

**THE BECKLEY FOUNDATION
DRUG POLICY PROGRAMME**



**The Funding of the
United Nations Office on Drugs & Crime;
An Unfinished Jigsaw**

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NOVEMBER 2006

REPORT ELEVEN

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The Beckley Foundation Drug Policy Programme (BFDPP) is a new initiative dedicated to providing a rigorous, independent review of the effectiveness of national and international drug policies. The aim of this programme of research and analysis is to assemble and disseminate material that supports the rational consideration of complex drug policy issues, and leads to a more effective management of the widespread use of psychoactive substances in the future. The BFDPP currently chairs the International Drug Policy Consortium (www.idpc.info), a global network of NGOs and professional networks who work together to promote objective debate around national and international drug policies, and provide advice and support to governments in the search for effective policies and programmes.

1. Introduction

The United Nations Office on Drugs and Crime (UNODC or *Office*) is the UN agency responsible for coordinating international drug control activities. It was established in 1997 when the United Nations Drug Control Programme (UNDCP) and the Centre for International Crime Prevention (CICP) were brought under a single umbrella body. The UNODC currently has around 500 staff members worldwide. Its headquarters are in Vienna and it has 21 field offices¹ as well as a liaison office in New York.

The *Office* was established by the UN Secretary-General to “enable the Organization to focus and enhance its capacity to address the interrelated issues of drug control, crime prevention and international terrorism in all its forms” (UNODC, Operational Priorities, 2003). While the consolidation of the UNDCP and the CICP proved useful, further restructuring took place in 2002. This was the result of a number of factors. These included a belief that not all potential synergies had been exploited, the emergence of new agendas (for example the Secretary-General’s Millennium initiative and the increasing internationalization of “uncivil” behaviour) and a change of management and subsequent consultation process after a period of instability within the agency. Its resultant reorientation saw a change of name, from the United Nations Office for Drug Control and Crime Prevention (UNODCCP) to the UNODC, accompanied by moves to better integrate the *Office’s* approach to counter the interconnected issues illicit drugs, crime and terrorism.²

In fulfilling its mandate³ “to assist Member States in their struggle” against these issues the UNODC has a three pillar work programme. This consists of:

- Research and analytical work to increase knowledge and understanding of drugs and crime issues and expand the evidence-base for policy and operational decisions;

- Normative work to assist States in the ratification and implementation of the international treaties, the development of domestic legislation on drugs, crime and terrorism, and the provision of secretariat and substantive services to the treaty-based and governing bodies; and
- Field-based technical cooperation projects to enhance the capacity of Member States to counteract illicit drugs, crime and terrorism. (www.unodc.org)

To this end the UNODC Drug Programme, formerly the UNDCP, runs alternative development projects, illicit crop monitoring and anti-money laundering programmes. It also provides statistical data through the Global Assessment Programme (GAP) and helps to draft drug policy legislation and train judicial officials as part of its Legal Advisory Programme. Likewise, the UNODC Crime Programme, formerly the CICP, activities include Global Programmes Against Corruption, Against Organized Crime and Against Trafficking in Human Beings. It also has a Terrorism Prevention Branch (TPB). As the lead agency for international drug control activities, the UNODC plays an important role in assisting Member States, particularly so-called producer countries and developing states, to effectively address a wide range of drug related problems. It also occupies a unique

¹ UNODC has field offices in Afghanistan, Austria, Barbados, Belgium, Bolivia, Brazil, Colombia, Egypt, India, Islamic Republic of Iran, Kenya, Lao People’s Democratic Republic, Mexico, Myanmar, Nigeria, Pakistan, Peru, Russian Federation, Senegal, South Africa, Thailand, United States of America, Uzbekistan and Viet Nam.

² The restructuring process resulted in the creation of four Divisions within the UNODC: Division for Operations, Division for Treaty Affairs, Division for Research and Public Affairs and Division for Management. (UNODC, *Integrated Operations in Drugs, Crime and Terrorism: Commentary on UNODC’s New Organizational Structure*, Vienna, June 2003.)

³ This is derived from several Conventions and General Assembly resolutions.

position for the compilation global data sets, to track and investigate international trends in drug production, manufacture, trafficking and use and to act as a central hub for the dissemination of best practice. Indeed, “A comparative advantage for the *Office* is its very DNA as a multilateral entity, namely as an honest broker representing the interest of no single Member State” (UNODC, Operational Priorities, 2003). However, as Jensema and Thoumi note in their paper, *Drug Policies and Funding of the UNODC*, in reality the issue of funding has an enormous impact upon the implementation of this “guiding principle” and ultimately the type of projects that become operational (Jensema and Thoumi, 2003). At any point in time, the UNODC is operating with an incomplete ‘jigsaw’ of funding, with a high proportion of planned activities waiting for funds to be raised, and a wide range of donors demanding that the office pursue their own, often conflicting, policy and programme priorities.

This Beckley Foundation Drug Policy Programme report aims to provide a broad picture of the UNODC funding situation, including an outline of the budget process, sources of funding and spending patterns. It discusses some of the negative consequences resulting from the current funding dynamic and within that context draws some conclusions.

While available budget data for the UNDCP and the CACP go back to 1997, this report will focus its analysis predominantly from 2002. Putting aside the problems associated with dealing meaningfully with large data sets within the limited space available here, the restructuring around 2002, as well as the creation of a consolidated UNODC budget in 2003, makes comparisons pre and post restructuring methodologically problematic and of limited value. In order to draw some conclusions concerning funding trends, this report sometimes compares data from different UNODC sources. Differences in calculation methodologies, terminology and classification between documents in addition to the variation between actual and estimated funding figures across years means, however, that some results presented should be referred to only as trend indicators and not unequivocal final figures. Data has been extracted predominantly from the UNODC’s Programme and Financial Information Management System (Profi)⁴ and two key recent Commission in Narcotic Drugs (CND) documents and their appendices; *Consolidated Budget for the Biennium 2004-2005 for the United Nations Office on Drugs and Crime; Report of the Executive Director* (E/CN.7/2003/20) and *Consolidated Budget for the Biennium 2006-2007 for the United Nations Office on Drugs and Crime; Report of the Executive Director* (E/CN.7/2005/12). Additional figures are taken from the UNODC’s 2005 *Annual Report*.

Box 1.

Normative Activities – Assisting governments to sign the drug control and crime Conventions, providing legal guidelines and technical papers.

I.e. Most of the activities of the Division of Treaty Affairs

Core Activities – Office and staff costs

Support Functions – Technical assistance in implementing projects.

