

Funding and Budget

OVERVIEW

UNHCR is one of the few UN agencies which depends almost entirely on voluntary contributions to fund their operations. Only two per cent of UNHCR's annual budget is covered by a subsidy from the UN regular budget. These funds are mainly used to fund about 200 administrative posts at Headquarters. Most of UNHCR's programmes are funded by governments, but partnerships with corporations, foundations and private individuals also constitute important sources of funding. This reliance on voluntary funds, compounded by large and unforeseen refugee crises, has in recent years resulted in serious funding shortages, which have had a severe effect on the organisation's ability to respond to the needs of the people it is mandated to serve.

Through this Global Appeal, UNHCR is seeking contributions of USD 917.5 million. This target is composed of the Excom-approved Annual Programme Budget of USD 898.6 million (inclusive of the allocation from the UN regular budget) and one Supplementary Programme for Sierra Leonean refugees of USD 18.9 million. These requirements are based on careful field-based assessments of the needs of refugees, returnees and others of concern, drawn up with the approval of host governments, NGOs, donors and others. The needs reflect the situation on the ground at the time of writing, and any new requirements which may arise after the publication of this Appeal will be communicated to donors separately.

DONORS

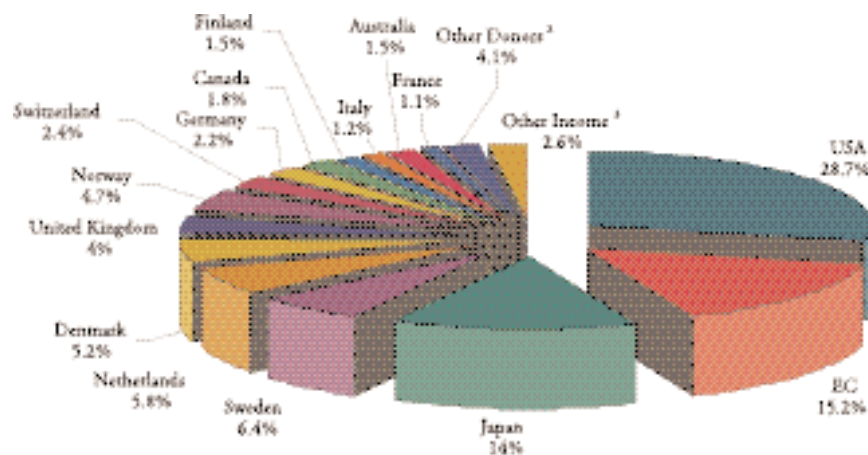
Governments

About 96 per cent of the funds received by UNHCR in any given year come from 15 donors – 14 governments and the European Commission (see chart I). Despite efforts in recent years to expand this relatively narrow donor base and

thus reduce the Office's inherent vulnerability, UNHCR's success in this area has been decidedly modest. This can be attributed to a variety of factors, including the economic downturn experienced by many emerging economies during the 1990s, the strong US dollar, political problems diverting the attention of governments away from refugee matters or the absence of an established culture of multilateral assistance. While UNHCR is determined to continue to pursue this objective in 2001, it also hopes that governments, and others who previously contributed generously to the work of the Office will review their funding priorities and arrive at a more equitable distribution of funds among the various UN agencies, NGOs and other humanitarian actors.

UNHCR's main donors have in recent years voiced an interest in becoming more actively involved in the planning, objective-setting and budgeting process as a way to gain a better understanding of the Office's overall strategy and prioritisation mechanisms. UNHCR has welcomed this trend as a means to garner more solid support for its budget (once approved) and to make donors pay more attention to timing. Informal consultations on the 2001 budget began in 1999 and the most recent meeting in November 2000 looked at budget preparations for 2002.

Chart I:
Voluntary Contributions¹ (1995-1999)
Top 15 Donors



¹ Figures are based on income.

