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Programme and budget

Programme and budget

Note by the secretariat*

Addendum

**Programme and budget for the biennium 2008-2009 for the Global
Mechanism**

Summary

The proposed core budget of the Global Mechanism (GM) for the biennium 2008–2009 is based on a staff increase by one P-3 position for the West and Central Africa Programme of the GM, and mandatory travel to sessions of the Convention bodies. Most operational expenditures will continue to be financed through voluntary contributions mobilized by the GM from bilateral and multilateral partners.

Total resource requirements for the GM core budget are estimated at USD 5,735,506 (USD 2,838,968 for 2008 and USD 2,896,538 for 2009). This estimated GM overall core budget covers the GM core budget of USD 5,075,669 (USD 2,512,361 for 2008 and USD 2,563,308 for 2009) and its administrative overhead charges of USD 659,837 at the level of 13 per cent of the core budget (USD 326,607 for 2008 and USD 333,230). These resource requirements include a 27 per cent increase in United States dollar terms and a 10 per cent in euro terms for the 2008 GM core budget (excluding administrative overhead charges), compared with the approved UNCCD GM core budget 2007, and a 2 per cent increase from 2008 to 2009 in United States dollar terms. This reflects also a small increase due to foreseen progression of salary scales, estimated increases of staff costs due to inflation, and the major impact of euro:United States dollar exchange rate fluctuations.

* The submission of this document was delayed due to the short time available between the fifth session of the Committee for the Review of the Implementation of the Convention and the eighth session of the Conference of the Parties.

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I. Background information

1. The United Nations Convention to Combat Desertification (UNCCD) established the Global Mechanism (GM) as one of its subsidiary bodies to promote actions leading to the mobilization and channelling of substantial financial resources and technology to affected developing country Parties (article 21). At the first session of the Conference of the Parties (COP), in October 1997, the International Fund for Agricultural Development (IFAD) was selected to host the GM (decision 24/COP.1). The Memorandum of Understanding (MoU) established in November 1999 between the COP and IFAD (decision 19/COP.2) governs the hosting arrangement of the GM at IFAD. 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 GM. The FC responds to the need of collaborative institutional arrangements between the GM and those institutions having relevant experience and comparative advantages in areas relevant to the UNCCD.
2. The MoU established the modalities and administrative operations of the GM, according to which the GM has a separate identity, but is an integral part of the structure of IFAD directly under its President. Being a subsidiary body of the Convention, the GM functions under the authority of the COP and is fully accountable to the COP.
3. The Managing Director of the GM is responsible for preparing the biennial programme of work and budget of the GM, including proposed staffing, which is reviewed and approved by the President of IFAD before being forwarded to the COP for consideration and approval in accordance with the financial rules of the COP.
4. As specified in the MoU, the core budget estimates for the GM shall be shown in a separate section of the Convention budget submitted to the COP by the Executive Secretary of the Convention, and may include administrative and operational expenditures to be financed from the budget of the Convention and, if appropriate, from voluntary contributions.
5. The present proposal is limited to the core budget estimates of GM resource requirements for its core budget administrative account, for consideration by the COP at its eighth session. The proposal does not include operational resource requirements to be covered by voluntary contributions as it has been the long-standing practice.

II. Transfer of core budget and programme support costs to the Global Mechanism and outstanding receivables

6. As stated in the MoU (section III.A, paragraph 6), the COP authorizes the Executive Secretary to transfer to IFAD resources for the approved operating expenses of the GM. According to the analysis presented in table 3 below, the outstanding receivables between 1999 and 31 December 2005 amount to USD 1,548,703. The following details should be considered:

(a) **Approved core budget and programme support costs.** The overall UNCCD budgets approved between 1999 and 31 December 2005 amount to USD 52,134,600 including programme support costs. The COP-approved core budget for the GM for the same period amounts to USD 10,878,600 (table 3, line item 5). The programme support costs of the GM

amount to USD 1,258,076 (table 3, line item 6). The total receivables for the GM amount to USD 12,136,677;

(b) Total transfers to the GM. As shown in table 3, line item 9, total transfers made to the GM, as of 31 December 2005, stand at USD 10,587,974 (according to financial statements of IFAD audited by the External Auditor);

(c) Programme support costs. The COP-approved core budget of the Convention for each biennium includes the core budgets of the secretariat and the GM and the programme support costs of the Convention. As shown in table 3, line item 7, the Convention's programme annual support costs fluctuate between 10.62 and 12.20 per cent of the COP-approved core budgets for the biennium. It appears that the GM is entitled to receive the full percentage of programme support costs to cover expenses for its own administration, as well as part of the administrative costs of IFAD to host the GM.

