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PROGRAMME AND BUDGET

Addendum

Programme and budget for the biennium 2006-2007

Note by the Global Mechanism²

EXECUTIVE SUMMARY

1. The proposed Global Mechanism core budget for the biennium 2006-2007 reflects the provisions of the Convention and the decisions of the Conference of Parties (COP).
2. In conformity with the Memorandum of Understanding (MoU) between the COP and the International Fund for Agricultural Development (IFAD) regarding the modalities and administrative operations of the Global Mechanism, the present core budget proposal has been prepared by the Managing Director of the Global Mechanism in full consultation with the Controller's Office of IFAD. It has been approved by the President of IFAD, and is hereby submitted to the COP for approval.
3. Total resource requirements for the Global Mechanism core budget for the biennium 2006-2007, including COP-approved Professional and General Service staff positions, direct office expenditures and mandatory travel to COP/CRIC sessions are estimated at US\$ 5,406,649 (US\$ 2,611,882 for 2006 and US\$ 2,794,767 for 2007), including administrative overhead charges.

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4. This does not include other operational expenditures related to the programme of work of the Global Mechanism for the biennium (such as temporary staff, consultancy services, other official travel, communication, publications and other general operating expenses).

5. This proposal is based on a scenario of zero staffing increase in the biennium and on the assumption that the remaining operational expenditures will continue to be financed through voluntary contributions mobilized by the Global Mechanism from bilateral and multilateral partners. In addition, the Global Mechanism will continue to mobilize voluntary contributions for its Special Resource for UNCCD Finance (SRCF) Account, to be used for providing catalytic finance to affected developing country Parties and/or their partners in civil society, as well as organizations and entities involved in the transfer of science and technology, in conformity with the provisions of decision 24/COP.1 and IFAD's President Bulletin No. 99/10.

6. The resource requirements for the biennium 2006-2007 include a 12 per cent increase in 2006 from the re-stated 2005 core budget, and a 7 per cent increase from 2006 to 2007. This mainly reflects a nominal increase due to the foreseen progression of salary scales, increases of fees and costs due to inflation, and the impact of exchange rate fluctuations between the Euro and the US dollar.

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. BACKGROUND INFORMATION.....	1 – 5	4
II. METHODOLOGY USED IN PREPARING THE GLOBAL MECHANISM CORE BUDGET PROPOSAL.....	6	4
III. THE GLOBAL MECHANISM PROGRAMME OF WORK FOR THE BIENNIUM 2006-2007.....	7 – 13	5
IV. EXPLANATIONS OF RESOURCE REQUIREMENTS FOR THE GLOBAL MECHANISM CORE BUDGET	14 – 21	7
V. CONCLUSIONS.....	22 – 26	9
<u>Annex</u>		
Summary tables and charts.....		10

I. BACKGROUND INFORMATION

1. The United Nations Convention to Combat Desertification (UNCCD) established the Global Mechanism to promote actions leading to the mobilization and channeling of substantial financial resources and technology to affected developing country Parties. At the first session of the COP held in October 1997, IFAD was selected to house the Global Mechanism by a ministerial-level assembly of over 113 countries that had ratified the Convention. A Facilitation Committee (FC) was established by IFAD, the United Nations Development Programme (UNDP) and the World Bank in 1997 to provide support and advice to the Global Mechanism. The FC responds to the need to define collaborative institutional arrangements between the Global Mechanism and those institutions having relevant experience and comparative advantages in areas relevant to the UNCCD.
2. As established in the MoU between the COP and IFAD regarding the modalities and administrative operations of the Global Mechanism, the Global Mechanism is an organic part of the structure of IFAD directly under the President of the Fund, but has a separate identity. It functions under the authority of the COP and is fully accountable to the COP.
3. The Managing Director is responsible for preparing the programme of work and budget of the Global Mechanism, including proposed staffing, which is reviewed and approved by the President of the Fund before being forwarded to the Executive Secretary of the Convention for consideration in the preparation of the budget estimates of the Convention, in accordance with the financial rules of the Conference.
4. As specified in the MoU between the COP and IFAD, the budget estimates for the Global Mechanism shall be shown in a separate section of the Convention budget submitted to the COP, and may include administrative and operational expenditures to be financed both from the core budget of the Convention, and, if appropriate, from the Voluntary Contributions Administrative Expenses (VCAE) Account.
5. The total operational budget of the Global Mechanism consists of the resources received by the Global Mechanism on its Core Budget Administrative Account (CBAA), VCAE Account and SRCF Account. The present proposal is limited to the Global Mechanism resources requirements for its CBAA Account, for consideration by the COP at its seventh session in conformity with decision 29/COP.6.