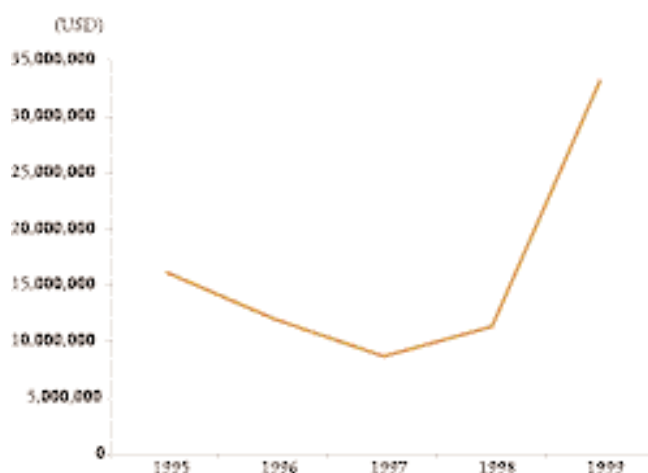
² Includes governments, private donors, inter governmental organisations, NGOs and the United Nations system.

³ Includes other sources of income than contributions, i.e. internal adjustments and carryover.

The Private Sector

UNHCR also receives financial support from the private sector (corporations, foundations, NGOs and the general public). Interest in refugee issues and UNHCR's work is always heightened during emergencies. Contributions from the general public have varied greatly over the years (see chart II). For example, contributions in 1998 (USD 11.5 million) – a year without any major emergencies – were significantly lower than in 1999, when the Kosovo emergency and events in Timor attracted almost three times that amount. At the time of writing, UNHCR had received USD 13.4 million from the private sector for its 2000 programmes.

Chart II:
Trends in Contributions from
Non-Governmental Donors (1995-1999)



In 2001, the newly created Private Sector and Public Affairs Service – which reports directly to the Director of the Division of Communication and Information – aims to raise up to USD 25 million from non-governmental sources. This will be achieved through the expansion of the existing network of National Associations (which solicit contributions from the general public), and the development of partnerships with foundations and corporations.

Five existing National Associations will continue to support UNHCR in 2001 (RefAid in the United Kingdom, USA for UNHCR, *España con ACNUR* in Spain, *Action Réfugiés* in France and *Argentina con ACNUR* in Argentina). In addition, new associations are being formed in Greece, Japan and Australia. A market analysis in Hong Kong/China, New Zealand and Canada will ascertain the fund-raising potential of the private sector in these countries.

UNHCR will strengthen its relationship with foundations that have assisted the organisation in the past, for example the UN (Ted Turner) Foundation, the William and Melinda Gates Foundation and the Parthenon Trust. This will entail sharing information on ongoing UNHCR activities and inviting foundation staff to visit UNHCR and field projects, with a view to sustaining their interest in the agency's work. UNHCR's field offices and national associations will endeavour to identify and make contact with new donor foundations with appropriate areas of interest.