2. Funding Types and Budget Cycles: Regular Budget and Voluntary Funds.

As noted above, a product of the UNODC restructuring process is the Consolidated Budget. This consists of the combined budgets of the drug and crime programmes and involves a number of different funding streams. Generally about 90% of the *Office*’s funding comes from voluntary contributions from donors with the remaining 10% coming from the regular UN budget; that is to say funds given to the United Nations as a whole to pay for staff, basic infrastructure and some activities. The contribution from the UN regular budget to the UNODC covers both the drug and crime programmes. It funds normative activities, some core activities and a few support functions (see box 1 for examples).⁵

The budgets of the Fund of the UNDCP (including Programme and Support budgets⁶), covering the Drugs Programme, and the United Nations Crime Prevention and Criminal Justice Fund, covering the Crime Programme, are financed only by voluntary funds from donors. These voluntary funds are divided into two subcategories.

- *Core Funds* (also sometimes known as General Purpose Funds) - These are untied voluntary contributions used by the UNODC to fund its support budget (infrastructure costs – including salaries and office running costs) and provide flexibility within its programme budget for financing areas not attracting Special Purpose Funds.
- *Special Purpose Funds* – These are earmarked to specific projects and activities. The earmarking can be either ‘soft,’ relative to a region or theme, or ‘hard,’ relative to a specific project or budget line.

The Regular Budget Cycle

Regular budget contributions are determined by the UNODC’s Strategic Framework. This is reviewed by the General Assembly (GA) two years prior to the budget period. It gives a broad outline of the priorities and activities proposed by the Secretary General and provides an indication of the total required financial resources. The regular programme budget is approved by the GA on a biennial basis

⁴ The author would like to thank the UNODC Division of Management for their help in accessing Profi.

⁵ E/CN.7/2003/20, p. 9

⁶ *Programme Budget* – This consists of core programmes and normative work, which cover mandated, ongoing activities with global focus; and the technical cooperation programme, which covers mandated activities carried out under discrete time-bound projects with a global, regional or country specific focus. *Support Budget (Infrastructure)* – This consists of programme support comprising the field office network and units at headquarters that directly implement or back-stop the programme of work; and management and administration offices at headquarters responsible for the executive direction, management and administration of the drug and crime programmes. (CND, E/CN.7/2005/12 p. 12)

and is funded through assessed contributions of member states. It starts on an even year. The current strategic framework and budget covers the years 2006 and 2007.

Budget preparation is based on the Strategic Framework as approved by the GA and new mandates from policy making organs. It is prepared by specific Programme Managers who provide a detailed breakdown of planned activities in a results based format, as well as in terms of the required human and financial resources. The budget is submitted to the UN in New York for consultation by the Budget Division. Consolidated submissions are reviewed by the Programme Planning and Budgeting Board, under the Chairmanship of the Under Secretary General for Management. Final submissions are reviewed and approved by the Secretary General and submitted to the GA for approval during the year prior to the budget period. Budget approval is a three step process.

1. The submission of the Secretary General is reviewed by two independent advisory bodies: The programmatic aspects by the Committee for Programme and Coordination (CPC); the financial aspects by the Advisory Committee on Administrative and Budgetary Questions (ACABQ).
2. The reports of the CPC and the ACABQ, containing comments and recommendations, are submitted to two Main Committees of the GA – 3rd Committee: Social, Humanitarian and Cultural Committee – 5th Committee: Administrative and Budgetary Committee.
3. The reports of the CPC, ACABQ as well as of the Main Committees are submitted to the plenary of the GA. The approval of the budget requires a two thirds majority. The budget of is approved during the session prior to the budget period.

Prior to the second year of the biennium, the GA reviews the budget (following the same procedure as the initial budget) to take into account: Changes in the exchange rates, inflation and cost of living factors; Change in priorities as decided by Member States; New Mandates imposed upon the Secretariat of policy making organs.

UNDCP Fund Budget Cycle

As with the regular budget, the Fund of the UNDCP, incorporating Programme and Support budgets, operates on a biennial basis. The budgets are approved by the CND after a review by the ACABQ. As noted above, they are funded by Voluntary Contributions from Member States and as with the regular budget start on an even year. The budget outline is based on the Strategic Framework and any new mandates imposed on the Drugs Programme. After review by ACABQ, the outline is reviewed and approved by the CND during its regular session prior to the budget period. It gives a broad overview of the priorities and activities proposed by the *Office's* Executive Director and provides an indication of the total required financial resources. Budget structures are based on the Strategic Framework and the

budget outline as approved by the CND. The Programme Budget is prepared by the Partnership in Development Branch, in line with the strategic decisions taken by the Executive Director, providing a detailed breakdown of planned activities as well as an indicative figure for programmed activities. The Infrastructure Budget is prepared by the Financial Resources Management Service, making a clear link between programmed activities and the corresponding support requirements; in terms of human and financial resources. Consolidated submissions are reviewed and after approval by the Executive Director, are submitted to the ACABQ. The submission of the Executive Director is then reviewed by the ACABQ. The report of the ACBAQ, containing comments and recommendations, is forwarded to the CND. The CND reviews and approves the initial biennial budgets during the Commission's reconvened session in December of the year proceeding the budget period.

As with the Regular Budget, the Fund of the UNDCP is reviewed at the mid point of the budget cycle. This takes place during the CND's regular session of the second year of the biennium. If there are substantial increases or changes in the operation of the programme and infrastructure budget that required considerable revision, the Commission reviews the revised budget (following the same procedure as the initial budget) to take into account: changes in the rate of inflation: changes in priorities as decided by the CND or proposed by the Executive Director: new mandates imposed upon Drugs Programme through resolutions of the GA, the Economic and Social Council or the CND, or decisions made by the International Narcotics Control Board.⁷

The unwieldy and time consuming processes outlined above impact the ability of the UNODC to react effectively to changing demands placed on it within a fluid international environment. The resultant lag-time between the often rapid emergence or identification of a drug related problem and the implementation of a programme can be counterproductive for both the target region or theme and the image of the *Office* itself. Any planning system that involves the identification of detailed activities 3 years ahead of implementation, and that only allows the implementation of those activities if money can be found to finance them, is bound to have a significant disparity between planned actions and successful implementation, leading to frustrations amongst both UNODC officials and donors.

3. Where does the money come from?

As is to be expected the majority of the *Office's* funding for the 2004-2005 biennium came from voluntary contributions, mainly for projects, with only 14% of income coming from the regular budget (CND, E/CN.7/2005/12.) As Figure 1 illustrates, the 2004-2005

⁷ Since the focus of this report is the Drugs Programme, it will not discuss the budget cycle of the United Nations Crime Prevention and Criminal Justice Fund.

biennium regular budget ratio also represents a 1% decrease on that for the biennium 2002-2003. Both base and high budget projections (low and high scenarios)⁸ for the 2006-2007 biennium show a continued decrease in the regular budget contribution as a percentage of overall UNODC funding. Examination of 2005 budget figures in the *Annual Report*⁹ reaffirms this imbalance with 12% of funding in that year coming from the regular UN budget. Various data sources, therefore, reveal a clear downward trend over recent years.

