



## Economic and Social Council

Distr.: General  
18 February 2008

Original: English

### **Commission on Narcotic Drugs**

#### **Fifty-first session**

Vienna, 10-14 March 2008

Items 8 and 9 of the provisional agenda\*

**Strengthening the drug programme of the United Nations Office on Drugs and Crime and the role of the Commission on Narcotic Drugs as its governing body**

**Administrative and budgetary questions**

### **Commission on Crime Prevention and Criminal Justice**

#### **Seventeenth session**

Vienna, 14-18 April 2008

Item 7 of the provisional agenda\*\*

**Policy directives for the crime programme of the United Nations Office on Drugs and Crime and the role of the Commission on Crime Prevention and Criminal Justice as its governing body, including administrative, strategic management and budgetary questions**

## **Financial issues and difficulties faced by the United Nations Office on Drugs and Crime in implementing its mandates and an initial assessment of ways and means of improving the financial situation**

### **Report of the Executive Director\*\*\***

#### *Summary*

The present report has been prepared pursuant to paragraph 9 (a) of Commission on Narcotic Drugs resolution 50/14, and paragraph 9 (a) of Commission on Crime Prevention and Criminal Justice resolution 16/6, in which the respective Commission requested the Executive Director of the United Nations Office on Drugs and Crime to submit to it an annual report on ways and means of improving the financial situation of the Office, including the situation of its field offices. This first report provides an overview of the programmes and initiatives to be pursued in 2008,

\* E/CN.7/2008/1.

\*\* E/CN.15/2008/1.

\*\*\* The present report was prepared pursuant to Commission on Narcotic Drugs resolution 50/14, adopted on 27 November 2007, and Commission on Crime Prevention and Criminal Justice resolution 16/6, adopted on 29 November 2007.



in addition to the information provided in the consolidated budget for the biennium 2008-2009. It describes some of the financial difficulties faced by the Office in implementing its mandates, outlines measures taken to cope with those difficulties and presents a number of proposals to address those problems.

## **I. Introduction**

1. In their resolutions 50/14 and 16/6, respectively, the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice requested the Executive Director of the United Nations Office on Drugs and Crime (UNODC) to submit an annual report on ways and means of improving the financial situation of the Office, including the situation of its field offices. The present report is submitted in response to that request. It describes some of the financial difficulties faced by UNODC in implementing its mandates, outlines measures taken to cope with those difficulties and presents a number of proposals to address problems that can be attributed to the budget and funding structure of the Office and associated governance arrangements.

## **II. Budget and funding structure**

2. Few if any programmes of the United Nations have as fragmented a budget and funding structure as UNODC. The budget of the Fund of the United Nations International Drug Control Programme (UNDCP), established pursuant to General Assembly resolution 45/179 of 21 December 1990, is approved by the Commission on Narcotic Drugs in accordance with section XVI, paragraph 2, of Assembly resolution 46/185 C of 20 December 1991. The budget of the United Nations Crime Prevention and Criminal Justice Fund, established pursuant to Assembly resolution 46/152 of 18 December 1991, is approved by the Commission on Crime Prevention and Criminal Justice in accordance with section XI of Assembly resolution 61/252 of 22 December 2006. The UNODC share of the regular budget resources of the United Nations are approved by the Assembly.

3. The Fund of UNDCP and the United Nations Crime Prevention and Criminal Justice Fund budgets focus on those resources over which the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice have direct budgetary authority, that is, general-purpose resources. General-purpose funds are unearmarked voluntary contributions, which finance UNODC's executive direction and management as well as programme and programme support costs both at headquarters (Vienna) and in the field. The budgets of the two funds also provide information on the projected allocation of special-purpose funds and the programme support cost income earned from special-purpose contributions. Special-purpose funds are earmarked voluntary contributions that finance UNODC's technical cooperation and other substantive activities at headquarters (Vienna) and in the field. Programme support costs are recovered through the application of a charge (of up to 13 per cent) against activities funded from special-purpose contributions. In accordance with administrative instruction ST/AI/286 of 3 March 1982, these resources are used in areas where a demonstrable relationship exists between the supporting activity concerned and the activities that generated the programme support revenue, namely, central administrative and programme management functions at headquarters and project management functions in field offices.