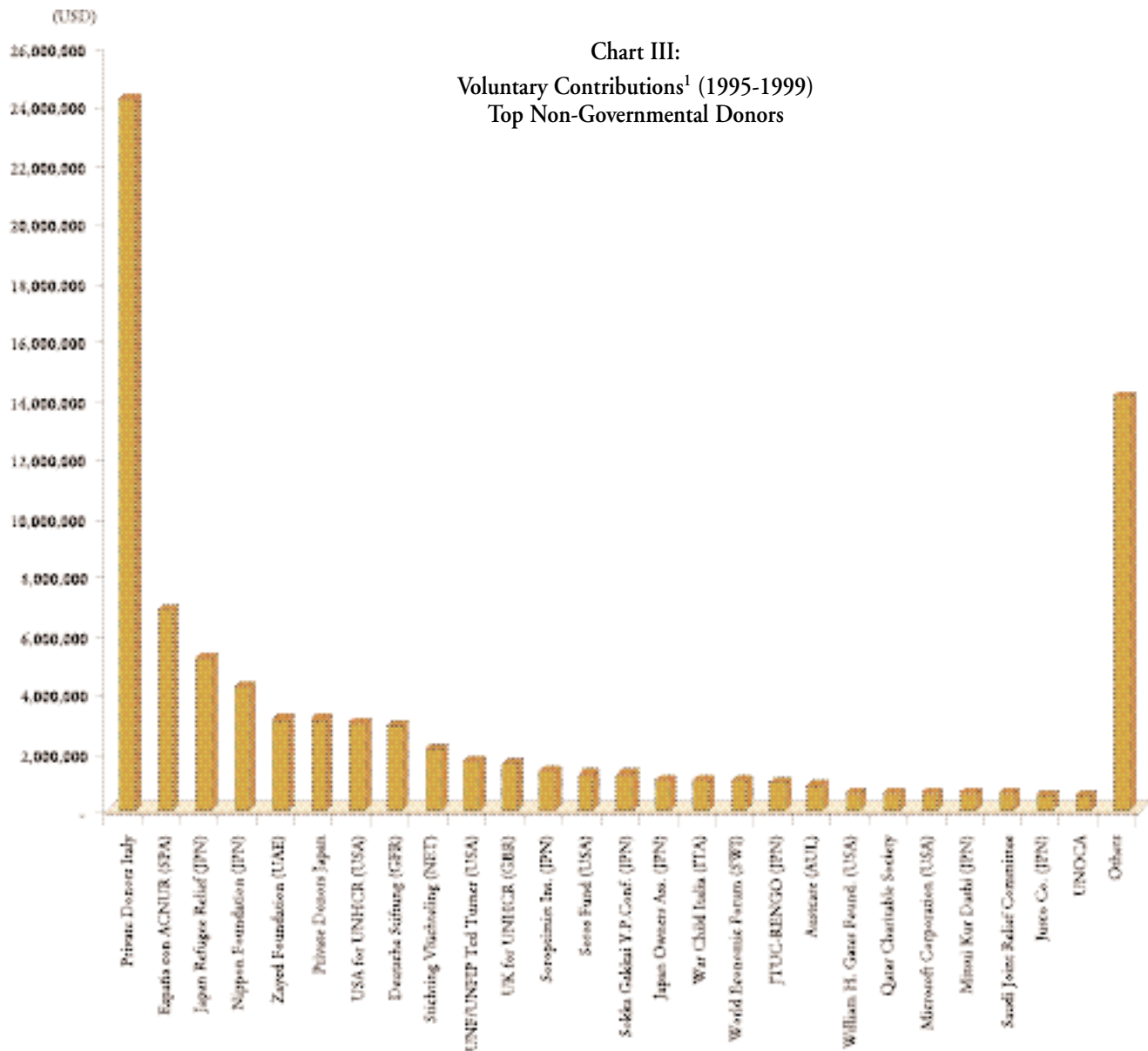


Co-operation with international corporations will also continue. Registration kits developed initially by the Microsoft-sponsored Kosovar Refugee Registration Project have also been deployed in Senegal, India and Zambia and more countries will receive them in 2001. UNHCR will pursue its ongoing discussions with the telecommunications company Ericsson on the provision of telecommunications support in emergency situations. The Office will also expand its efforts to secure contributions in kind from non-governmental donors.

While NGOs traditionally implement UNHCR's programmes in the field, they are also important advocates of UNHCR's mandate, generating widespread support for refugees. NGOs contribute to UNHCR's annual budget by making public appeals on behalf of UNHCR for a number of operations – notable examples are *Deutsche Stiftung* in Germany and *Stichting Vluchteling* in the Netherlands. It is hoped that this co-operation will be intensified in 2001.