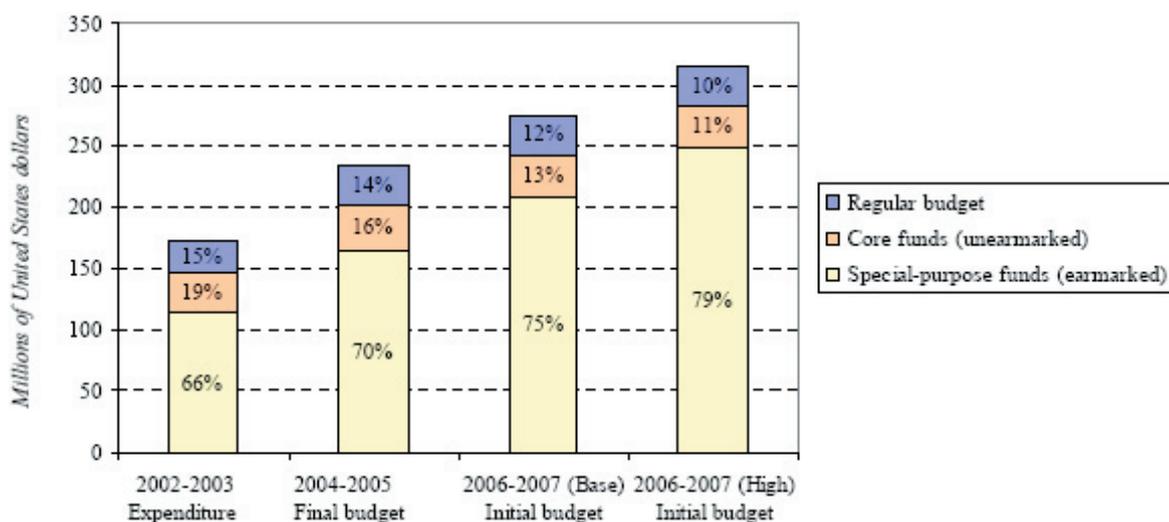
In providing an overview of “key financial data” for 2005, the *Annual Report* uses an upbeat tone to describe an “unprecedented level of voluntary financial support” from its donors (UNODC Annual Report, 2005.) Pledges for drugs and crime activities combined totalled US\$119.7 million, an increase of 27% over the previous year. The increase in the level of funding was “entirely” due to the higher level of donor support pledged to the crime programme (UNODC Annual Report, 2005); a point that will be discussed further below. Core or General Purpose Funding for Drugs and Crime remained relatively stable at US\$15.5 million. This was down from US\$15.8 million in 2004. Special purpose funding for technical assistance activities amounted to \$104.2 million. In 2004 it was US\$79.1 million. Within

the Drug Programme 79% of the income came from special purpose (earmarked) funds. In the Crime Programme the figure was 10% higher (CND, E/CN.7/2005/12).

While actual figures are steadily increasing, within the total budget both Regular budget and Core/General Purpose Funds are being eclipsed by an increase in earmarked Special Purpose funds. This is a longstanding trend for the Fund of the UNDCP; see Table 1 for the ratios of Core/General Purpose Funds and Special Propose Funds since 1997. The annual core fund income for the years from 1992 to 2005 was US\$18.6 million with the ratio between earmarked funds and unearmarked funds 73:27 (averaged figure.) For 2006-2007, it will be 82:18. It is likely that donor behaviour is to a significant extent being influenced by increasing national audit standards. That is to say, treasury regulations within some donor nations is making it harder to contribute funds that are not earmarked. Such a funding trend is simultaneously encouraging and problematic for the UNODC. While it “reflects increased confidence in the funding of programmes, it also leaves insufficient core (unearmarked) funds to sustain an adequate infrastructure” (CND, E/CN.7/2005/12).

Figure 1.
Consolidated budget and expenditure, 2002-2007
(Millions of US dollars)

(Source: E/CN.7/2005/12, p. 12)



Funding source	2002-2003 expenditure	2004-2005 final budget	2006-2007 (base) initial budget	2006-2007 (high) initial budget
Special-purpose funds (earmarked)	113.7	164.1	208.1	247.9
Core funds (unearmarked)	33.0	36.9	35.1	35.1
Regular budget	26.5	32.2	32.2	32.2
UNODC	173.2	233.2	275.4	315.2
Percentage changes over the previous biennium		35	18	35

⁸ Income projections from voluntary contributions are based on past and current trends as well as indications from donors. Given the inherent uncertainty involved, income is projected under two scenarios - a base scenario and a high scenario.

⁹ It is interesting to note that 2005 was the first year the UNODC produced an Annual Report. Its chapter, Key Financial Data, greatly increases the transparency of UNODC funding.

Table 1

Fund of the United Nations International Drug Control Programme: Voluntary income, 1992-2007.
(Millions of US dollars)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005*	2006*	2007*
Core Funds (Unearmarked)	20.2	34.3	19.0	18.3	19.7	17.2	17.1	16.5	18.1	13.2	15.0	18.4	18.8	14.7	14.3	14.3
Special Purpose Funds (Earmarked)	52.3	35.8	44.1	49.1	31.3	34.8	53.2	55.1	49.2	52.2	59.1	56.8	66.9	60.7	63.1	63.1
Total	72.5	70.1	63.1	67.4	51.0	52.0	70.3	71.6	67.3	65.4	74.1	75.2	85.7	75.4	77.4	77.4

* Estimates (Source: CND, E/CN.7/2005/12)

Donors and their relationships with the UNODC

Donors contributing funds to the UNODC can be categorized into three key groups.

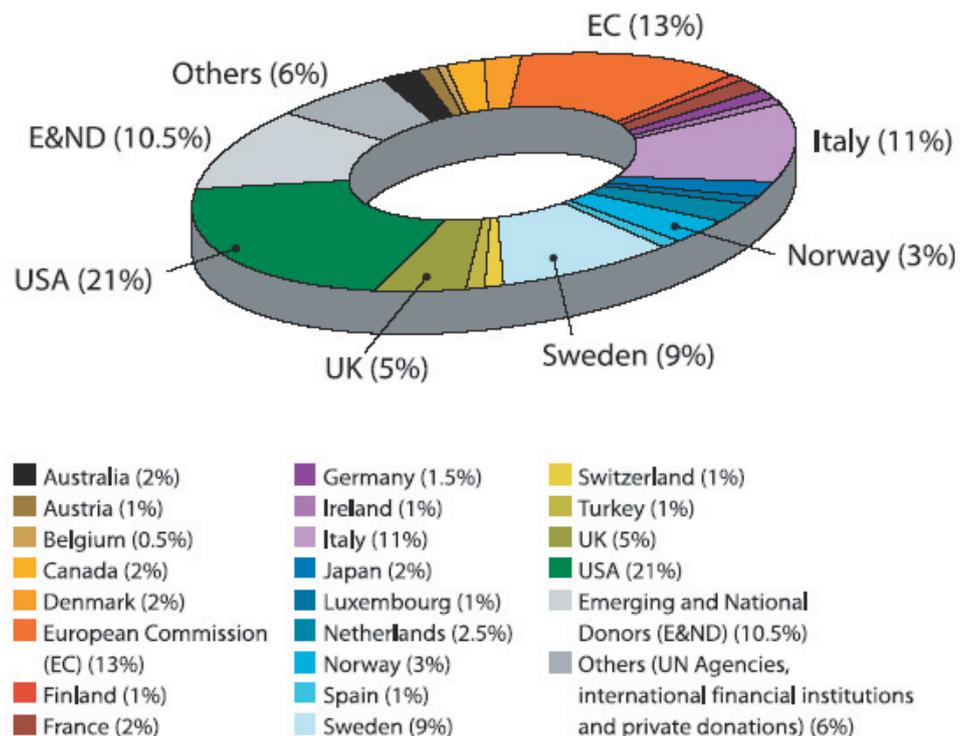
Major Donors – These are organized into what is at present a 21 nation Major Donors Group. This comprises of Australia, Austria, Belgium, Canada, Denmark, The European Commission, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, Norway, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America.

