventual phasing-down of activities and resulting conflicts with dismissed local employees and unprepared Government officials.

### **d. Relationships among country offices**

454. The coordination of UN country offices is based on the broad UNDAF agreed with the Government and now reinforced by a UN Resident Coordinator office separate from UNDP. It entails the twice monthly Programme Management Team gathering UN representatives or deputies. The UN also participates in a range of development partner foras including the Local Development Partners Group (currently headed by Denmark and the World Bank), Technical Working Groups per sector and various other committees (communication, governance, evaluation...). The Working Group on health is quoted as a case where a clear division of labour between participating UN agencies has been defined.

455. However, several coordination difficulties are apparent and confirmed by some interviewees. The 5-year UNDAF and related Government priorities cannot be clear enough and at the same time fully consistent with the 2-year programmes, mandates and headquarters' instructions of the different UN agencies. In practice the Government appears to have taken the leading coordinating role although it may lack sufficient relevant capacity or simply prefer the agency offering larger resources. As the Northern Uganda war ended, UNOCHA is closing down while WFP and UNHCR do not appear to have yet adjusted their activities, which suggests a need for stronger coordination of the "phasing" strategies.

456. Moreover all UN country offices recognize that duplication between them remains quite excessive. Many examples of overlapping outputs are given regarding seeds (FAO, UNHCR), protection (UNHCR, UNICEF), coordination (UNOCHA, UNDP/RC), food (UNHCR, WFP), health (UNHCR, UNICEF, WHO), HIV (UNAIDS, UNDP, WFP, WHO) and women (UNWOMEN with most others). Such duplication may be only partly justified by the pragmatic choice of the qualified agency available at the time of need.

457. It would be useful to further specify common criteria and rules for determining the country phase (emergency/recovery/development), the primary features of an assistance need (sector/product-specific like food, or rather community-specific like orphans) and the corresponding normal allocation of activities among agencies (lead agency and participating ones). Technical committees focused on a sector, a community or an area (e.g., North Eastern Uganda) are also likely to be more effective than broader meetings for setting the stage for consistent coordination. When feasible, joint inter-agency programmes are seen as a good way to eliminate duplication.

458. In spite of such duplication and coordination difficulties, most country offices are sceptical about the initiatives of "Delivering as One" and "UN as One", and especially about the long time needed to implement them. For Delivering as One to be efficient, they consider that the coordination between the different headquarters should first be achieved, including consistent field procedures and possibly a single country programme. UN as One is seen as a more remote prospect involving heavy institutional reforms, high resistance to change and meanwhile some risk that transaction costs outweigh gains in effectiveness.

459. Nevertheless, the Ugandan Government has come to issue in October 2010 a formal request for Delivering as One with the support of the Resident Coordinator. Meanwhile and starting about two years ago, six main joint programmes have been launched regarding HIV, population, climate, gender rights, gender-based violence and woman genital mutilation. The latter three among these programmes have been actively promoted by UNFPA as lead agency. The Norwegian Embassy is the main donor for the joint programme on GBV. The different UN agencies participating in the three joint programmes on gender have signed a memorandum of understanding outlining the division of labour and responsibilities. . A single Joint Steering Committee including the Gender Ministry and Norway has recently been established for these three programmes. The Steering Committee will be responsible for vetting budget allocations, reviewing reports and assessing mid-term and annual

reviews. It follows the “pass-through” mode with inter-agency transfers at headquarters (the parallel and pull modes being deemed ineffective or impractical). Quoted, relative drawbacks of joint programmes have been multiple extra meetings by programme and donor, the resulting cost for smaller agencies like UNWOMEN and the low administrative compensation for the lead agency (1 percent in addition to the 7 percent for participating agencies). The newly established arrangement with a single Joint Steering Committee could probably mitigate some of these negative effects.

#### **e. Financial Aspects**

460. Although declining, total funding is not a major constraint for most agencies. Uganda remains popular among donors and agencies have retained reserves as the country shifted rather recently from the emergency to the recovery phase. Only WFP with its main emergency mandate has been far below its targets, while UNICEF expects to feel the decline in a couple of years given its reserves.

461. While declining as well, the share of un-earmarked or core funding remains substantial, although it varies from about 30 percent for UNDP and UNICEF up to 50 percent or more for UNFPA and UNOCHA (until 2010: UNOCHA is by December 2011 closing in Uganda). UNDP in particular has noticed a sharp fall in those core resources that are more needed in the recovery phase.

462. The UN representatives are nevertheless unanimous to regard fund earmarking as a major problem and for the same reasons. Such earmarking often follows cultural, political or visibility objectives of individual donors and thereby tends to “distract UN assistance away from more acute needs” or higher Government priorities (UNDP, UNHCR). Only un-earmarked funding allows the agencies (UNFPA, UNICEF) to attend the less visible or popular needs (North Eastern and Southern Uganda, population issues).