Two vital aspects of fund-raising (whether from public or private sources) are the organisation's image, and public knowledge of its activities. UNHCR will therefore continue to raise awareness of its work through a world-wide media campaign – entitled 'Respect' – which will focus on the positive contribution that many refugees have made and continue to make in society. The campaign will also build on the commemoration of UNHCR's 50th anniversary in late 2000. The year 2001 will see the first World Refugee Day, to be celebrated on 20 June. Activities for this event will be organised around the 50th anniversary of the 1951 Refugee Convention in mid-2001.

Young audiences continue to be a key target of UNHCR's strategy. The Office will continue to develop educational tools on refugees and also strengthen its relationship with the World Scout Movement through participation in events and various fund-raising projects.



¹ Includes contributions above USD 500,000

RESOURCING THE UNIFIED BUDGET

The funding shortfall experienced by UNHCR during recent years has not been affected by the introduction of a unified budget structure in 2000. There has, however, been a further reduction of secondary income and of funds carried over from previous years. In January 1995, the Office had USD 314 million in such income, while by January 2000 this had been reduced to USD 93.7 million. This trend can in part be attributed to improved resource management, and in part to UNHCR having to deplete these funds to make up for diminishing contributions.

The overall shortfall in 2000 (USD 89 million) represents nine per cent of the budget approved by the Executive Committee and requirements for five Supplementary Programmes. Under the Unified Budget, however, this shortfall was more deeply felt by UNHCR and its partners than

shortfalls experienced under the previous budget structure. Prior to 2000, only some under-funded Special Programmes suffered, while under the Unified Budget, the overall funding shortfall is, simply put, spread out evenly over all programmes.

UNHCR estimates that it needs to have access to 30 per cent of its yearly requirements on 1 January, if it is to operate according to plan during the first quarter. Although some governments have made an exceptional effort, by announcing their contributions as far as six months in advance, most are still lagging behind. To counter the effect of late announcements of contributions in 2000, UNHCR had to obligate funds on a monthly instead of a quarterly basis. This severely reduced the flexibility of field operations and at times compromised the Office's relations with host governments and NGO partners. Arguably the most pressing question, both within UNHCR and among key donor countries, has been how to secure donor commitment to fund the budget approved by the Executive Committee. UNHCR and donors have commenced a dialogue to alleviate some of these problems in future.

