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Review of the efficiency of the administrative and financial functioning of the United Nations

Report of the United Nations High Commissioner for Refugees on a proposal to establish financial regulations of the Office of the United Nations High Commissioner for Refugees

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the note by the Secretary-General transmitting the report of the United Nations High Commissioner for Refugees on the proposal to establish financial regulations of the Office of the United Nations High Commissioner for Refugees ([A/76/635](#)). During its consideration of the report, the Advisory Committee received information, concluding with written responses on 4 February 2022.

2. It is indicated that the report of the United Nations High Commissioner for Refugees is submitted to the General Assembly following the decision adopted by the Executive Committee of the Programme of the United Nations High Commissioner for Refugees, on 8 October 2021, to seek the approval of the Assembly to grant the Office of the United Nations High Commissioner for Refugees (UNHCR) the authority to develop and promulgate its own financial regulations that are specific to its operations ([A/76/635](#), para. 1). It is also indicated that the Assembly is requested to approve the proposal to grant the Office of the United Nations High Commissioner for Refugees the authority to develop its own financial regulations to be promulgated by the High Commissioner after consultation with the Advisory Committee on Administrative and Budgetary Questions and endorsement by the Executive Committee of the Programme of the High Commissioner (*ibid.*, para. 31).

3. In its aforementioned decision ([A/76/12/Add.1](#), para. 14), the Executive Committee:

(a) Endorsed the proposal to request the United Nations General Assembly to authorize the High Commissioner to promulgate, after approval by the Executive



Committee, the financial regulations for the use of all funds received by the High Commissioner, addressing the specific needs of UNHCR and in accordance with the mandate of the Office of the High Commissioner;

(b) Requested the High Commissioner to present a proposal for financial regulations for consideration and approval by the Executive Committee, following such approval by the General Assembly;

(c) Requested the High Commissioner to prepare a draft for promulgation of UNHCR financial rules complementing the draft financial regulations for the use of all funds received by UNHCR and appropriate to its needs;

(d) Requested the High Commissioner to ensure that a consultative process takes place with member States in the drafting of the new UNHCR financial regulations; also requested the High Commissioner to make the best efforts to incorporate in the drafting process preliminary views expressed by member States;

(e) Acknowledged that until such time as these financial regulations and rules are established, paragraph 8 of General Assembly resolution [1166 \(XII\)](#) shall continue to apply, including any financial rules issued thereunder;

(f) Further requested the High Commissioner to obtain comments from the Advisory Committee on Administrative and Budgetary Questions on these proposed financial regulations and rules prior to submission to the Executive Committee.

II. Observations and recommendations of the Advisory Committee

Process and timeline

4. The Advisory Committee recalls that, through its Financial Regulations, the General Assembly issues the broad legislative directives governing the financial management of the United Nations (see also [ST/SGB/2013/4](#), para. 2). **The Advisory Committee notes that any proposed change to the United Nations Financial Regulations should be based on a well-justified proposal for the consideration of the General Assembly. The Committee emphasizes that the eventual authorization for the establishment of separate financial regulations, as well as the approval and adoption of any revised ones, is under the sole purview of the Assembly. Therefore, the Committee recommends against the proposal at this stage (see also para. 15 below).**

5. Upon enquiry, the Advisory Committee was informed that should UNHCR receive General Assembly approval, UNHCR would then work with the UNHCR membership to incorporate their comments into a first complete draft of the proposed financial regulations, which would be shared with the Advisory Committee within a few months. The comments from the Advisory Committee would be incorporated into the UNHCR draft document for presentation to the UNHCR Executive Committee for approval. With respect to the consideration by the Executive Committee of the reports of the Advisory Committee, the latter was informed, upon enquiry, that from 2012 to 2021, six references were made by the Executive Committee to the observations and recommendations of the Advisory Committee pertaining to the programme budget of UNHCR.

6. With respect to the envisaged timeline, the Advisory Committee was informed, upon enquiry, that pending a decision by the General Assembly, UNHCR had started developing a draft of the proposed financial regulations and would present it in March 2022 to the UNHCR Standing Committee, as a proposed initial working draft serving as the non-binding starting point for consultation with stakeholders. UNHCR would

submit, in April 2022, a draft of the proposed financial regulations to the Advisory Committee for its consideration. The Committee was also informed that UNHCR would request that the deliberations and the related report of the Advisory Committee be finalized in time for the July or September 2022 session of the UNHCR Standing Committee, for consideration and approval by the Executive Committee at its seventy-third session, from 10 to 14 October 2022.

7. The Advisory Committee notes that the aforementioned decision of the Executive Committee does not indicate the urgency, but states clearly that until such time as any new financial regulations and rules are established, paragraph 8 of General Assembly resolution 1166 (XII) shall continue to apply, which states that the Assembly “decides that appropriate financial rules for the use of all funds received by the High Commissioner under the terms of the present resolution shall be established, in consultation with the Executive Committee of the High Commissioner’s Programme, and in accordance with the Statute of the Office of the High Commissioner and the Financial Regulations of the United Nations”.

8. The Advisory Committee emphasizes that the aforementioned decision of the Executive Committee does not express an operational urgency to establish stand-alone UNHCR financial regulations. The Advisory Committee emphasizes furthermore that, in accordance with paragraph 8 of General Assembly resolution 1166 (XII), UNHCR may establish, and therefore revise, any financial rules in order to ensure that they are adequate for the continuity of UNHCR operations.