463. Furthermore, earmarked contributions cover only part of the support costs, no overheads and sometimes only a selected part of the targeted activity (e.g., food and other supplies without transportation, schools without desks, sanitary without wells, part of a study, etc.). For those two reasons, core funding is used to complement and de facto “cross-subsidize” earmarked funding (UNDP), and less of it is available for other important activities.

464. Finally, reporting requirements and control would typically parallel the level of earmarking (UNHCR, UNICEF). Earmarked activities entail the costs of specific and frequent reporting to donors (e.g., from quarterly for Gates Foundation to half-yearly for EC-ECHO or Spain). They also involve the complexity of sharing the control of the activity with the earmarking donor.

465. On the other hand, such closer control and reporting heighten the accountability of the agencies (WFP) and the decline of core funding has probably contributed to trigger the current cost-cutting efforts of most agencies. For instance, UNDP engages the second phase of its adjustment process following a financial review in 2009. UNICEF was instructed to reduce the major costs and report yearly on progress to its headquarters. Measures quoted as most efficient includes the budgets for

travel, conferences and consultants, inter-agency procurement and common services (air travel, fuel, security, premises, etc.) and carefully prepared exit strategies (e.g., staff exchanges, inventory of assets).

466. Most UN country offices levy 7 percent (UNHCR, UNDP, UNICEF and UNFPA) to 8 percent (WFP) on earmarked contributions for covering their own and their headquarters' corresponding support costs, with some major variations in practice. First UNHCR has been charging this fee only to a smaller and decreasing part of its activity budgeted in the course of the year (the supplementary programme of some of its pillars). Second, several agencies (UNHCR, UNDP and WFP) acknowledge that they do not always obtain this fee from earmarking donors. By contrast, UNICEF report transferring the 7 percent to headquarters and charging without difficulty an additional 7-10 percent for its own support costs, including monitoring and evaluation. All country offices stress that this current levy falls short from covering total direct and indirect support costs (generally around 20 percent) although it would seem difficult to increase it significantly given that NGOs are reported to charge 8 percent.

467. In summary, the Ugandan example confirms that core funding is certainly critical to the effectiveness and relevance of the assistance, although it might not foster cost reductions in the absence of relevant control and benchmarking. The remedies to core funding decline most often quoted include: submitting the issue to the major earmarking donors at the highest level; promoting global, thematic and regional funds; and charging systematically the levy for support costs on earmarked contributions.



## 9. ANNEX – HOW WAS THE STUDY CONDUCTED

As this report is neither an evaluation nor an audit there was no need to develop a specific methodology beyond following the approach highlighted in the terms of references, as clarified in the Inception Report. Specifically, the review period 2000s and the selection of agencies were pre-defined in our terms of reference. Furthermore, the study is based solely on public documents, with factual and qualitative interpretations validated through a series of exchanges with the UN agencies concerned. The report is thus a compilation in a reader friendly format of information from various sources that are not readily available in consolidated form elsewhere.

The approach followed involved no a priori judgement or hypothesis and was largely a process of discovery. The task assigned to the consultants was to track expenditures to its various components and building blocks, providing as much details as possible. Standard ratios and formats were used to facilitate any cross-agency comparison. In addition, as explained in the Inception Report, the consultants have summarized factors that underpin the observed expenditure patterns. These include budgetary and fiduciary systems, as well as information on allocation systems, cost recovery, staffing and so on.

Some of the recommendations of this report originate from UN documents and are restated only to the extent they had not been fully addressed at the time the review of documents was undertaken. The remaining observations are either direct results of the findings or areas that in the opinion of the consultants would warrant further analysis.

Based on our review of available financial documents covering UN agencies, we concluded that a pure desk study would have not met the stated objectives for this study. We therefore proposed to supplement the desk review with a more substantial series of interviews and exchanges with the UN agencies to be covered under this study. To this effect, team members visited and maintained contact with headquarters of agencies as well as with offices in the two countries we visited (Uganda and Vietnam).

We followed a simple 7-step approach to address the issues highlighted in our terms of reference. The sequencing of steps was based on the need to gather information before the interviews, with a general expectation that the information collected would have gaps to be filled at each agency's headquarters.

### **STEP 1 – DESCRIPTION OF THE UN BUDGET SYSTEM**

We proposed to start by describing the budget process of UN agencies to facilitate enhanced understanding of the numbers and financial flows quantified in the report. This step was not initially foreseen in the TORs, but was added in agreement with our Norwegian counterparts.