4. The regular budget resources received by UNODC are approved by the General Assembly in sections 1, 16, 22 and 28F of the United Nations programme budget for the biennium 2008-2009 (A/62/6 (Sects. 1, 16, 22 and 28F)). These resources finance: (a) UNODC's policymaking organs, executive direction and

management, programme and programme support costs in Vienna and at United Nations Headquarters; and (b) other United Nations operations in Vienna whose activities benefit UNODC, including those pertaining to the United Nations Office at Vienna, the Department for General Assembly and Conference Management, the Department of Safety and Security and the Office of Internal Oversight Services.

5. The breakdown of the consolidated budget of UNODC by funding source is summarized in the table below.

**Consolidated budget of the United Nations Office on Drugs and Crime, by funding source**  
(Millions of US dollars)

<i>Funding source</i>	<i>2006-2007</i>	<i>2008-2009</i>
<b>1. Fund of the United Nations International Drug Control Programme</b>		
General-purpose funds	41	21
Special-purpose funds	145	162
Programme support income	3	19
<b>Subtotal 1</b>	<b>189</b>	<b>202</b>
<b>2. United Nations Crime Prevention and Criminal Justice Fund</b>		
General-purpose funds	9	7
Special-purpose funds	65	79
Programme support income	1	7
<b>Subtotal 2</b>	<b>75</b>	<b>93</b>
<b>3. Total voluntary funds (1+2)</b>	<b>264</b>	<b>295</b>
4. Regular budget of the United Nations Office on Drugs and Crime (sections 16 and 22)	34	37
<b>5. Total United Nations Office on Drugs and Crime (3+4)</b>	<b>298</b>	<b>332</b>
6. Other regular budget (sections 1 and 28F)	38	39
<b>7. Consolidated budget (5+6)</b>	<b>336</b>	<b>371</b>

6. Until 2006-2007, programme support costs recovered by UNODC were credited to general-purpose funds, except that the portion of programme support costs pertaining to external implementing agencies was accounted for separately. In 2006-2007, the \$50 million general-purpose fund budget (\$41 million—the Fund of UNDCP and \$9 million—the United Nations Crime Prevention and Criminal Justice Fund) was financed by \$29 million in general-purpose fund contributions and \$21 million in programme support costs. From 2008-2009, all programme support costs are budgeted separately from general-purpose funds. All voluntary funds and sections 16 (International drug control, crime and terrorism prevention and criminal justice) and 22 (Regular programme of technical cooperation) of the regular budget are for UNODC only. Section 28F of the regular budget (Administration, Vienna) covers the United Nations Office at Vienna, which provides support and other services to UNODC, as well as to other operations based at the Vienna International Centre. Section 1 of the regular budget covers policymaking, executive direction and coordination of United Nations operations in Vienna.

7. Because UNODC is a United Nations programme, those funds over which its intergovernmental bodies, the Commission on Narcotic Drugs, the Commission on Crime Prevention and Criminal Justice and the General Assembly, have budgetary authority constitute its multilateral core, consisting of general-purpose fund resources (drugs and crime) and the UNODC share of the regular budget. In 2008-2009, this multilateral core budget amounts to \$65 million (20 per cent) of total UNODC resources of \$332 million (see the table above). As regards the Fund of UNDCP, general-purpose fund resources amount to \$21 million (10 per cent) of the projected 2008-2009 expenditures of \$202 million. For the United Nations Crime Prevention and Criminal Justice Fund, general-purpose funds amount to \$7 million (8 per cent) of the projected 2008-2009 expenditures of \$93 million. In 2008-2009, the regular budget share of total UNODC resources (sections 16 and 22) is estimated at \$37 million (11 per cent) of the projected total of \$332 million. In 2008-2009, UNODC will receive \$267 million (81 per cent) of its total resources as special-purpose funds: \$181 million (including programme support costs) for the Fund of UNDCP and \$86 million (including programme support costs) for the United Nations Crime Prevention and Criminal Justice Fund. The sufficiency and stability of multilateral core resources are critical to UNODC's mission and mandate because they finance continuous elements of the programme, programme support, executive direction and management and policymaking organs. These resources are also essential to the implementation and sustainability of UNODC's special-purpose fund activities.