Currently chaired by Ireland, the Group has semi-formal meetings about twice a year, usually just before a major event such as a CND meeting. It is not a policy making group and as such at its meetings members listen to and ask questions of presentations made by the UNODC. Topics include financial reports, reports on ongoing and future projects and future budget requirements. What is learned by Member States here often helps to inform the distribution and size of national voluntary contributions. In reality, however, the presentations are often regarded as a “wish list” with the UNODC effectively “selling” programmes and perceived requirements to the Major Donors. While a certain amount of steer can be applied by the Office, the very nature of the UN system means that the Member States have the final say on where their money goes and as such they ultimately determine the direction taken by the UNODC.

In 2005 major donors provided the lion’s share of the budget with 83.5% (\$100 million) of the total UNODC funding coming from these states

(See Figure 2 for distribution of pledges). The UNODC is careful to avoid explicitly noting the dominance of the United States within this group. In 2005 the US pledged 21% of the overall budget which was almost twice as much as the next highest Member State and nearly \$10 million more than the European Commission. Of the approximate total of \$85 million in Special Purpose Funds pledged by major donors in 2005, about \$24 million (20%) came from the US. In terms of Core or General Purpose Funds, the 2005 total pledge from major donors was nearly \$15 million, with \$810,000 from the US. Accordingly the 2005 *Annual Report* carefully notes that “While a small number of major donors are of critical importance from an overall funding perspective

Figure 2
Distribution of 2005 Pledges (US\$119.7 million)



(Source: 2005 Annual Report, Key Financial Data, p. 95)

Table 2
Selected Major Donor Pledges 2002-2006. (US\$)

Donor	2002	2003	2004	2005	2006
Australia	680,520	1,456,330	717,297	2,348,767	3,597,668
Canada	1,083,189	1,275,643	1,797,013	2,602,590	872,840
EC	2,486,761	36,635	3,676,101	15,745,923	8,470,175
France	1,738,847	1,983,313	2,396,052	2,379,698	1,144,613
Italy	12,401,164	16,953,124	18,096,864	13,073,355	6,050,441
Japan	3,132,260	3,038,260	3,038,260	2,566,160	73,351
Netherlands	435,678	2,272,528	340,000	2,945,361	570,600
Norway	2,019,003	3,010,638	2,214,248	3,755,878	-
Sweden	4,089,189	5,167,154	7,672,298	10,609,549	11,411,470
UK	6,868,804	5,718,166	2,802,477	6,681,323	8,067,478
USA	14,989,202	23,837,903	21,362,457	24,868,883	1,667,917*

*Partial figures as of July 2006

(Source: Profi – Programme and Financial Information Management System. Status as of 5 July 2006.)

(the European Commission, Italy¹⁰, Norway, Sweden, United Kingdom and the United States), most other major donors significantly increased their contributions.” Indeed, Table 2, presenting longitudinal data from a selection of the Major Donors, shows how contributions have generally increased since 2002. Taking account of the varying budget cycles of the longstanding Major Donors, only Italy and Japan have reduced their pledges in recent years. A plausible explanation for a reduction in Italian contributions is that the election of a new government has led to the emergence of new funding priorities. Arrangements with individual Italian ministries may lead to increased levels of funding in the future. Financial cutbacks within the Japanese Government as a whole may have impacted contributions to the UNODC from the Japanese Ministry of Foreign Affairs. It is also likely that, among other issues, wider political concerns over the current composition of the permanent membership of UN Security Council have influenced Japanese funding to the Organization in general. These reductions have been absorbed by increased contributions from other donors, but the situation demonstrates the sensitivity of the UNODC funding stream to financial circumstances within individual donor nations.

Table 3 shows the breakdown of major Donor pledges for 2005. As can be seen, key institutional support, in terms of Core/General Purpose Funding, came from Canada, Denmark, France, Germany, Ireland, Italy, Japan, Norway, Sweden, Turkey and the United States (UNODC Annual Report, 2005.) It is also interesting to note that the principal contributors of earmarked funds continue to be main contributors to the Core/General Purpose Fund (GPF). According to Jensema and Thoumi in 2003, “This indicates

Table 3
Break down of Major Donor Pledges (Drugs and Crime) for 2005 (US\$)

Donor	Special Purpose Fund	Core/General Purpose Fund	Total
Australia	2,032,925	308,600	2,341,525
Austria	1,116,331	143,076	1,259,407
Belgium	531,503	52,885	584,388
Canada	2,066,544	524,136	2,590,680
Denmark	1,128,853	805,991	1,934,844
EC	15,745,923	-	15,745,923
Finland	823,529	151,877	975,406
France	1,409,452	970,246	2,379,698
Germany	1,035,400	722,892	1,758,292
Ireland	723,764	482,509	1,206,273
Italy	8,636,105	4,437,250	13,073,355
Japan	1,506,621	1,059,539	2,566,160
Luxembourg	1,335,347	100,000	1,435,347
Netherlands	2,945,361	-	2,945,361
Norway	1,994,910	1,760,968	3,755,878
Spain	975,000	225,000	1,200,000
Sweden	9,459,276	1,150,273	10,609,549
Switzerland	995,785	153,975	1,148,760
Turkey	350,000	600,000	950,000
UK	6,333,691	-	6,333,691
USA	24,058,883	810,000	24,868,883
Total: Major Donors	85,205,203	14,459,217	99,663,420

(Source: UNODC Annual Report 2005, pp. 92-93)

that donor countries consider GPF contributions as a complement to their main earmarked contributions and thus expect coherence between programmes funded by the GPF and the main funds.” Furthermore, they continue, “It is also noticeable that the countries that are the main contributors to the GPF are on balance more prohibitionist than the

¹⁰ The UNODC Executive Director’s job is generally regarded as an “Italian” position within the UN system. All Executive Directors of the UNODC and its predecessor agencies have been Italian. In contrast with other main donors, Italy does not have its own international technical cooperation programme in the drug field and this means that all Italian foreign aid in this area goes through the UNODC.