II. METHODOLOGY USED IN PREPARING THE GLOBAL MECHANISM CORE BUDGET PROPOSAL

6. In order to properly compare the 2006 budget and the 2005 approved budget, the 2005 budget has been re-stated by IFAD Controller's Office using the updated standard cost structure and inflation rate increases. The 2006 budget has been prepared applying the 2006 standard cost structure and assumed inflation rate factors. The 2007 budget reflects only inflation rate factors. In particular, the following methodology has been applied to the various objects of expenditures in the core budget:

- Staff costs: IFAD standard costs have been applied for the 2006 budget submissions. Standard costs consider all the entitlements based on United Nations salary scales and consider also the increase of cost of living due to inflation and exchange rate impact. The exchange rate applied for staff standard cost is EUR/US\$ 0.819. Staff costs also include the compulsory costs for the After Service Medical Coverage Scheme managed by the Food and Agriculture Organization of the United Nations (FAO). In 2005, the average cost of the above scheme is about US\$ 4,000 per person.
- Office and general expenditures: This budget item includes external auditors' fees and expenses, telephone/fax charges, office equipment, maintenance and hire, and hospitality. For the 2006-2007 biennium, an increase equal to inflation rate has been used with regard to office and general expenditures. The inflation rate applied is 2.2 per cent per year. In relation to the external audit fee, the annual inflation rate increases have been applied to the amount of Euro 7,500 that has been agreed in April 2005 between IFAD and the external auditor for fiscal year 2005.
- Mandatory travel: With regard to official duty travel, as opposed to the previous budget proposal for the biennium 2004-2005 that was submitted to COP 6, the present budget proposal only includes resource requirements for the mandatory travel of Global Mechanism staff to COP 8 and to an inter-sessional Committee for the Review of Implementation of the Convention (CRIC).
- Administrative overhead charges: Overhead charges are calculated as 13 per cent of the total amount approved for the different components of the Convention budget. As per an agreed practice deriving from the host agreement concerning the Global Mechanism, this amount is retained by the UNCCD secretariat and by IFAD as a compensation for the administrative services rendered to the Global Mechanism. In particular, the UNCCD secretariat retains 5/13 for the treasury charges and other costs incurred for administration and collection of the overall contributions and apportionment to the components of the budget, and IFAD retains 8/13 to cover the charges related to the provision of various administrative services to the Global Mechanism such as human resources administration, budget and accounting, legal services, internet messaging and networking services, etc.

III. THE GLOBAL MECHANISM PROGRAMME OF WORK FOR THE BIENNIUM 2006-2007

7. The Global Mechanism has been pursuing the implementation of its mandate on the basis of the Operational Strategy presented to the fourth session of the Conference of the Parties (COP 4) in document ICCD/COP(4)/Add.1(A). In close collaboration with the UNCCD secretariat and the Facilitation Committee, a Business Plan (BP) for the Global Mechanism for the period 2003-2006 was developed focusing on three complementary objectives: country support with regard to mainstreaming national action programmes (NAPs) into national development programming, mobilization of additional resources and information and knowledge management.

8. As outlined in the report of the Managing Director to COP 7 on activities of the Global Mechanism, these strategic orientations have been implemented through three types of activities:

- Provision of catalytic resources in support to the development of action programmes and frameworks of partnerships at national, sub-regional and regional levels;
- Identification and mobilization of new and innovative funding sources in order to broaden the UNCCD funding base; and
- Development of an integrated information, knowledge and communication strategy aimed at facilitating the resource mobilization process.

9. The rationale for deploying this interrelated set of interventions is that the implementation of the Convention requires an integrated multi-partner and multi-channel coordinated approach. In particular, the Convention needs to be assigned high political priority or “mainstreamed”. Partnerships need to be developed in order to align all concerned actors and partners – both national and external, governmental and non-governmental, public and private – and catalytic investments must be made to leverage substantial financial and other resources.