### **III. Challenges associated with the budget and funding structure**

8. The activities of UNODC are designed to contribute to the achievement of security and justice for all: making the world safer from crime, drugs and terrorism. This vision is reflected in the strategy for the period 2008-2011 for UNODC (E/CN.7/2007/14-E/CN.15/2007/5), which was prepared in response to Commission on Narcotic Drugs resolution 48/14 of 9 December 2005, in which the Commission urged UNODC to continue to develop an overarching strategy. The strategy responds to the needs of its many stakeholders and grew out of extensive consultations with Member States, intergovernmental organizations, non-governmental organizations and other stakeholders. It was approved by the Economic and Social Council in its resolutions 2007/12 of 25 July and 2007/19 of 26 July 2007. In Commission on Narcotic Drugs resolution 50/14 and Commission on Crime Prevention and Criminal Justice resolution 16/6, the strategy for the period 2008-2011 for UNODC was harmonized with the strategic framework of the United Nations for the period 2008-2009.

9. The reality of UNODC as an integrated office with a unified strategy for the period 2008-2011 is reflected neither in its budget and funding structure nor in its governance arrangements. The current fragmented budget and funding structure is costly and cumbersome to administer. The budget presentation for the Fund of UNDCP and the United Nations Crime Prevention and Criminal Justice Fund has been consolidated, as has its review by the Advisory Committee on Administrative and Budgetary Questions, yet its examination and approval by Member States has not. In that regard, UNODC still prepares and presents two budgets: its regular

budget submission to United Nations Headquarters (for inclusion in the programme budget of the United Nations) and a budget on its voluntary funds, the consolidated budget, to the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice. The two budget documents contain the same information, albeit with a different focus, and are presented to the Advisory Committee on Administrative and Budgetary Questions on two different occasions and to Member States on three different occasions. UNODC also prepares two sets of accounts according to different schedules, accounts that are audited separately. There are clear efficiencies possible in this area, including perhaps a joint session of the two commissions on the consolidated budget, a consolidated Fund of UNDCP and the United Nations Crime Prevention and Criminal Justice Fund, the consolidation of the statements of the two funds with those of the United Nations and a single annual audit and audit report.

10. Notwithstanding the complexities of its funding structure, over the past two bienniums (2004-2005 and 2006-2007) UNODC has attracted substantially increased total funding. This increase relates exclusively to special-purpose funds and seems to reflect a structural change in funding trends. While this is a positive development, in particular where the increase represents multi-year project commitments, the rapid growth in special-purpose funds has placed considerable strain on the Office's programme and programme support services. Most voluntary contributions are tightly earmarked to specific projects and leave little operating flexibility to respond to complex programmatic and management challenges. This growth and the substantive, financial, human and other management risks that accompany it must be mitigated by predictable, assured and sustained increases in multilateral core resources. Unfortunately, the regular budget of UNODC has remained static in absolute terms, while general-purpose funds have declined. This divergence between the absolute decline in core resources and growth in special-purpose funds may sharpen even further as UNODC expects a continued increase in project volume for new mandates related to implementation of the United Nations Convention against Corruption (General Assembly resolution 58/4, annex) and the United Nations Convention against Transnational Organized Crime.<sup>1, 2</sup>