(d) Outstanding receivables by the GM against the core budgets and the programme support costs as at 31 December 2005. The overall outstanding amount between 1999 and 31 December 2005 is USD 1,548,703 (as shown in table 3, line item 10) against the core budgets and the programme support costs since 1999.¹

(e) Advances by IFAD: Due to the outstanding amount to be received from the Executive Secretary of the UNCCD, the GM could not be in the position to fulfil its obligations with IFAD. In fact IFAD has advanced salary payments against the COP-approved staffing table and the administrative expenses as approved in the respective core budgets, including programme support costs. However, it should be noted that IFAD is not authorized to advance more than one year's expenditures, as this is the limit authorized by its governing body. The GM may find itself in a difficult position should the receivable not be paid on a timely basis.

(f) Outstanding contributions from country Parties to the Convention: Taking into account updated "Status of contributions to the Core Budget" as of 31 March 2007, the total outstanding assessed contributions up to December 2005 amount to USD 1,001,184 (table 1). The COP budgets for the GM since 1999 have covered only staff costs with the exception of a very small amount for administrative costs. The GM has no flexibility to reduce costs in response to outstanding contributions of country Parties. The overall percentage of outstanding receivables between 1999 and December 2005 amounts to 1.92 per cent against the overall COP-approved core budgets and the programme support costs since 1999 (table 2). Even if the GM would fully participate in a reduced budget of the UNCCD, this percentage should be taken into account. The outstanding receivables of the GM against its approved COP core budget plus programme support costs, however, amount to 12.76 per cent (table 3, line item 11).

¹ This amount comprises: (a) the outstanding contribution of USD 122,574 for the 1999 COP budget plus programme support costs, of which USD 16,026 constitutes the remaining balance of the 1999 GM COP budget and USD 106,548 constitutes the 1999 programme support costs; (b) the outstanding programme support costs for year 2000 totalling USD 42,624, for year 2001 totalling USD 47,312, for year 2002 totalling USD 69,674, for year 2003 totalling USD 75,006 and for year 2004 totalling USD 61,011; and (c) the outstanding 2005 COP budget plus programme support costs of USD 1,130,501, of which USD 914,488 constitutes the remaining balance of the 2005 GM COP budget and USD 216,013 constitutes the 2005 programme support costs.

Table 1: Assessed outstanding contributions
(United States dollars)

	1999	2000	2001	2002	2003	2004	2005	Total
Assessed outstanding contributions	3 140	5 760	157 519	16 167	129 761	239 412	449 425	1 001 184

Source: UNCCD secretariat: "Status of Contributions to the UNCCD core budget".

Table 2: Percentage of outstanding contributions against overall UNCCD core budget
(United States dollars)

	1999	2000	2001	2002	2003	2004	2005	Total
UNCCD COP-approved core budget and programme support costs	6 100 000	6 897 900	6 762 500	7 764 900	7 560 300	8 603 000	8 446 000	52 134 600
Assessed outstanding contributions ^a	3 140	5 760	157 519	16 167	129 761	239 412	449 425	1 001 184
Percentage of outstanding contributions	0.05	0.08	2.33	0.21	1.72	2.78	5.32	1.92

^a Situation as at 31 March 2007. Source UNCCD

7. By its decision 23/COP.7, the COP decided that "... when required and authorized by the financial rules, the Executive Secretary should draw on reserves for funding both the secretariat and the GM ..." The GM requests the COP to review the current financial situation of the GM, in particular with regard to the coverage of staff costs as advanced by IFAD, and to authorize the Executive Secretary to transfer outstanding receivables to the GM.

III. Methodology used in preparing the proposed core budget for the Global Mechanism

8. The following methodology has been applied to the various items of expenditure in the core budget as detailed in table 4:

(a) Staff costs: Staff costs for 2008–2009 have been restated by IFAD Controller's Office using a projected inflation increase of 3 per cent for 2008 on the approved 2007 standard staff costs, and of 2 per cent for 2009 on the estimated 2008 standard staff costs. This increase includes the projected standard costs structure for the positions and the assumed inflation rate factor. 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 1 = USD 0.786.

(b) Programme support costs: Programme support costs constitute the administrative overhead charges for IFAD's administration for hosting the GM as well as some of the administrative costs of the GM. This cost item is calculated on the basis of 13 per cent of the overall core budget estimate and is in line with the Convention's proportion of its biannual programme support costs on its biannual approved core budget.