10. Between 1998 and 2002, 68 per cent of the overall Global Mechanism resources (core budget allocation plus voluntary contributions) have been granted to affected developing countries and for technical assistance, and 32 per cent have covered administrative costs.³ Of the resources extended to countries and for technical assistance, 49 per cent have been allocated in small grants to affected countries, 4 per cent to strategic initiatives (e.g. carbon sequestration and methodology for desertification monitoring) and the remaining 47 per cent for technical advice (e.g. consultancies to support NAP elaboration).⁴ In particular, US\$ 2.1 million has been allocated to pilot investment financing, and US\$ 1.5 million to support civil society participation in UNCCD implementation.⁵ Overall, this distribution of Global Mechanism financial resources has remained unchanged since 2003. The strategic placement of catalytic finance, small grants and expert advice aims at leveraging substantial investment financing on the ground. Examples of initial success from this approach are found in Brazil, China, Ethiopia, Ghana, South Africa and Tunisia.

11. Based on progress achieved since COP 6 and the ongoing reorientation of its operational focus, the Global Mechanism is developing an updated Business Plan (BP) for the 2006-2010 period which will contain of a set of objectives, activities, outputs and linkages. In particular, the BP will include the following types of interventions:

- Long-term interventions of 3-4 years in those countries which are fully committed to UNCCD implementation on the basis of agreed criteria and indicators;
- Small-scale interventions into processes and strategic initiatives at national and regional levels according to specific benchmarks; and
- Communication of analyses of major policy issues and syntheses of national level experiences to guide policy making at the COP and other international processes.

³ Ref.: Independent Evaluation of the Global Mechanism of the UNCCD, Final Report to the World Bank Development Grant Facility submitted by the Evaluation Team, 26 June 2003, page 22.

⁴ Ibid, page 23

⁵ Ibid, pages 24-25.

12. The overall goal of Global Mechanism interventions is resource mobilization for UNCCD implementation. In this framework, it is expected that Global Mechanism frontline effectiveness will be enhanced through the strengthening of the NAPs as policy frameworks, the intensification of mainstreaming efforts, both at national and international level, and the development of comprehensive national financing strategies, which will help considering innovative options and opportunities such as the potential of macroeconomic and fiscal reforms, the development of markets and trade, the engagement of private sector and non-governmental organizations (NGOs), and the linkages with other environmental developmental concerns, such as climate change, energy and education.

13. To this effect, the Global Mechanism will build a broad network of partners, including FC members and bilateral organizations, and will capitalize on the respective comparative advantages and strengths. In particular, the Global Mechanism will seek to expand its collaboration with organizations and governments who could provide voluntary resources to co-finance its operations at both international and national levels.

IV. EXPLANATIONS OF RESOURCE REQUIREMENTS FOR THE GLOBAL MECHANISM CORE BUDGET

14. While the overall operational budget for the Global Mechanism programme of work for the biennium 2006-2007 will depend on the amount of voluntary contributions that will be mobilized by the Global Mechanism to replenish its VCAE Account and its SRCF Account, the present proposal is limited to the Global Mechanism resource requirements for its CBAA Account, for consideration by the COP in conformity with decision 29/COP.6. Since the Global Mechanism core budget covers mainly the administrative costs related to the COP-approved positions, the present proposal does not contain programme performances or results-based considerations.

15. As illustrated in the evaluation reports that were submitted to COP 6, from 1998 through 2002 the Global Mechanism raised and received US\$ 11.8 million from bilateral and multilateral agencies, regional development banks and other donors.⁶ In the biennium 2003-2004, the Global Mechanism mobilized additional US\$ 5.6 million for its VCAE and SRCF Accounts.⁷ An updated status of contributions on the two accounts is provided in tables 4-5. On average, the core budget represented about 32 per cent of the overall Global Mechanism operational budget in the biennium 2004-2005.