Chart IV:
Trends in Voluntary Contributions¹ (1995-1999)
Top 15 Donors

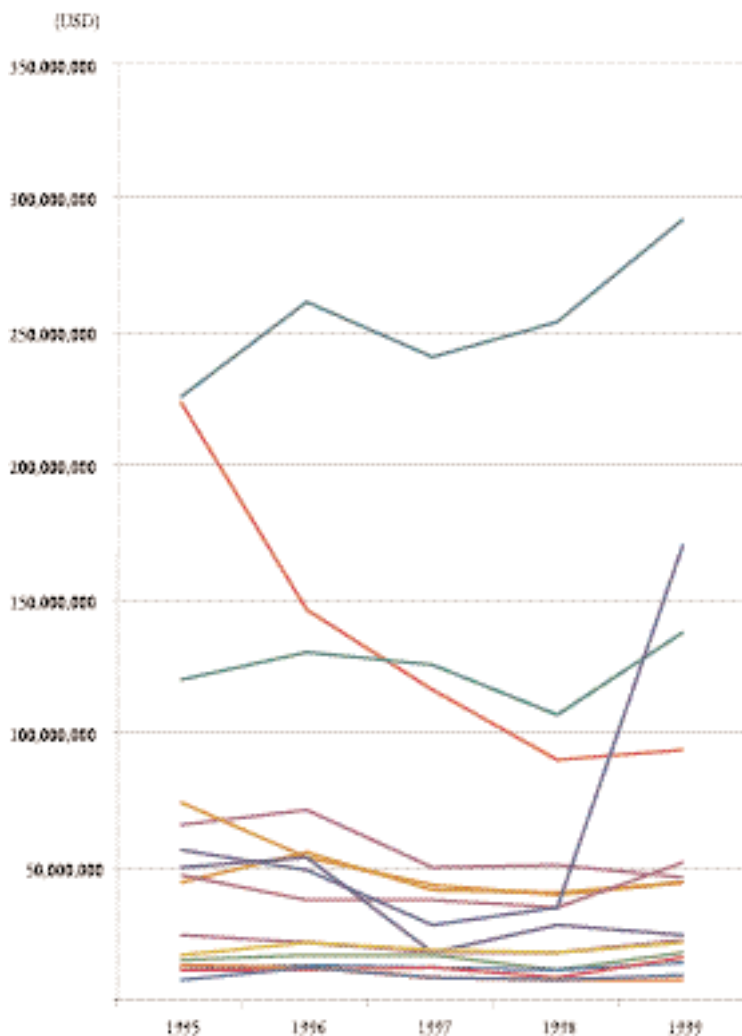
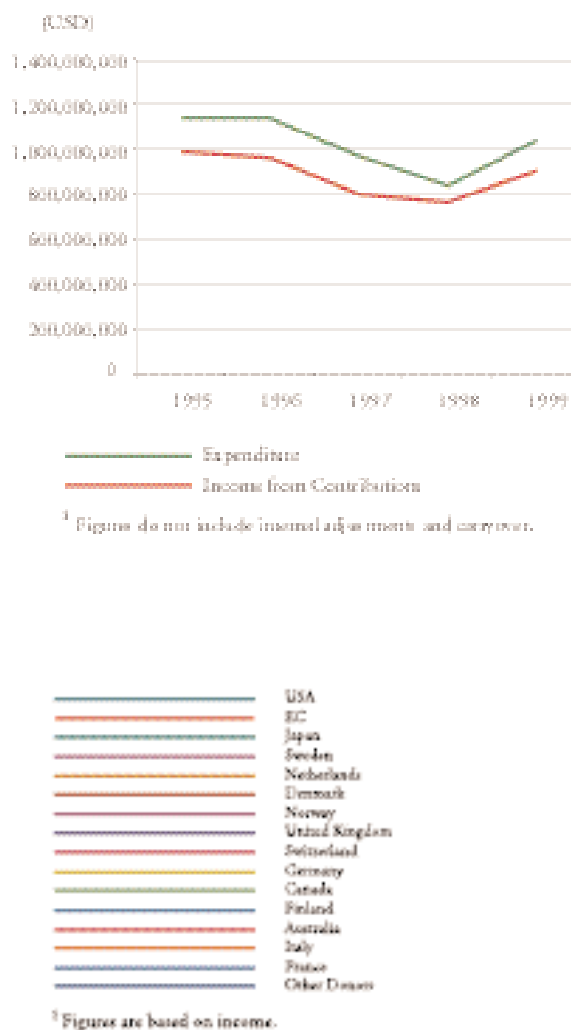


Chart V:
Total Income from Contributions¹
Compared to Expenditure (1995-1999)



PREDICTABLE AND FLEXIBLE FUNDING

The quantity of funding is, of course, important; but no less important is the quality of funding – its predictability, promptness and flexibility. Although many government donors have indeed increased the predictability and promptness of contributions, others continue to impose conditions, more or less onerous, on the exact use to which they may be put. Early and predictable financial support helps UNHCR plan. Flexible funding allows UNHCR to use its financial resources efficiently. Tight earmarking, on the other hand, limits UNHCR's independence and weakens its co-ordinating role. UNHCR continues to encourage donors to make contributions without any earmarking, but if this is not possible, welcomes broad earmarking. This permits the High Commissioner to redirect funds when new needs arise or refugee situations are solved, thereby providing the quick response expected by governments, the general public and the refugees.