IV. The programme of work of the Global Mechanism for the biennium 2008–2009

9. For the forthcoming biennium the GM intends to progressively specialize its provision of advisory services on financial issues – both public budget allocations and private investments – in order to strengthen its role as an innovative entity in response to the Paris Declaration on Aid Effectiveness and the evolved development-aid architecture embodied in new and emerging policies and procedures for delivering development assistance. Within this framework, new modalities for resource allocation and the increasing importance of national development priorities drive the domestic budgeting process in developing countries. It is this situation that has determined the Consolidated Strategy and Enhanced Approach (CSEA)² of the GM which calls for longer-term interventions in interested countries, based on technical assistance projects and interventions at subregional and regional levels, to induce change in approaches to resource mobilization for sustainable land management for poverty reduction. Furthermore, the GM is deploying special initiatives such as South–South cooperation and knowledge exchange initiatives as part of its capacity-building efforts on development finance.

10. The rationale for deploying these interventions is that the implementation of the Convention requires an integrated multipartner and multisectoral approach. The GM is provided with a core team of staff for country and (sub)regional level interventions by the COP core budget, whereas voluntary resources cover three professional posts on South–South cooperation, development economics and financial instruments as well as trade and market access for rural communities respectively. Two general service staff work for the communications and web group and for special initiatives.

11. The GM is pursuing the implementation of its mandate on the basis of the new business plan for 2008–2013 and the biennium work plans and budgets starting 2008 in line with the decision-making and budgeting cycle of the Convention.

12. Between 1998 and 2002, 68 per cent of the overall resources of the GM (core budget allocation plus voluntary contributions) have been granted to affected developing countries and for technical assistance, and 32 per cent have covered corporate and administrative costs. 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 advisory services.³

² In October 2005 the GM has submitted to the COP a report outlining a proposed new consolidated strategy and enhanced approach (ICCD/CRIC(4)/4), the implementation of which was endorsed by the COP by its decision 5/COP.7.

³ Reference: *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, pp. 22 and 23.

13. The aforementioned percentages on country engagement and corporate and administrative costs of the GM are gradually changing to reach a ratio of 9:1. Based on progress achieved since COP 7 and the consolidation of its new operational focus, the GM has developed a results-based management (RBM) system which contains the results chain driving the results-based budgeting (<www.global-mechanism.org>). The system is based on GM's approach as outlined in its aforementioned strategy (CSEA) and informed by the current proposals of the Intergovernmental Intersessional Working Group on the 10-year strategy of the UNCCD to be adopted at COP 8. Results-based budgeting is driven by the value of outcome-oriented interventions that are supported by a variety of budget items, including corporate activities.

14. In order to further strengthen its role and to increase its impact, the GM is building an enhanced network of partners, including members of the Facilitation Committee, bilateral organizations and other major institutions. The GM is capitalizing on its comparative advantages and strengths as a specialized advisory service provider on finance, including innovative sources that bring non-traditional stakeholders and financiers to the UNCCD table. In this regard the GM is setting up a trust fund arrangement to pool voluntary contributions for its operational finance in a more predictable fashion over the forthcoming biennium. This trust fund arrangement is fully in line with the provisions outlined in the Memorandum of Understanding between the COP and IFAD with regard to the "Special resources for CCD Finance (SRCF) Account" (ICCD/COP(3)/10, section II/B(c)).

15. A prerequisite for the success of the GM approach in the upcoming biennium and its enhanced operations at international, subregional and country levels is to attract attention on the quality and relevance of its services and raise predictable finance. The business plan and the biennium work programme and budget based on the RBM system offer new opportunities for clients and financing partners to use the diversified resources to co-finance joint engagements through programmatic approaches. The quality assurance policy of the GM will drive the monitoring and evaluation system giving security to the donor community on results-oriented implementation through the aforementioned trust fund arrangement.

V. Explanations of resource requirements for the core budget of the Global Mechanism

16. The overall operational budget for the GM work programme and budget for the biennium 2008–2009 will depend greatly on voluntary contributions that will be mobilized by the GM. As the GM core budget estimates covers only staff positions, some minor administrative costs, and mandatory travel, the present proposal does not contain a programme performance structure or take account of results-based considerations. This option will be considered for future submissions.

17. On the basis of the above, the total resource requirements for the core budget of the GM for the biennium 2008–2009 are estimated at USD 5,735,506 (USD 2,838,968 for 2008 and USD 2,896,538 for 2009), including administrative overhead charges of 13 per cent constituting the programme support costs, as indicated in table 5.