9. As described in paragraphs 22 to 26 of the report, the limitations pertaining to UNHCR with respect to the United Nations Financial Regulations pertain to: (a) references to funding, governance structures, processes and terminology that are not relevant or applicable to UNHCR, making it unclear which regulations apply to UNHCR and what is the appropriate corresponding UNHCR terminology; (b) the framework for a programme budget cycle that is primarily focused on assessed contributions from Member States that are distinct from those of UNHCR; (c) a primary focus on the administration of the assessed contributions paid by Member States, while there are a limited number of regulations related to voluntary contributions, such as they relate to voluntary pledges, earmarked contributions and revenue-producing activities; and (d) differences in terminology which present a challenge in ensuring that the UNHCR financial rules are correctly linked with the relevant United Nations Regulations.

10. Upon enquiry, the Advisory Committee was informed that the practical application is cumbersome and error-prone, as staff must identify the United Nations Financial Regulations that apply to UNHCR, then replace the United Nations terminology with UNHCR terminology, and subsequently link the relevant United Nations Regulation with the relevant UNHCR financial rules, which have a different numbering system. The Committee was also informed that this approach was, however, not applied consistently. The Committee was furthermore informed that 44 out of 82 United Nations Financial Regulations were not applicable to UNHCR operations, and that only two regulations relate specifically to voluntary contributions. The Committee was also informed that the United Nations Financial Regulations do not contain guidance on the submission of a programme budget which is funded by voluntary contributions, but that UNHCR acknowledges that, in fact, the United Nations Financial Regulations include guidance for both assessed contributions and voluntary contributions. The Committee was furthermore informed that, as also indicated in paragraph 8 of the report, the financial rules of UNHCR have evolved, and that, for example, UNHCR changed its financial rules in 2011 to formalize the adoption of the International Public Sector Accounting Standards (IPSAS).

11. The Advisory Committee notes that United Nations Financial Regulation 3.14 addresses voluntary contributions, while Regulation 6.1 states that the financial statements shall be prepared in accordance with the International Public Sector Accounting Standards, notwithstanding the fact that UNHCR has changed its related financial rule accordingly. The Committee stresses that the United Nations Financial Regulations are intended to cover the range of possible system-wide financial scenarios. Nonetheless, the Committee acknowledges the views of UNHCR on the need for tailored financial regulations, as the entity is funded primarily from voluntary contributions. The Committee considers that any limitations in the applicability of the United Nations Regulations may not be unique to UNHCR and may also be encountered to varying degrees by other United Nations system entities.

Harmonization of United Nations system-wide financial regulations

12. With respect to the system-wide coordination on various matters pertaining to all United Nations system entities, the Advisory Committee recalls its observations and recommendations in the context of its report on the financial reports and audited financial statements, and reports of the Board of Auditors for the period ended 31 December 2020, which were endorsed by the General Assembly in its resolution [76/235](#), paragraph 2, that information on system-wide initiatives aimed at consolidating efficiency gains and improving coordination had not been provided by the Secretary-General, as it had previously requested. The Committee also recalls its recommendation that the Assembly request the Secretary-General, in his role as Chair of the United Nations System Chief Executives Board for Coordination, to present a separate report on system-wide initiatives, as well as operational and cost-sharing arrangements, and any potential opportunities for cooperation, including on administrative and budgetary matters, in particular procurement and information and communication technology ([A/76/554](#), para. 70). The Committee further recalls that efforts aimed at system-wide harmonization and “delivering as one” were initially set out in the report of the Secretary-General on the High-level Panel on United Nations System-wide Coherence (see [A/61/583](#)) and endorsed by the General Assembly in its resolution [64/289](#), and have to date included, for example, the reform of the development system, including with respect to the resident coordinator system and the harmonization of back offices.

13. The Advisory Committee also recalls that the Secretary-General, in an effort to ensure the full implementation of the system-wide evaluation policy and to safeguard the independence and credibility of system-wide evaluative work for the strengthening of United Nations Sustainable Development Group operations and response in support of the 2030 Agenda and the Sustainable Development Goals, has obtained the concurrence of the Committee for the one-time establishment of the post of Director (D-2) for a period of one year, from 1 January 2022 through 31 December 2022, to be funded from extrabudgetary resources (see Committee memorandum AC/2193, 10 December 2021).

14. The Advisory Committee emphasizes the important role of the United Nations Financial Regulations in ensuring that all United Nations system entities, including field-based entities such as UNHCR, are able to operate effectively and efficiently. The Committee expresses concern that the establishment, and resulting proliferation, of separate and different financial regulations among the entities of the United Nations system may lead to inconsistent standards and norms, and to incoherence of financial reporting systems, and may have an impact on the efforts to increase harmonization and efficiency as part of the reform initiatives of the Secretary-General and the system-wide ability to deliver as one, as well as pose challenges to the ability of the Member States to engage

with the United Nations system as a whole. The Committee therefore recommends that the General Assembly request the Secretary-General, in his capacity as Chair of the United Nations System Chief Executives Board for Coordination, with the support of the Director of the United Nations Sustainable Development Group, to commence a system-wide initiative and identify the limitations, challenges and specific needs of United Nations system entities in that respect, and develop, for the consideration of the Assembly, a proposal for the consolidation and promulgation of financial regulations for the United Nations system, in particular its funds and programmes, and other entities as appropriate (see also [A/76/554](#), para. 70).

III. Conclusion

15. Subject to its observations and recommendations above, the Advisory Committee, at this stage, recommends against the proposal to grant the Office of the United Nations High Commissioner for Refugees the authority to develop its own financial regulations.