### **STEP 2 – MAPPING OF CORE AND NON-CORE REVENUES**

**Main Source:** publicly available information for mapping of revenues with additional information collected through interviews for practices.

**Sub-step 2.a.** We collected all publicly available annual reports and relevant Executive Board Documents of the select UN Agencies for the period 2001-2010 in digital form, with special emphasis on more recent years. Whenever these reports were not available we contacted the agencies concerned to request for the necessary information.

**Sub-step 2.b.** We reviewed the reports and inserted the data into Excel tables.

**Sub-step 2.c.** To determine the practices followed in evaluating in kind contributions we analyzed the notes to these agencies' financial statements wherever available. However, this analysis was supplemented by interviews to these agencies' accounting departments to clarify the details which are rarely included in the official documents.

### **STEP 3 – MAPPING OF EXPENDITURES AT THE HEADQUARTERS, REGIONAL AND COUNTRY LEVEL**

The mapping focused on activity level break-up including but not necessarily limited to budget lines such as technical assistance (in house resources), technical assistance (external consultants), in kind (goods and services) support, direct financial support to cooperating partners, administration costs, and dissemination and advocacy (workshops, meetings, conferences).

**Main Source:** publicly available information for mapping of expenditures with additional information collected through interviews for their detailed break-up.

**Sub-step 3.a.** We reviewed the reports collected under sub-step 2.a above and inserted the data into Excel spreadsheets.

**Sub-step 3.b.** We expected that not all information above would be available for all agencies and/or activities. Considering the size of some of the agencies involved and the long time period (details on all expenditures for agencies like UNDP or UNICEF for a decade may be too great to be collected given our timing and budget), we agreed to discuss with NORAD whether we should focus on a sample of expenditures or reduce the expected level of detail.

### **STEP 4 – OVERVIEW AND ASSESSMENT OF THE CURRENT BUDGETING PROCESSES**

An overview and assessment of the current budgeting processes, including an analysis of current priority setting principles and prevailing practices with respect to estimation and classification of costs charged to core and non-core funding.

**Main Source:** publicly available information.



**Sub-step 4.a.** We collected all publicly available information on the select UN agencies budgeting processes, including corporate policy papers and evaluations carried out by other donors. Examples of the first type of reports are DP-FPA/2010/1-E/ICEF/2010/AB/L.10, DP/1997/10, DP/1997/10/Add.1, E/ICEF/1997/AB/L.3 and E/ICEF/1997/AB/L.3/Add.1.

**Sub-step 4.b.** We organized the information on the current and proposed cost classifications, priority setting principles and other key practices in tabular form for subsequent discussion during the interviews at each UN Agency.

## **STEP 5 – CURRENT COST-RECOVERY PRACTICES FOR PROGRAM ACTIVITIES**

**Main Source:** interviews, case studies and field work

**Comment:** the analysis of cross-subsidisation and its impact would be the main focus of our field work in the two countries to be identified as per terms of reference. Cost-recovery practices were analyzed at least at policy level or through third party evaluations (e.g., the Good Humanitarian Donorship. Indirect Support Cost Study carried out for SIDA in 2008).

**Methodology.** The management of non-core resources requires substantial administrative support costs. The issue has been studied extensively and we did not try to duplicate existing work (see for example JIU/REP/2002/3).

## **STEP 6 – QUALITY OF CURRENT FINANCIAL DATA COMPILATION PRACTICES, INSTRUMENTS, PROCEDURES AND REPORTING**

Assessment of the quality of current financial data compilation practices, instruments, procedures and reporting, including a review of the current questionnaire used by the UN secretariat to compile UN system wide overview of funding for operational activities for development.

**Main Source:** Audits, internal financial reports, interviews, case studies and field work

**Comment:** We reviewed a number of key parameters and their evolution over time, and used available qualitative and quantitative information to undertake this task. The various sub-steps are highlighted below.

**Sub-step 6.a.** We compared expected and actual revenues to expected and actual expenditures in order to develop a view on how the UN system took into account its financial capacity when preparing interventions.

**Sub-step 6.b.** We reviewed the extent to which the budgeting process is transparent and inclusive and focused on output rather than input-focused implementation, with strong accounting and reporting procedures.

**Sub-step 6.c.** We checked whether the UN’s financial management system includes clear rules on transparency and reporting, as well as effective oversight internal and external mechanisms.

**Sub-step 6.d.** In the case of programs involving provision of goods and services, we analysed a sample of recent procurement reviews.

**Sub-step 6.e.** As part of review of the systems, we briefly analysed the financial and management information system and briefly present its strength and weaknesses.

## **STEP 7 – IMPLICATION OF THE DATA IN TERMS OF FUTURE STUDIES AND EVALUATIONS**

We agreed to propose further follow-up to the present study.

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