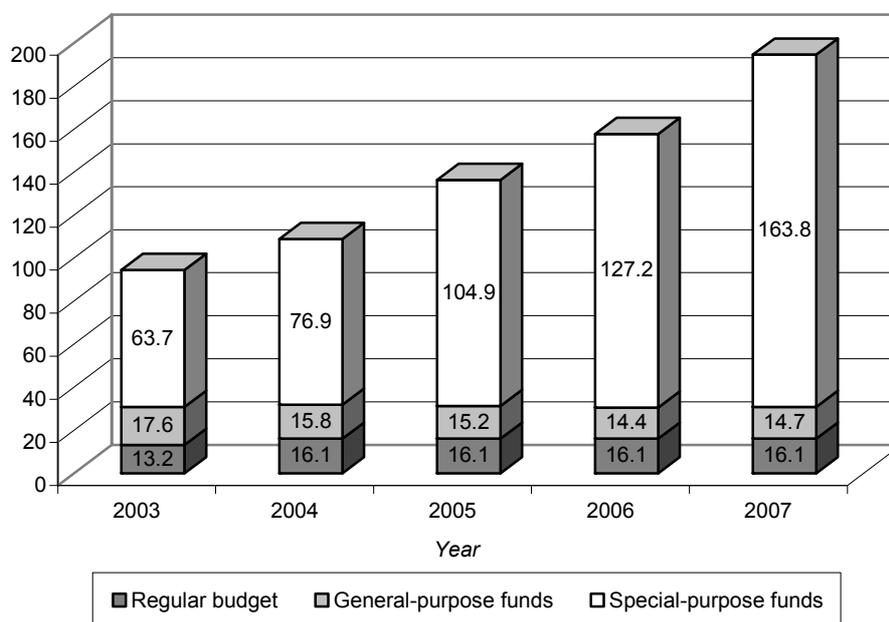
---

<sup>1</sup> United Nations, *Treaty Series*, vol. 2225, No. 39574.

<sup>2</sup> In 2007, the crime programme (including projects on the prevention of terrorism) made up about 37 per cent of total funded activities compared with just over 20 per cent in 2006 and about 10 per cent in 2005.

### Funding trends, 2003-2007

(Millions of United States dollars)



11. The UNODC funding trends over the past four years closely resemble those described in the report of the Joint Inspection Unit entitled “Voluntary contributions in the United Nations system organizations: impact on programme delivery and resource mobilization strategies” (A/62/546). In that report, UNODC is clearly identified as an office with an extremely high dependency on voluntary earmarked funding, resulting in a lack of predictability of resources, lack of flexibility associated with those funds and the potential for the distortion of programme priorities that could occur.

12. A separate conference room paper will show the legislative resolutions adopted over the past five years that have not been implemented or have been implemented only in part because in a number of instances their implementation was contingent on the availability of extrabudgetary resources. The reluctance on the part of the two commissions to assign related costs to the regular budget and issue the requisite statements of programme budget implications for submission to the Fifth Committee of the General Assembly has contributed to distortions of the type referred to in the report of the Joint Inspection Unit. The assignment of mandates to UNODC that are subjected to the availability of extrabudgetary resources has impeded the ability of the Office to implement fully the mandates of the two commissions. UNODC therefore welcomes a review of the appropriateness of the less than 1 per cent share of the United Nations programme budget assigned to crime, drugs and terrorism.

#### **IV. Measures taken by the United Nations Office on Drugs and Crime to address its financial challenges**

13. The absolute and relative decline in general-purpose funds and the ongoing dependence of UNODC on a small number of donors have created special challenges. From 1992 to 1998, average annual general-purpose fund contributions to the Fund of UNDCP, for example, were \$21 million. From 1999 to 2005, they had declined to \$16 million. In 2006, general-purpose fund income of the Fund was \$14.4 million and in 2007 it increased, but only to \$14.7 million. While cost-efficiency measures were implemented, the decline in general-purpose fund expenditure could not match the decline in general-purpose fund income, in part because of ongoing legal commitments. The resulting deficit between income and expenditure was financed from operating reserves. Consequently, the general-purpose fund cash balance of the Fund of UNDCP had declined from \$9.8 million in 2001 to \$7.8 million by the end of 2007. Since, however, \$2.4 million of the general-purpose fund balance is attributable to programme support costs, this left only \$5.4 million at the start of 2008 to cover annual budgetary requirements of \$10 million. The general-purpose fund situation as regards the United Nations Crime Prevention and Criminal Justice Fund is even more precarious. The current general-purpose fund cash balance is \$4 million (excluding \$0.4 million in programme support costs), but from 2008 the Fund will be required to bear a 25 per cent share of UNODC's total general-purpose budget, as compared with sharing only 25 per cent of its field office costs in 2006-2007. This percentage is based on the Fund's share of UNODC's total special-purpose project portfolio and will result in substantially higher expenditure, causing a projected deficit of \$2.8 million between general-purpose fund income and expenditure for 2008-2009. That deficit will reduce the related cash balance from \$4 million at the end of 2007 to \$1.2 million by the end of 2009. Such a decline is clearly unsustainable. If additional general-purpose fund contributions are not provided to avoid this deficit, UNODC will have to implement further significant cost-reduction measures during the course of 2008-2009. It must also be noted that the crime programme is currently dependent on a single donor for almost 50 per cent of its general-purpose fund income.