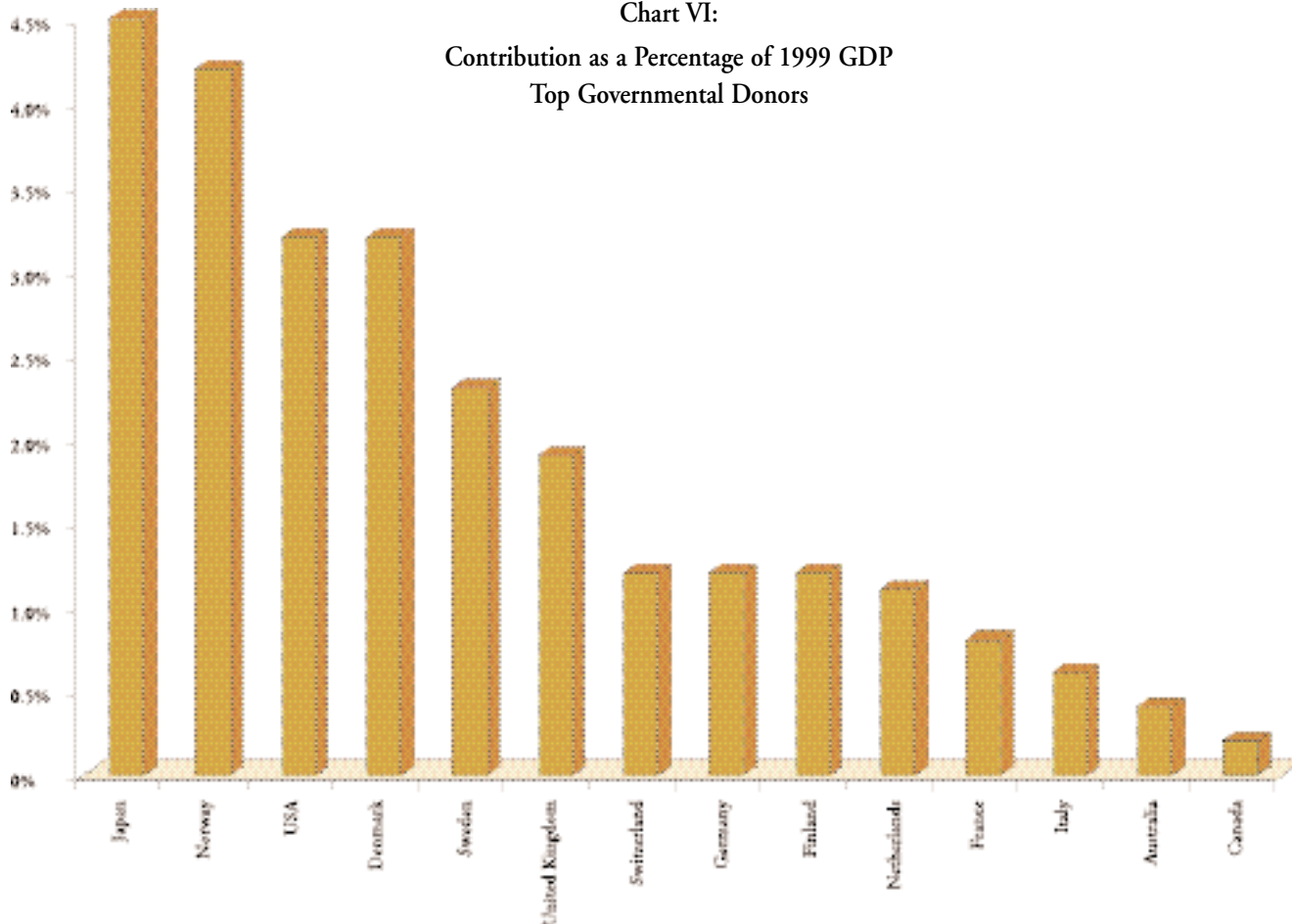
Every donor would like to see their contribution alleviate the most urgent refugee needs, but UNHCR also requires funds for its Headquarters support structure to underpin its extensive field operations. In addition, a number of activities of a global

nature are budgeted and administered at Headquarters. These include, to mention only a few: activities for refugee women, refugee children and protection of the environment; a project intended to ensure that UNHCR keeps pace with developments in information technology by upgrading its financial and other systems; training of UNHCR and partner staff; resettlement activities; and emergency preparations. The relevant financial requirements are presented in more detail in the chapter entitled Global Operations.