other donors” (Jensema and Thoumi, 2003). It has been discussed elsewhere how, internal national audit issues aside, increased contributions from what are sometimes called the more “liberal” donor nations to the General Purpose Fund could have the potential to dilute the influence within the Office of more prohibition oriented donors. (Bewley-Taylor, 2004, 2005, TNI 2005.) This is of course of particular relevance to the development of UNODC policy positions. Indeed, it is surprising that, in the context of overall contributions, EU states within the Major Donors group have not already used their collective financial weight to move UNODC policies more into line with those of the EU; notably on the issue of harm reduction which is a pillar of the EU drug strategy. As Table 3 shows, in 2005 EU states within the Major Donors group contributed (Drugs and Crime) \$45,695,611 or nearly 46% of major donor contributions. When the EC is included the figures rise to \$61,441,534 and nearly 62%. In terms of the overall 2005 pledges, EU member states within the Major Donors group and the EC combined accounted for 51% of the \$119,700,000 total¹. That over recent years sizable contributions have brought only limited success in furthering EU favoured approaches at the UN level suggests that there remains political and organizational barriers to effective and coordinated EU action².

Emerging and National Donors (E&NDs) – This is a group of 53 nations not considered to be Major Donors. As noted by the 2005 *Annual Report*, while many E&NDs maintained their financial support to the UNODC, a substantial number increased contributions. Most notable were Brazil, Cape Verde, Colombia, the Czech Republic, Greece, the Libyan Arab Jamahiriya, Liechtenstein, Mexico, Peru, Qatar, Russian Federation, Thailand and the United Arab Emirates. In listing these

Box 2. Canada and UNODC funding.

Here funding is led by Foreign Affairs and International Trade Canada (Foreign Affairs) who receive money to contribute to the UNODC from the Canadian Federal Government. Foreign Affairs along with other Federal Government departments working on drug issues (for example Health Canada and the Royal Canadian Mounted Police) discuss collaboratively how funding should be allocated.* A decision is made on spending priorities at both a regional and thematic basis. The key aim with regard to thematic priorities is to retain a balance between supply and demand oriented initiatives. The resultant list of projects is discussed with the UNODC and compared with its own list of priority projects. Where there is a coincidence of interest, the Canadian’s provide Special Purpose Funds. Since Canada also funds Organization of American States (OAS) projects, Foreign Affairs is careful not to duplicate spending. The system operates with few political drivers, although as with many nations Afghanistan currently remains an important issue.

**It should be noted that such departmental collaboration is often not so clear in many Member States.*

Table 4
“Other” Donor Pledges (Drugs and Crime) for 2005 (US\$)

Donor	Special Purpose Fund	General Purpose Fund	Total
<i>UN Agencies</i>			
UN Trust Fund For Human Security	1,387,594	-	1,387,594
UNAIDS	2,742,289	-	2,742,289
UN Development Programme	484,929	-	484,929
UN Interregional Crime and Justice Institute	51,110	-	51,110
UN High Commissioner for Refugees	10,000	-	10,000
<i>International Financial Institutions</i>			
OPEC Fund	2,000,000	-	2,000,000
<i>Private Donations</i>			
DAPC-Japan	155,081	-	155,081
Coparmex	110,000	-	110,000
Amer.St.org	14,717	-	14,717
FINTRAC,CAN	123,920	-	123,920
Ins. Damasino Cien.	30,000	-	30,000

(Source: UNODC Annual Report, 2005, p. 94)

donors it appears as if the UNODC is keen to encourage increased contributions from these and other similar Member States. Indeed, in aiming to achieve a “more sustainable funding basis for infrastructure and core programmes” the *Office* has stated its intention to enlarge the base of governmental contributions from non-major donor countries. (E/CN.7/2005/12) Since 2002 funding from this group has followed a predominantly upward trajectory. For example, 2002; \$4,807,758, 2003; \$5,233,678, 2004; \$14,724,844, 2005; US\$12,565,880, 2006; \$20,283,699 (Profi, July 2006.) Through supporting projects in their own countries, E&NDs provided 10.5% of the overall funding for 2005 (Annual Report, 2005.) This came through either direct contribution to programmes or by sharing the cost of national technical assistance programmes and related UNODC field office structures.

Although not constituted as formally as the Major Donors Group, the E&NDs are clearly becoming increasingly significant. As such the UNODC is beginning to discuss funding issues on an E&NDs basis rather than just pursuing bi-lateral discussions with individual states or via broader regional groupings within the UN system; for

¹This figure will be slightly higher when E&ND EU states are included.

²On the issue of coordinated EU action within the CND see Dave Bewley-Taylor and Tom Blickman, “The UNGASS Evaluation Process Evaluated, International Drug Policy Consortium Briefing Paper. May 2006, http://www.idpc.info/docs/Ungass_evaluation.pdf

example with the GRULAC (Group of Latin American and Caribbean Countries.) The relationship between the E&NDs is similar to that between the *Office* and the Major Donors. However persuasive the UNODC fund raisers are in marketing particular programmes, thematic areas or regions, in terms of both direct contributions or cost sharing, the final decision depends on national imperatives.

Furthermore, how these imperatives are formulated very much depends upon the location of the UNODC portfolio within individual governments and the sometimes competing priorities of different departments, ministries and other stakeholders. (See Box 2)

Others – Another funding group contributing funds to UNODC on a co-financing basis includes a mix of UN agencies, international financial institutions and private foundations. This group contributed a sizable \$7.1 million (6% of the total funding) in 2005 (See Table 4 for 2005 pledges.) Notable contributors among these so-called “partners” were UNAIDS, the United Nations Fund for Human Security, the Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development and the Drug Abuse Prevention Centre of Japan (DAPC). One of the UNODC’s strategic objectives is to broaden its resource base “by enhancing dialogue with financial stakeholders and extending its network of partners” (UNODC Annual Report, 2005.) This echoes calls in 2003 to rely more on Partnerships to add leverage to resources (Operational Priorities, 2003.) As such it is no surprise that the *Office* has recently been working to strengthen existing “Inter-agency partnerships,” with for example UNAIDS, United Nations Industrial Development Organization and the United Nations Trust Fund for Human Security. It has also been forging new, or renewing lapsed, links with international financial institutions such as the Asian Development Bank, the OPEC Fund for International Development and the European Foundation Centre (UNODC Annual Report, 2005)

4. Where does the money go?

An increasing share for the Crime Programme

A breakdown of 2005 donor pledges for the Consolidated Budget, Core/General Purpose Funding and Special Purpose Funding reveals the following:

- Total pledges for the Drugs Fund - \$76.7 million (Down \$2 million from 2004)
- Total pledges for the Crime Fund - \$43 million (Up \$26.8 million from 2004) (UNODC Annual Report, 2005)

Confirming an overall upward funding trend, other UNODC documents show that the total income of the UNODC grew by 22% (\$41.6 million) from \$190.4 million in the 2002-2003 biennium to \$232 million in the 2004-2005 biennium. Income is projected to increase by an additional \$6.6 million (3%) in the 2006-2007 biennium (CND, E/CN.7/2005/12).

