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Item 9 of the provisional agenda*

Administrative and budgetary questions

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Note by the Secretariat

1. At its forty-second reconvened session, the Commission on Narcotic Drugs, in its resolution 42/10, approved the proposed final biennial programme budget for 1998-1999 and proposed initial biennial programme budget for 2000-2001 for the Fund of the United Nations International Drug Control Programme (UNDCP) (E/CN.7/1999/18), and adopted the proposed final biennial support budget for 1998-1999 and the proposed initial biennial support budget for 2000-2001 for the Fund of UNDCP (E/CN.7/1999/17). It thereby provided the authority for UNDCP financial operations for the biennium 2000-2001. The following three issues require the attention of the Commission at its forty-third session: programme support cost arrangements; the integrated financial information system; and the medium-term plan for 2002-2005.

I. Programme support cost arrangements

2. In its resolution 42/10, the Commission requested the Secretariat "to present to the Commission at its forty-third session an analysis of the issue of the appropriateness of the programme support cost arrangements, in view of the high degree of dependence of the Programme on special-purpose contributions". That request reflects the concerns expressed by the Executive Director, the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the Commission about the high degree of earmarking of resources for specific projects and the resulting lack of general-purpose resources both for stable funding of the core functions of the support budget and for the provision of needed operational flexibility.

*E/CN.7/2000/1.

3. At its reconvened fortieth session, the Commission considered an analysis conducted by the Secretariat on whether it would be appropriate to charge programme support costs to nationally executed projects. According to that analysis, "it is estimated that programme support provided by UNDCP to national execution is comparable to agency and UNDCP execution. Taking into account that United Nations agencies currently limit programme support charges on national execution to 5 per cent and the decision of the Commission to approve the charge of 5 per cent as the provisional rate for nationally executed projects, it is recommended that programme support charges should be maintained at that level". On the basis of the analysis done by the Secretariat, the Commission decided to approve the application of a charge of only 5 per cent on nationally executed projects funded by the Fund of UNDCP.

4. According to the audited financial statements, the balance of the Fund of UNDCP, as of 31 December 1997, was \$31.7 million in general-purpose resources, of which \$13.8 million could be used as needed for future programme activities. As indicated to the Commission at its reconvened forty-second session, the funding of programme activities in 2000-2001 will depend even more heavily on special-purpose resources because of the sharp decline of \$13.1 million expected in the balance of the general-purpose fund by the end of 1999 (E/CN.7/1999/17, para. 16). In view of the extremely high level of earmarking and the decline in the general-purpose Fund balance, it is now necessary to reconsider the appropriate level of programme support charges applied to projects. Taking into account the conclusions reached in the study presented to the Commission at its fortieth session, the high proportion of special-purpose funding and the continuing need for adequate general-purpose resources, in particular to fund the support budget, the Executive Director recommends that the Commission authorize charging up to 13 per cent in programme support charges on all UNDCP projects, irrespective of the execution modality. The Executive Director further recommends that these charges be authorized as of the beginning of the biennium 2000-2001.

II. Integrated financial information system

5. In paragraphs 143 and 144 of document E/CN.7/1999/18, the Executive Director informed the

Commission of the urgent need to replace the current, fragmented financial information systems in UNDCP with an integrated, reliable, secure modern system to meet the needs of the Commission and UNDCP senior management and as required by the auditors. That issue was also considered by ACABQ, which made the following observation: "The Committee welcomes the steps taken towards the development of a comprehensive financial management system, which will be integrated into its reporting system. The Committee is of the opinion that this system should have been presented in the context of the support budget, including an estimation of cost and timetable for implementation".

6. The Secretariat wishes to inform the Commission that the costs will be presented in the context of a revised budget for 2000-2001, to be submitted to the Commission at its forty-fourth session, should a revised budget be required, or in the context of the final budget for 2000-2001, to be submitted to the reconvened forty-fourth session.

7. In January 2000, two vendors were chosen to implement the integrated financial information system following a competitive bidding process and an exhaustive analysis of the various submissions. At the time of preparation of the present note, work was scheduled to begin on installing, adapting and implementing the system in February 2000. The work plan envisages an 11-month implementation period. The first six months will be devoted to implementing the general ledger module, and the subsequent five months to implementing the budget development module. Should work start on 1 March 2000, the project would be finalized by the end of January 2001. Summary information will be made available on an ongoing basis on the progress made in implementing the project through the UNDCP secure website accessible by permanent missions.

III. Medium-term plan for 2002-2005

8. The General Assembly, at its fifty-fifth session in 2000, will review the proposed medium-term plan of the Secretary-General for the period 2002-2005. The medium-term plan is the principal policy directive of the United Nations and guides the allocation of resources in subsequent programme budgets through the mechanisms provided for in General Assembly resolution 41/213. The draft will be considered in 2000 by ACABQ, the Committee for Programme and Coordination and the

Economic and Social Council. The Secretary-General proposes that the programmes on international drug control and crime prevention and criminal justice be joined into one programme on international drug control and crime prevention. Essentially, this means that instead of two programmes, one for drug control and one for crime prevention, there would be one programme with four subprogrammes for drug control and one subprogramme for crime prevention and criminal justice, all under the heading of the Office for Drug Control and Crime Prevention of the Secretariat.

9. The Commission will recall that following the twentieth special session of the General Assembly devoted to countering the world drug problem together, held in June 1998, the medium-term plan for international drug control for the period 1998-2001 was revised to incorporate new and expanded mandates for UNDCP flowing from the special session. As a result, the four subprogrammes on international drug control of the proposed medium-term plan for 2002-2005 are essentially the same as the revised plan for 1998-2001, and are considered to be up to date. The draft medium-term plan is available to the Commission for its comments as appropriate.