Contributions in kind

Contributions in kind take the form of goods or services (tents, medicines, clothes, tools, trucks, air transportation, logistics, communications equipment and specialised personnel) and complement UNHCR's resources especially in large or complex emergencies, or when a fast response is required. These contributions must be appropriate to the situation. Further, there must be a clear understanding between the donor and UNHCR of procedures which will allow maximum benefit to flow from the donor's contribution. UNHCR's guidelines on making contributions in kind have been distributed to donors (copies may be obtained from the Donor Relations and Resource Mobilisation Service).

Chart VI:
Contribution as a Percentage of 1999 GDP
Top Governmental Donors



¹ Figures are OECD estimates

Source: *Main Economic Indicators*, OECD, Paris, April 2000

THE OPERATIONAL RESERVE

The Operational Reserve is set at 10 per cent of programmed activities and forms part of the 2001 funding target. In 2001 it amounts to USD 79.3 million. A release from the Operational Reserve permits the High Commissioner to:

- Provide assistance to refugees, returnees and displaced people in emergency situations for which there is no provision in the programmes approved by the Executive Committee;
- Fund administrative expenditure related to emergencies that cannot be covered by the Annual Programme Budget or Supplementary Programmes;
- Fund the planning of repatriation, including activities in the country of origin (e.g. initial reintegration costs) as well as in the country of asylum;

- Cover unexpected increases in the cost of projects financed from the current or previous years' Annual Programme Budget or from an allocation made in current or previous years to cover an emergency;
- Meet the cost of modifications to current year projects under the Annual Programme Budget;
- Increase existing allocations to meet needs resulting from a new influx of refugees belonging to a group already receiving assistance under the current year's Annual Programme Budget; or
- Increase (with the Executive Committee's approval) the Fund for International Field Staff Housing and Basic Amenities.

The High Commissioner may release funds from the Operational Reserve to other parts of the Annual Programme Budget and to Supplementary Programmes for the above purposes, provided that allocations do not exceed USD 10 million for any programme.

TOTAL FINANCIAL REQUIREMENTS (USD)

Operations	Annual Programme	Supplementary Programme	Total
Great Lakes	91,907,502	0	91,907,502
East and Horn of Africa	98,150,918	0	98,150,918
West and Central Africa	71,610,674	18,990,339	90,601,013
Southern Africa	30,876,418	0	30,876,418
North Africa	7,801,207	0	7,801,207
The Middle East	19,659,246	0	19,659,246
South-West Asia	44,582,247	0	44,582,247
Central Asia	6,692,019	0	6,692,019
South Asia	22,102,741	0	22,102,741
East Asia and the Pacific	34,258,434	0	34,258,434
Eastern Europe	43,005,499	0	43,005,499
South-Eastern Europe	138,754,029	0	138,754,029
Central Europe and the Baltic States	15,776,131	0	15,776,131
Western Europe	18,706,398	0	18,706,398
North America and the Caribbean	7,100,689	0	7,100,689
Central America	7,743,251	0	7,743,251
South America	10,557,856	0	10,557,856
Global Operations	49,999,600	0	49,999,600
Headquarters ¹	92,933,400	0	92,933,400
Total Programmed Activities	812,218,259	18,990,339	831,208,598
Operational Reserve	79,309,400	0	79,309,400
Junior Professional Officers	7,000,000	0	7,000,000
Total	898,527,659	18,990,339	917,517,998

¹ Includes an allocation of USD 19,124,600 from the UN regular budget.