14. The general-purpose fund income and expenditure of the Fund of UNDCP has now been balanced, if at a substantial sacrifice. In 2006-2007, 17 posts were frozen and then abolished in the consolidated budget for 2008-2009. A number of other essential and continuous programmes funded from general-purpose funds were "saved" with special-purpose funds. In 2008-2009, however, as a result of changes in the assignment of special-purpose funds, a further \$1.2 million in general-purpose funds is required for ongoing positions in the Policy Analysis and Research Branch of the Division for Policy Analysis and Public Affairs (4 posts) and in the Division for Operations (2 posts). This increase followed a reassessment of assumptions made during the preparation of the budget, in particular as regards the continued availability of soft-earmarked funding from one donor. These cost increases demonstrate the risks associated with the use of special-purpose funds to take pressure off the general-purpose fund budget so as to maintain priority functions and is a stark reminder of the unstable and unpredictable nature of UNODC's funding. Even the flagship publication of UNODC, its *World Drug Report*, is critically dependent on just one donor for funding.

15. The decline in general-purpose funds has affected all of UNODC, including its field offices. In 2006-2007, the offices were required to charge a meaningful share of infrastructure/operating costs directly to ongoing projects, in compliance with the decision of the Commission on Narcotic Drugs:<sup>3</sup>

“The Commission therefore agreed that the cost factors and formulas to be used for itemized direct cost recovery from ongoing projects would be agreed on a project-by-project, donor-by-donor basis, taking into consideration the proportionate infrastructure requirements of the respective field office for each such project directly executed by UNODC, ensuring that that was in line with donors’ financial regulations and that recovery of direct itemized costs did not duplicate charges already subject to recovery as project support costs.”

16. The decline in general-purpose fund resources and the significant growth in special-purpose funds has created additional challenges relating to the distribution of those resources. The allocation of general-purpose fund and programme support cost resources to field offices is at present very uneven. In accordance with United Nations policy (ST/AI/286), each field office should receive 33 per cent of programme support costs earned for its projects. Based on that formula, 15 out of 20 field offices are not financially self-supporting, with the result that the remaining 5 offices that have successfully mobilized project funds are being taxed to subsidize those which are not self-sufficient. This skewed distribution of resources exacerbates the financial, human and other management risks, which are greater in those offices with larger project portfolios. The distribution of programme support cost income between field offices is uneven, but so is the distribution of programme support costs between headquarters in Vienna and the field: in total, UNODC field offices receive \$1.2 million more programme support costs than they collect—these programme support costs are earned by Vienna-based programmes, such as the Terrorism Prevention Branch and the Legal Advisory Section.

17. In 2008, UNODC will take steps to realign its deployment of general-purpose fund and programme support cost resources and posts. In that regard, programme support cost savings will need to be realized in offices with comparatively small project portfolios and allocated to offices that earn the resources. These resources will be used to support programme and project management. Posts in the Professional category funded from general-purpose funds will be transferred (with the incumbents if necessary) to offices with relatively large volumes of project resource staff to manage. The staff members assigned to such positions will be assigned responsibilities in operational and resource management areas (and given additional training if necessary).

18. In addition to the above and effective 1 January 2008, UNODC has aligned its United Nations Development Programme (UNDP) service arrangements with those of other United Nations programmes. From 1 January 2004, UNODC allowed UNDP to levy a 3 per cent programme support fee against UNODC funds expended in UNDP accounts (in addition to the transaction-specific fees set forth in the UNDP universal price list). The 3 per cent programme support fee alone represented a payment to UNDP of more than \$1 million per year. In 2008-2009, UNODC will make far greater use of the service modalities referred to in the 23 August 2003

---

<sup>3</sup> *Official Records of the Economic and Social Council, 2006, Supplement No. 8 (E/2006/28)*, chap. IX, para. 142.

memorandum of understanding between the United Nations and UNDP, which allows UNDP to levy universal price list charges only. While a transition of this type requires a reconfiguration of financial, operational and information technology systems and procedures, the potential financial benefits are significant and should enable UNODC to absorb the staff cost increases anticipated during the preparation of the UNODC consolidated budget for 2008-2009.