18. Table 5 provides the breakdown of the core budget proposal for the biennium 2008–2009, specifying the amounts requested by item of expenditure. In particular, this table shows that

resources are requested for the regular and fixed-term professional and general service staff positions, direct office expenditures, and mandatory travel to COP/CRIC sessions as well as some corporate travel of senior management. Net of the administrative overhead charges, the GM is therefore requesting an amount of USD 5.076 million for the biennium.

19. In detail, the following explanations provide the necessary details:

(a) The core budget proposal in line 1 of table 6 includes the increase of one professional staff position at the P-3 level (table 6). The position is to be created for the West and Central Africa programme of the GM. Given the generous voluntary contributions from the European Commission, Denmark, Spain and IFAD to the two subregions, the COP should provide the human resources necessary to deploy the coordination and advisory services. Therefore, it is proposed that the 2008–2009 biennium core budget provided by the COP will finance nine professional staff and five general service staff, as illustrated in table 6.

(b) Line 2 of table 5 shows compulsory costs for the current service cost of the After Service Medical Coverage Scheme (ASMC) managed by the Food and Agriculture Organization of the United Nations (FAO). These exclude the associated past service costs, the estimation of which will be available at the beginning of 2008 and may require additional financing for the GM's core costs. This budget line also includes projected costs for relocation and recruitment in line with the projected inflation rate increase applied to staff costs.

(c) Line 3 of table 5 indicates the budget estimate for the aforementioned basic office and general expenditures (external audit, IT costs, etc.)

(d) Line 4 of table 5 shows estimates of USD 240,000 for 2008 and USD 244,800 for 2009 for the mandatory travel of GM staff to CRIC and COP sessions as well as corporate travel of senior management of the GM to participate in major events such as GEF council meetings. The estimate is all-inclusive because it is assumed that CRIC/COP sessions are events that need to be covered by GM staff engaged with country Parties directly to use these opportunities for discussions, coordination and planning.

20. The total resource requirements for the biennium 2008–2009 include: for 2008, a 27 per cent increase in United States dollar terms and a 10 per cent increase in euro terms, compared with the 2007 approved core budget; and for 2009, a 2 per cent increase over the 2008 figure. Beyond the increase in the number of positions of one P-3 post and the budget for mandatory travel, this increase also reflects the progression of salary scales and pay increase in the biennium, as well as the impact of exchange rate fluctuations between the Euro and the United States dollar, as illustrated in the discussion on staff costs in chapter III.

21. From 1998 through May 2007 the GM raised and received at nominal value of almost USD 21 million and EUR 3 million of voluntary resources from bilateral and multilateral agencies, regional development banks and other donors⁴ (table 8). In the biennium 2006–2007

⁴ Since 1998, the Global Mechanism received voluntary contributions from: IFAD, the World Bank, the Governments of Denmark, Canada, Finland, Italy, the Netherlands, Norway, Spain, Sweden and Switzerland; the Arab Fund for Social and Economic Development, the Canada based International Development Research Centre (IDRC), the European Community, the OPEC Fund, the Islamic Development Bank, and in-kind contribution from the United States Congressional Hunger Center. See Table 8.

the GM raised and partially received USD 2 million and EUR 2 million of voluntary resources as of 31 May 2007 (table 7).

VI. Conclusions

22. In the biennium 2006–2007, the GM has discharged its mandate in the framework of a business plan 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 the activities of the GM, which contains a detailed account of achievements induced by the GM and its partners in the biennium. In addition to the report to COP, the GM is reporting to donor agencies individually on each contribution received.

23. In the past the GM has successfully mobilized about two thirds of its overall budget from voluntary contributions, but the COP has needed to provide the basic administrative costs for the GM because donor agencies and client countries focus on country support rather than on contributing to the GM's budget through non-earmarked finance for corporate activities which are not necessarily directly beneficial to countries.

24. Given the ongoing consolidation of the resource mobilization strategy of the GM and the development of an enhanced trust fund arrangement, the present core budget proposal constitutes a COP contribution of about 15–20 per cent of the overall operational budget of the GM.