As suggested by donor pledges, and as noted earlier, most of the income growth is in voluntary contributions to the crime programme. This increased by \$23.9 million (162%), from \$14.7 million in the 2002-2003 biennium to \$38.6 million in the 2004-2005 biennium. While voluntary contributions to the drug programme are expected to remain stable (7% nominal growth for 2006-2007), the crime programme is expected to grow by 98%. This growth in the “crime programme is based on increased mandates and funding for new larger projects,” (CND, E/CN.7/2005/12) such as a recent European Commission funded Anti-Corruption project in Nigeria and other projects in Brazil and Afghanistan. These and other initiatives are being undertaken within the context of new crime Conventions like the UNCAC (UN Convention Against Corruption) and the UNTOC (UN Convention Against Transnational Organised Crime.) This is altering the traditional relationship between funding for the drugs and crime programmes.

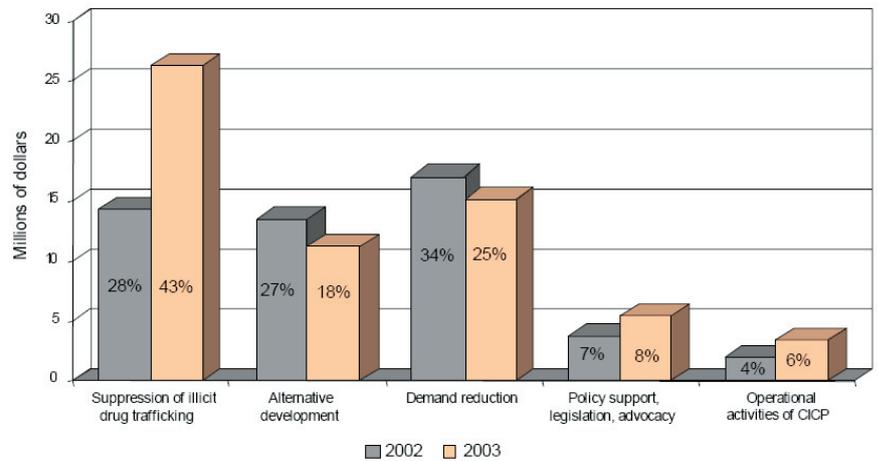
The changing ratio is perhaps unsurprising bearing in mind the elevated status of the crime, and to a lesser extent terrorism, programmes within the UN and the UNODC’s changing focus in recent years. The Secretary-General’s 2005 report, *In Larger Freedom*, among other things highlighted the UNODC’s role in counteracting organized crime, corruption and terrorism. Years earlier in his first address to his staff, the Executive Director of the UNODC, Mr. Costa, emphasized the connections between “drugs, crime and terrorism, the evils of our time” (Jelsma and Metaal, 2004.) While the budget for Terrorism Prevention still remains small, Mr Costa’s opening statements at the UN Commission on Crime Prevention and Criminal Justice in April 2006 suggested that he would like to see the “three pillars” of the UNODC mandate (drugs, crime, and terrorism) equally strong. It has been argued that, while no one will deny the intimate relationship between the drug and crime issues, the addition of terrorism into the mix with the UNODC can be interpreted as a response to the international community’s changed priorities. Indeed, it probably played a role in encouraging the United States to double its contribution to the UNODC in 2003. Problems do, however, exist with an over-emphasis of the drugs-crime nexus. As the funding and structure of the UNODC become increasingly focused on this relationship, there is a danger that drugs issues become increasingly enmeshed with, and limited to, activities designed to tackle crime and terrorism. Privileging a predominantly law enforcement approach above health or development approaches may also lead to tension with other UN agencies dealing with the drugs issue that are more health and development oriented (Jelsma and Metaal, 2004.) Moreover, whether law enforcement or health oriented, as UNODC funding shifts, or is actively steered, towards crime and anti-terrorism projects, the profile of its drug related work in general may decline and thus become impaired.

Inside the Drugs Programme Budget

Figures 3 and 4 represent UNODC expenditure in terms of themes and regions during 2002 and 2003. They show that the region receiving the most funding was Latin America and the Caribbean (LAC). Here,

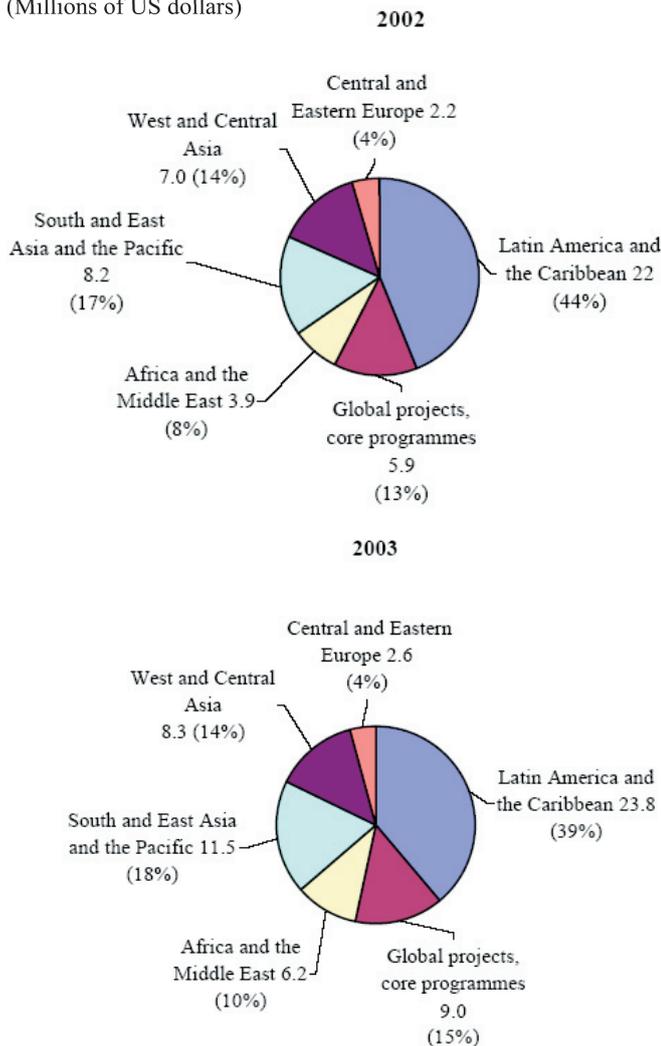
while the percentage of overall expenditure declined, funding between 2002 and 2003 increased by \$1.8 million. The largest thematic element during that period was *Suppression of illicit drug trafficking*. As a proportion of the overall operational portfolio, activities to suppress illicit drug trafficking increased from 28% in 2002 to 43% in 2003. Whereas law enforcement activities remained stable in most regions between 2002 and 2003, “the bulk of the variance is attributable to significant year-on-year increases under projects in Brazil to upgrade drug law enforcement training centres, expand precursors control, and set up national data bases on crime and public security” (CND, E/CN.7/2003/20). *Demand reduction* activities fell as both a share of the overall operational portfolio and in absolute terms between 2002 and 2003. This was seen to be compounded by the fact that over 50% of the demand reduction portfolio of the *Office* at that