## **V. Ways and means of addressing the financial challenges of the United Nations Office on Drugs and Crime**

19. In its report referred to in paragraph 12 above, the Joint Inspection Unit recommended that the legislative bodies of each United Nations fund and programme establish an intergovernmental working group to develop proposals for a voluntary indicative scale of contributions for core resources (e.g. based on the model adopted by the Governing Council of the United Nations Environment Programme (UNEP)) for the consideration and approval of the legislative bodies. For UNODC, as a programme of the United Nations, the recommendation is worthy of serious consideration. Following the recommendations on international environmental governance contained in decision SS.VII/1<sup>4</sup> of its Governing Council, UNEP launched a pilot phase of the voluntary indicative scale of contributions in 2003, extended later to 2004-2005 and 2006-2007. The voluntary indicative scale is intended to increase the amount of donor contributions, broadening the donor base and making their contributions more adequate and predictable.<sup>5</sup> The initial results of introducing the scale were very promising: a recent assessment of the pilot phase (2003-2006) concluded that a significant broadening of the donor base and higher voluntary payments from most donor countries had been achieved.<sup>6</sup>

20. In its report on UNODC of 19 March 2007 (MECD-2006-003), the Office of Internal Oversight Services recommended the creation of a consultative committee of donors and beneficiaries to help increase transparency in the funding process and the use of general-purpose funds. The inspectors believed that this would enable UNODC to develop a more global approach in its fund-raising strategy. Mindful of the recommendations of both the Joint Inspection Unit and the Office of Internal Oversight Services, an intergovernmental working group charged with addressing the serious challenges associated with the UNODC budget and funding structure and related governance arrangements could consider the following, inter alia:

(a) Whether the UNODC share of regular budget resources is adequate. In 2008-2009, multilateral core budgetary requirements are estimated at \$65 million, of which the regular budget share is \$37 million (sections 16 and 22);

(b) How best to ensure the stability and predictability of sufficient general-purpose fund resources, including through:

---

<sup>4</sup> See *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 25 (A/57/25)*, annex I.

<sup>5</sup> The key elements of the voluntary indicative scale of contributions are clarified in annex I to this report.

<sup>6</sup> UNEP/GC/24/INF/22.

- (i) The adoption of a voluntary indicative scale of contributions as applied at present by UNEP for its Environment Fund and recommended by the Joint Inspection Unit as best practice. In response to Commission on Narcotic Drugs resolution 48/3 entitled “Securing assured and predictable voluntary funding for the Fund of the United Nations International Drug Control Programme”, the secretariat informally suggested in 2005 the application of an “indicative contributions model” to the major donor group, but consensus could not be achieved in the group. The basic principles of both the voluntary indicative scale of contributions and the indicative contributions model are summarized in annex II;
- (ii) A biannual (indicative) pledging conference for the general-purpose fund budget. To be successful, such a conference would have to be scheduled within at the latest three to four months after the official adoption of the biennial budget and linked to the sessions of the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice held in the first half of the year;
- (iii) An agreement by donors to commit a share of their annual pledge to general-purpose funds and a share to unallocated funds (e.g. 10 per cent) to maintain a sustainable balance between general-purpose funds and special-purpose funds and to insert flexibility into a funding system that is driven mostly by earmarked project allocations;
- (iv) An agreement by donors to commit a share of special-purpose funds to thematic or pooled funding, which would enable UNODC to better align the use of those funds to the strategy for the period 2008-2011 for UNODC and the mandates of the two commissions;
- (c) How best to secure appropriate cost-sharing of field office costs, including through the application of the principle applied to UNDP country offices and programme country counterparts as described in UNDP financial regulations 9.01 and 9.02 below:<sup>7</sup>

*“Regulation 9.01*

“Host Government contributions to the costs of UNDP country offices

“(a) The Administrator shall arrange for the collection from host Governments of their contributions in cash and/or in kind towards the costs of UNDP country offices, in accordance with the agreements between the Administrator and the host Governments concerned. Negotiations with respect to the amount and/or form of such contributions shall be in accordance with relevant Executive Board decisions and take into consideration the economic conditions of the countries concerned and may result in the granting by the Administrator of a partial waiver of contributions.

“(b) Contributions in cash towards the costs of UNDP country offices shall be credited to the biennial support budget of UNDP.