16. The Global Mechanism core budget approved by the COP has traditionally covered the direct administrative and operational expenses of the Global Mechanism. On the basis of the above, the total resource requirements for the Global Mechanism core budget for the biennium

⁶ Since 1998, the Global Mechanism received voluntary contributions from: IFAD, the World Bank, the Governments of Denmark, Canada, Finland, Italy, the Netherlands, Norway, Sweden and Switzerland; the Arab Fund for Social and Economic Development, the Canada-based International Development Research Centre (IDRC), the OPEC Fund, the Islamic Development Bank, and in-kind contribution from the US Congressional Hunger Center. Ref. tables 4a, 4b and 5.

⁷ Ref.: Progress Report of the Global Mechanism of the UNCCD to IFAD's 28th Governing Council, February 2005.

2006-2007 are estimated at US\$ 5,406,649 (US\$ 2,611,882 for 2006 and US\$ 2,794,767 for 2007), including administrative overhead charges, as indicated in table 1.

17. Table 2 provides the breakdown of the core budget proposal for the biennium 2006-2007, specifying the amounts requested by object of expenditure. In particular, this table shows that resources are requested for the regular and fixed term professional and general service staff positions, as well as for direct office expenditures, and for mandatory travel to COP/CRIC sessions. Net of the administrative overhead charges, the Global Mechanism is therefore requesting an amount of US\$ 4.7 million for the biennium.

18. This figure excludes other operational expenditures related to the programme of work of the Global Mechanism, such as temporary staff, consultancy services, other official travel, communication, publications, and other general operating expenses, which will have to be financed through the Voluntary Contributions Administrative Expenses Account (VCAE). For this purpose, and on the basis of the resources received in the 2004-2005 biennium, the Global Mechanism expects to mobilize at least US\$ 7 million from voluntary contributions in the 2006-2007 biennium. This will allow the Global Mechanism to operate at a level of resources for its administrative and operational expenses in line with the initial budget estimates made by IFAD in its offer to house the Global Mechanism that was submitted to COP 1 (ICCD/COP(1)/5).⁸

19. In addition, the Global Mechanism will continue to mobilize voluntary contributions for its SRCF Account, to be used for providing catalytic finance and leveraging investment finance for affected developing country Parties and/or their partners in civil society, as well as organizations and entities involved in the transfer of science and technology, in conformity with the provisions of decision 24/COP.1 and IFAD's President Bulletin No. 99/10.

20. The present core budget proposal is based on a scenario of zero staffing increase. Therefore, for the 2006-2007 biennium it is proposed that the core budget will continue to finance the COP approved positions, namely 9 professional staff and 5 general service staff, as illustrated in table 3. Any additional staff necessary for carrying out the programme of work of the Global Mechanism, including temporary professional officers and consultants, will have to be financed through voluntary contributions in order to avoid a decrease in support to affected developing countries. It is expected that during the biennium, the Global Mechanism will gradually increase its operational effectiveness by refining its resource mobilization strategy and adjusting its business model to a changing operating environment, as outlined in the report on the Global Mechanism activities submitted to CRIC 4.

21. The total resource requirements for the 2006-2007 biennium include a 12 per cent increase in 2006 from the re-stated 2005 core budget, and a 7 per cent increase from 2006 to 2007, which reflect the progression of salary scales due to the foreseen promotions and pay increase in the biennium, as well as increases of office-related costs and audit fees due to inflation, and the impact of exchange rate fluctuations between the Euro and the US dollar, as illustrated in chapter II.

⁸ Global Mechanism: Compilation of Revised Offers of International Fund for Agricultural Development (IFAD) and United Nations Development Programme (UNDP). Appendix II: Revised Submission of the International Fund for Agricultural Development (IFAD), 12 May 1997.

V. CONCLUSIONS

22. In the past biennium, the Global Mechanism has discharged its mandate in the framework of a Business Plan (BP) defined in consultation with IFAD, the UNCCD secretariat and the other members of the Facilitation Committee. The progress made in the implementation of the Business Plan is outlined in the report of the Managing Director on activities of the Global Mechanism, which contains a detailed account on achievements induced by the Global Mechanism and its partners in the biennium.

23. Since COP 6, the Global Mechanism has also undertaken to respond to the recommendations of the independent evaluations and adapt to a changing policy and operating environment by developing a consolidated and enhanced approach for resource mobilization, which entails a changing focus of interventions at all levels and the development of new instruments.