Figure 4
Operational Activities in all thematic areas, 2002-2003
(Millions of US dollars)



Note: Figures in boxes represent the percentage share of total annual delivery.
(Source: CND, E/CN.7/2003/20 p.29)

Figure 3 **Operational Activities in all regions 2002-2003**
(Millions of US dollars)



(Source: E/CN.7/2003/20 p.28)

point was made up of a single project in Brazil (drug abuse and the prevention of HIV/AIDS.) As the UNODC noted in 2003, historically activities aimed at drug abuse and HIV/AIDS prevention, treatment and rehabilitation together claimed about a third of the overall operational portfolio. As such “The below trend performance” in 2003 was regarded as a “worrying sign” with the UNODC drawing the conclusion that demand reduction activities in general were not being assigned “high priority” (CND, E/CN.7/2003/20). It is noteworthy that *Alternative Development* expenditure also fell in 2003. The figure of \$10.7 million signified the lowest level since the 1980s.

In the sections below this snapshot of the budget for 2002-2003 will be compared with an examination of the Drug Programme final and initial budget figures from the 2004-2005 biennium and the 2006-2007 biennium respectively. Direct comparisons of funding trends are, however, problematic for a number of reasons. First, the 2002-2003 figures are for expenditure rather than budget. Second, in many instances the 2002-2003 data includes the Fund of the UNODC and the Crime Prevention and Criminal Justice Fund. Third, as alluded to earlier, the UNODC has recently altered the way it structures and classifies thematic areas. Nonetheless, mindful of these caveats, when analysed within the context of expenditure in previous biennium, the recent data provides a useful overview of the current and projected state of the Drugs Programme, both by themes/programmes and regions.¹¹

Themes/Programmes

The *Office’s* work programme is currently budgeted under three pillars; *research, analysis and advocacy; services for policy making and treaty adherence; and technical assistance and advice*. In addition, in terms of funding categories, there is an *Infrastructure* pillar. Each pillar contains a series of subsections (See Box 3)

Box 3. UNODC Themes/Programmes & Infrastructure

Programmes.

Research, analysis and advocacy.

(a) Research and trend analysis (b) Illicit crop monitoring (c) Laboratory and scientific services (d) Advocacy

Services for policy making and treaty adherence

(a) legal advisory services (b) Terrorism prevention work (c) Services for policy making and treaty adherence: headquarters (d) Information technology services

Technical Assistance and Advice

(a) Global Challenges - (i) HIV/AIDS (ii) Prevention, treatment and rehabilitation (iii) Crime Prevention (iv) Sustainable livelihoods

(b) Action against trafficking - (i) Counter-narcotics enforcement (ii) Action against organized crime (iii) Action against human trafficking.

(c) Rule of Law - (i) Action against corruption (ii) Action against money laundering (iii) Criminal Justice Reform

Infrastructure – Field Offices, Headquarters, Agencies.

Source: CND, E/CN.7/2005/12 pp. 16-17

In the 2004-2005 biennium the final budget of the *Research, analysis and advocacy* pillar stood at \$12,244,000. In terms of the initial budget, an increase of 10% looks set for the current biennium. Although the total figures are smaller, a similar situation can be seen for *Services for policy making and treaty adherence*. Here the 2004-2005 figure was \$4,046,000 with a projected increase of 16% in the 2006-7 biennium. It is interesting to note that within *Technical assistance and advice*, HIV/AIDS, one of the four Global Challenges within this pillar, sees a budget increase of only 10% (from \$17,045,000 to \$18,706,000). Another Global Challenge, Prevention, treatment and rehabilitation, is seen as a candidate for a significant increase; this time of 19% (from \$19,704,000 to \$23,383,000.) Proposed changes to the final Global Challenge within the *Technical Assistance and Advice* pillar, sustainable livelihoods, merit a mention. This looks set to incur an 8% funding reduction in the current biennium. Figures for 2004-5 were \$22,865,000. It is possible that this is a reflection of increasing donor uncertainty concerning UNODC capacity to effectively implement AD programmes and a resultant preference to fund these activities through other UN agencies; the UN Development Programme (UNDP) for example. Meanwhile, a further subset of the pillar, Action against Trafficking, is projected to have a 14% budget increase. This is the result of the Counter-narcotics enforcement budget increasing from \$44,483,000 in 2004-5 to \$50,906,000 in 2006-7. It is noteworthy that counter narcotics enforcement is the single largest item on the budget line, both at 2004-5 and 2006-7 figures. It is double the next largest programme. This is perhaps not surprising bearing in mind the emphasis placed on this thematic area by major donors like the US and surprisingly the EC (See Table 5.) The second largest budget item is sustainable livelihoods, which as noted is set for a reduction in funding. Indeed, October 2006 data for the funding of ongoing projects confirms this pattern with Counter Narcotics enforcement receiving 27.1% of the overall donor budget in terms of thematic area (Profi) The final subset of *Technical Assistance and Advice*, Rule of Law, is seen as an area receiving a significant budget increase; 61%. This is solely the product of an increase for Action against money laundering from \$4,169,000

Table 5
Funding for Ongoing Projects by Theme, October 2006
(US\$ 119.7 million)

	USA		EC	
Thematic Area				
	Amount (Millions)	%	Amount (Millions)	%
Sustainable Livelihoods	44.2	40.7	-	-
Counter Narcotics Enforcement	42.2	38.9	7.5	87.1
Anti-Money Laundering	8.5	7.8	-	-
Legal Advisory Services	4.9	4.5	-	-
Research and Trend Analysis (Illicit Crop Monitoring)	2.9	2.7	-	-
Prevention, Treatment and Rehabilitation	2.9	2.6	-	-
HIV/AIDS	1.4	1.2	1.1	12.9
Advocacy	0.7	0.6	-	-
Laboratory and Scientific Services	0.5	0.5	-	-
Information Technology	0.4	0.3	-	-
Research and Trend Analysis (illicit Drugs and Crime)	0.2	0.2	-	-
Total	108.7	100%	8.6	100

(Source: Profi 2 October 2006)

¹¹ Data here refer only to voluntary funds to the Drugs Programme. Monies from the regular budget are not taken into account since UNODC figures on the regular budget include both the Drugs and Crime Programmes (CND, E/CN.7/2005/12, pp.15-17.) For longer term trends see UNODC Consolidated Budget for 2004-2005 (CND, E/CN.7/2003/20), Note on Supplementary Tables 7 to 12, October 14, 2003. This document shows data sets from 2000-2001. However, comparisons of figures beyond the document's release date of 2003 are problematic due to changes in the classification of many thematic areas.