---

<sup>7</sup> United Nations Development Programme, “UNDP Financial Regulations and Rules”, April 2000, available at <http://www.undp.org/excecbrd/pdf/UNDPFinRegsRules.pdf>.

*“Regulation 9.02*

“Programme country counterpart contributions

“(a) Programme countries shall assist in defraying costs associated with UNDP programme activities in their countries by making available, either in cash or in kind or both, a substantial part of the requirements necessary for the implementation of UNDP programme activities, except in cases of hardship. In the light of policies established by the Executive Board, the level, nature and timing of such contributions will be determined in agreement with the programme country or countries and will be described in the relevant project or programme support document.

“(b) Programme country counterpart contributions shall be credited to the UNDP Other Resources Account.”

## **VI. Conclusions**

21. In conclusion, the suggested way forward to meet UNODC’s financial challenges can be summed up as follows:

(a) For Member States to fully acknowledge and maintain the increasingly strong support provided to UNODC from many countries and institutions over the past years, as evidenced by the rapid overall growth of resources for programmes and projects;

(b) For UNODC to continue aligning, under the United Nations strategic framework, the consolidated budget with the strategy for the period 2008-2011 for the Office, thereby ensuring integrated planning and budgeting as a basis for better result-based reporting to Member States and compliance with their policy directives;

(c) For Member States to stress the importance of stable and predictable multilateral core resources, without which the expanding mandates of UNODC cannot be delivered and accounted for efficiently and effectively and in some cases not delivered at all;

(d) For Member States to consider establishing an informal open-ended working group to explore ways and means to address UNODC’s financial challenges, taking into account the suggestions made in chapter V above. The working group could be co-chaired by the chairmen of the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice, along the lines of the process that led to the strategy for the period 2008-2011 for the Office.

## Annex I

### **The voluntary indicative scale of contributions system of the United Nations Environment Programme**

At its seventh special session, in 2002, the Governing Council/Global Ministerial Environment Forum of the United Nations Environment Programme, in its decision SS.VII/1 on international environmental governance,<sup>a</sup> approved the application of a voluntary indicative scale of contributions for the purpose of broadening the base of contributions to and to enhance predictability in the voluntary financing of the Environment Fund. The voluntary indicative scale of contributions takes into account, inter alia, the United Nations scale of assessment as well as the following:<sup>b</sup>

- (a) A minimum indicative rate of 0.001 per cent;
- (b) A maximum indicative rate of 22 per cent;
- (c) A maximum indicative rate for the least developed countries of 0.01 per cent;
- (d) Economic and social circumstances of the member States, in particular those of developing countries and countries with economies in transition;
- (e) Provisions to allow for any member State in a position to do so to increase its level of contributions over and above its current level.

The voluntary indicative scale of contributions for 2008-2009 will be based on the above principles and all contributions will remain voluntary. The scale works with biennial pledges and applies historical levels of contributions as a benchmark. The United Nations scale of assessment does not prevent countries from increasing their contributions and/or making additional voluntary payments. Any funds in excess of the budget target will be transferred to the financial reserve to increase it to the required level.

---

<sup>a</sup> See *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 25 (A/57/25)*, annex I.

<sup>b</sup> *Ibid.*, decision SS.VII/1, appendix, para. 17.

## Annex II

### **The indicative contributions model of the United Nations Office on Drugs and Crime**

The indicative contributions model was introduced to the major donor group in a briefing note of June 2005 on sustainable funding for UNODC's infrastructure and core programmes. The key determinants of the indicative contributions model were:

- (a) The projected support budget (general-purpose fund/programme support cost) requirements;
- (b) The total average general-purpose fund/special-purpose fund donor contribution as a percentage of total contributions over the period of the last three years (2002-2004);
- (c) The resulting percentage for a given donor defines its hypothetical gross share of general-purpose fund/programme support cost income;
- (d) The gross share of a donor would be discounted by 13 per cent of programme support costs on its three-year average special-purpose contribution;
- (e) What results is the net share of the donor in general-purpose fund income;
- (f) As contribution patterns may change each year, the proposed indicative contributions model would be adjusted annually.

For countries having legislative constraints preventing direct contributions to general-purpose funds, a solution would be to earmark their contributions to discrete parts of the core budget. It was concluded at the time that the application of such a model would secure assured and predictable funding and improve the ratio between earmarked and unearmarked funds.

---