Table 3. COP-approved budgets, programme support costs, comparison UNCCD / GM as of 31 December 2005
 (United States dollars)

		1999	2000	2001	2002	2003	2004	2005	Total
		COP-2	COP-3	COP-3	COP-5	COP-5	COP-6	COP-6	
UNCCD COP approved core budget	1	6 100 000 ^a	6 897 900	6 762 500	7 764 900	7 560 300	8 603 000	8 446 000	52 134 600
UNCCD approved budget per biennium	2	-	13 660 400 ^b		15 325 200 ^c		17 049 000 ^d		
UNCCD total programme support approved by COP (included in 1)	3	648 000	778 000	778 000	932 600	922 100	976 000	972 000	6 006 700
% of Programme support cost (3/1)	4	10.62	11.28	11.50	12.01	12.20	11.34	11.51	
GM's COP approved core budget	5	1 003 000	1 300 000	1 350 000	1 737 300	1 787 300	1 824 000	1 877 000	10 878 600
GM's programme support cost (as % in line 4)	6	106 548	146 624	155 312	208 658	217 990	206 931	216 013	1 258 076
% of programme support cost	7	10.62	11.28	11.50	12.01	12.20	11.34	11.51	
Total transfers due to GM	8	1 109 548	1 446 624	1 505 312	1 945 958	2 005 290	2 030 931	2 093 013	12 136 677
Transfers received by the GM at 31 December 2005 as per financial statements	9								10 587 974
GM's outstanding approved budget + programme support cost at 31 December 2005	10	122 574	42 624	47 312	69 674	75 006	61 011	1 130 502	1 548 703
% of GM's outstanding approved budget + programme support cost (10/8)	11								12.76

^a ICCD/COP(2)/14/Add.1 p 9

^b ICCD/COP(3)/20/Add.1 p 14

^c ICCD/COP(5)/11/Add.1 p.17 amount is gross of contribution from host Government

^d ICCD/COP(6)/11/Add.1 p.44 amount is gross of contribution from host Government

Table 4. Summary and resource requirements for the biennium 2008–2009
(United States dollars)

Description	2007 amount approved	Resource requirements for 2008	Percentage increase against 2007 approved budget	Resource requirements for 2009	Percentage increase against 2008
Staff and other costs	1 971 000	2 512 361	27	2 563 308	2
Programme support costs (13%)	256 230	326 607		333 230	
Total administration expenditures	2 227 230	2 838 968		2 896 538	

Table 5. Resource requirements for the core budget of the Global Mechanism
(United States dollars)

Object of expenditure	Line	2007 Amount Approved	Resource requirements for 2008	Percentage increase against 2007 approved budget	Resource requirements for 2009	Percentage increase against 2008	Total for the biennium 2008–2009
COP approved staff	(1)	1 851 668	2 054 782	11	2 095 878	2	4 150 660
FAO ASMC and relocation and recruitment	(2)	119 332	136 579	14	139 311	2	275 889
Office and general expenditures	(3)	0	81 000		83 320	2.8	164 320
Mandatory travel	(4)	0	240 000		244 800	2	484 800
TOTAL administration expenditure	(5)	1 971 000	2 512 361	27	2 563 308	2	5 075 669
Overhead (13%)	(6)	256 230	326 607		333 230		659 837
Total core budget	(7)	2 227 230	2 838 968		2 896 538		5 735 506

Table 6. Staffing requirements for the Global Mechanism

	2006–2007	2008	2009
A. Professional category and above			
D-2	1	1	1
D-1	1	1	1
P-5	1	1	1
P-4	3	3	3
P-3	2	3	3
Subtotal A	8	9	9
B. General Service category	4.5	5	5
Total (A + B)	12.5	14	14

Table 7. Voluntary contributions: statement of contributions as per signed agreements in the biennium 2006–2007
(United States dollars and euros)

Donor	USD	EUR
Denmark		1 320 000
Finland	128 720	
International Fund for Agricultural Development	1 250 000	
International Bank for Reconstruction Development	330 000	
Sweden	421 980	
Spain		700 000
	2 130 700	2 020 000

Table 8. Voluntary contributions: statement of contributions since 1999 as per signed agreements up to 31 May 2007
(United States dollars and euros)

Donor	USD	EUR
Canada	595 792	
Congressional Hunger Center	133 427	
Denmark	350 000	1 320 000
European Commission		1 072 570
Finland	963 489	
International Fund for Agricultural Development (IFAD)	7 500 000	
International Bank for Reconstruction and Development (IBRD)	3 848 000	
International Development Research Centre	11 523	
Islamic Development Bank	32 000	
Italy	939 469	
Pooled Contributions for Ministerial Meetings	252 086	
Netherlands	242 938	
Norway	1 855 467	
Organization of the Petroleum Exporting Countries (OPEC) Fund	650 000	
Pooled contributions (General)	560 700	
Spain		700 000
Sweden	2 507 455	
Switzerland	271 517	
Total	20 713 863	3 092 570