24. In this context, the Global Mechanism has in the past mobilized about two thirds of its total operational budget from voluntary contributions. This permitted to operate at a level of resources which allowed the Global Mechanism to provide a consistent and sustained support to UNCCD implementation at country and sub/regional level, while at the same time pursuing an increased operational effectiveness to respond to a continuously evolving national and international environment.

25. Given that the ongoing consolidation of the Global Mechanism's resource mobilization strategy and the development of an enhanced operating model will be finalized in the course of the biennium, the present core budget proposal, based on a scenario of zero staffing increase, does not reflect the actual human resources situation of the Global Mechanism and its development.

26. It is however expected that, by demonstrating its capacity to fulfill its obligations in the 2006-2007 biennium, the staffing level and other administrative and operational expenditures of the Global Mechanism core budget will be revisited in future core budget negotiations in order to secure a continued and enhanced service level to country Parties, commensurate with the Global Mechanism's institutional mandate and objectives.

Annex**SUMMARY TABLES AND CHARTS**

Table 1. Summary and resource requirements for the biennium 2006-2007

Description	2005 amount approved	2005 re-stated budget	Resource requirements for 2006	% against 2005 re-stated budget	Resource requirements for 2007	% against 2006
Staff and other costs	1,877,000	2,067,164	2,311,400	12%	2,473,245	7%
Overhead (13%)	244,010	268,731	300,482		321,522	
Total administrative expenditures	2,121,010	2,335,896	2,611,882		2,794,767	

Table 2. Resource requirements for the Global Mechanism core budget

	2005 Amount approved	2005 Restated budget	Resource requirements for 2006	% Against 2005 re-stated budget	Resource requirements for 2007	% Against 2006	Total for the biennium 2006-2007
COP approved staff	1,763,155	1,949,186	2,058,400	6%	2,207,445	7%	4,265,845
Office and general expenditures	107,845	111,847	113,000	1%	115,800	2%	228,800
Mandatory travel	0	0	140,000	100%	150,000	6%	290,000
Contingency	6,000	6,000	0		0		0
Total administrative expenditures	1,877,000	2,067,164	2,311,400	12%	2,473,245	7%	4,784,645
Overhead (13%)	244,010	268,731	300,482		321,522		622,004
Total core budget	2,121,010	2,335,896	2,611,882		2,794,767		5,406,649

Table 3. Staffing requirements for the Global Mechanism

	2004-2005	2006	2007
A. Professional category and above			
D-2	1	1	1
D-1	1	1	1
P-5	4	4	5
P-4	1	1	1
P-3	2	2	1
Subtotal A	9	9	9
B. General Service category	5	5	5
Total (A + B)	14	14	14

Table 4a. Voluntary Contributions Administrative Expenses (VCAE) Account

Statement of contributions received up to 2004		
Donor	Currency	Received
Canada	US\$	575,099
Congressional Hunger Center	US\$	133,428
Denmark	US\$	100,000
Finland	US\$	577,173
IFAD Technical Assistance Grants	US\$	1,255,000
International Bank for Reconstruction and Development (IBRD)	US\$	2,025,000
Islamic Development Bank	US\$	32,000
Italy	US\$	556,142
Pooled contributions for ministerial meetings	US\$	252,086
Netherlands	US\$	242,938
Norway	US\$	1,289,374
OPEC	US\$	300,000
Pooled contributions (general)	US\$	560,700
Sweden	US\$	1,694,500
Switzerland	US\$	271,516
Balance at 31. 12. 2004	US\$	9,864,956

Table 4b. Voluntary Contributions Administrative Expenses (VCAE) Account

Statement of contributions received in 2005		
Donor	Currency	Received
Italy	US\$	202,344
Sweden	US\$	390,975
Finland	US\$	257,596
Balance as at 07. 07. 2005	US\$	850,915

Table 5. Special Resources for the CCD Finance (SRCF) Account

Statement of contributions received up to 2004		
Donor	Currency	Received
IFAD Technical Assistance Grants	US\$	4,995,000
Denmark	US\$	250,000
International Bank for Reconstruction and Development (IBRD)	US\$	1,750,000
International Development Research Centre (IDRC)	US\$	11,523
Balance at 31/12/2004	US\$	7,006,523