Table 6
UNODC; Final 2004-2005 and initial 2006-2007 Budget. Drug Programme (Voluntary Fund)

(Thousands of United States Dollars)

Region	2004-2005 (Final Figures)	2006-2007 (Initial Figures)	% Change
Africa and the Middle East (AME)	12,898	19,363	+50
South Asia, East Asia and the Pacific (RAS)	21,025	16,927	-5
West and Central Asia (WCA)	32,127	39,131	+22
Central and Eastern Europe (ECE)	3,389	2,316	-32
Latin America and the Caribbean (LAC)	36,586	34,540	-6
Global Activities (GLO)	3,714	6,932	+87

(Data from CND, E/CN.7/2005/12, p. 13)

to \$6,694,000. Presumably such a budget increase here fits well with the growing emphasis upon Crime within the UNODC structure. The only discrete area showing a budget decrease for the periods examined is *Infrastructure*. Here there is an overall budget reduction of 6% (from \$45,103,000 to \$42,446,000). Funding for the UNODC headquarters shows a 7% increase while the projected field office budget is cut by 20%. This seems to reflect the trend towards sharing the cost of field offices with host countries or obtaining national funding for premises.

Regions

Moving on to look at the list of budget figures across regions, Table 6 shows actual 2004-5 figures and initial budget requirements for 2006-7 as laid out by the UNODC in September 2005. When looking at general distribution trends between the expenditure figures for 2002-2003 and the final Drug Programme budget (Voluntary fund) for 2004-2005 it is possible to see meaningful parallels. Latin America and the Caribbean (LAC) for example retains its position as the dominant recipient region. This is a pattern reaffirmed by October 2006 data referring to funding of ongoing projects by region. Here LAC constitutes 40.2% of all donor funding with Africa and Central and Eastern Europe accounting for only 1.6%. This is consistent with rankings of six regions (including Global Activities) in recent years. However, as data in table 6 suggests, current rankings look set to change in the 2006-2007 biennium. West and Central Asia is targeted for a 22% increase in funding and will consequently become the dominant recipient region. This reflects new projects in counter-narcotics enforcement in Afghanistan, the Islamic Republic of Iran and the Central Asia Republics. A proposed US\$46.5m increase in

funding for Africa and the Middle East includes new cost shared counter-narcotics projects in Cape Verde and Nigeria. New projects to prevent HIV/AIDS are also planned for East and West Africa. That said, within the Consolidated Budget, these projects are dwarfed by the US\$16.7m (271%) increase in the crime programme; accounted for by the aforementioned EC funded anti-corruption programme in Nigeria. For South Asia, East Asia and the Pacific, the decrease of US\$1.1m mainly reflects the lack of funding for sustainable livelihood projects on The Lao People's Democratic Republic and Myanmar. The similar decrease regarding Central and Eastern Europe is accounted for by the "severe funding shortfall for the region." This is the case despite the existence of "a solid programme extension of ongoing or new drug projects" (CND, E/CN.7/2005/12.) LAC is expected to remain relatively stable. In contrast it is hoped that Global Activities will experience a significant US\$3.2m (87%) increase in funding. This represents planned growth in the Illicit Crop Monitoring Programme, the *World Drug Report*, research and policy development in demand reduction and the development of the substantive module of the Profi system – a project directly linked to programmes (CND, E/CN.7/2005/12.)

5. The Impacts of Donor Dependency

Almost four years ago, after consultations with a broad range of "in-house and external stakeholders" the UNODC reflected upon elements of weakness within itself (UNODC, Operational Priorities, 2003.) Many of these elements were related to the way the *Office* was funded. Despite changes within the structure and organization of the UNODC, the concerns outlined in January 2003 remain relevant, if not more pressing, today. It seems clear that problems associated with the UNODC's limited funding from the UN regular budget are being exacerbated by donors' increasing proclivity to earmark their voluntary contributions. While in many ways interconnected, the impacts of the *Office's* resultant donor dependency can be listed as follows:

- *Inhibits Strategic Planning* – Reliance on voluntary funding makes the UNODC vulnerable and donor driven with a limited capacity for independent policy formulation. As a result, in many cases projects are implemented only if they can attract income and regardless of whether or not they are strategic priorities. In late 2005 the last Consolidated Budget report to the CND noted, "Budget trends over 2002-2007 show an increasing dependency on special purpose funds, underlining the unpredictability of the funding base" (CND, E/CN.7/2005/12.) Such unpredictability of income, combined with the biennial budget cycle itself and an ongoing shortage of core funds to honour staff contracts (CND, E/CN.7/2005/12), also often leads to short term timetables for programmes that arguably require longer periods to operate and be evaluated effectively. Planning is further hampered by the number and variety of donor nation's preferred programmes. As

Box 4. 20 Million Euro Donation from the Netherlands to address HIV/AIDS among injecting drug users in Eastern Europe and Russia.

Under an agreement signed in August 2006 by the UNODC Executive Director, and Hans Hoogervorst, Dutch Minister of Health, Welfare and Sport, the Government of the Netherlands donated 20 million Euros to combat infectious diseases such as HIV and AIDS among drugs users in Eastern Europe and the Russian Federation. The donation will be used to assist countries implement a comprehensive package of HIV/AIDS prevention and care measures. It came during a period when the rate of HIV infection among intravenous drugs users in Eastern Europe continues to rise. In some countries, the infection rate has already reached seventy to eighty per cent, placing the national public health systems under severe pressure. By means of the Dutch grant, Mr Hoogervorst wishes to promote methadone and needle exchange programmes in these countries. The health risks of drugs use will also be countered by means of information and education, readily accessible social services and free condoms. The donation is part of a Dutch programme to improve health services in Central and Eastern Europe and the Russian Federation that has been running since 1998. It aims “to get the issue of basic structures to fight infectious diseases, such as tuberculosis and HIV/AIDS, higher on the agenda.” The Dutch Government has already worked with the Baltic States, the Czech Republic, the Russian Federation, Slovenia and Slovakia on “public health, infectious diseases, systems for early detection, first line services and drugs prevention programmes”.

The Dutch cabinet approved the twenty-million Euro grant in April 2006. The amount covers a four-year period.

Sources: <http://www.minvws.nl/en/nieuwsberichten/vgp/2006/twenty-million-euros-to-tackle-health-risks-to-drugs-users.asp> and Dutch language sections of Ministry of Health, Welfare and Sport website.

discussed above, the UNODC can attempt to persuade donor’s to support particular programmes or objectives but do little more. A potentially unfortunate outcome of such a situation is low programme completion. This is counterproductive for the *Office*, the donors and those nations (and ultimately in many case individuals) targeted by the programme.

- *Stifles UNODC’s Independent Voice* – Excessive donor dependency puts the *Office* in a very difficult position vis-à-vis questioning and evaluating policy and programmes. As Jensema and Thoumi note, it may even mean that the UNODC condones questionable programmes in order to obtain funds. “For example, in the past it agreed to undertake experiments with some crop control methods in secrecy.” Dependency also impacts the UNODC’s ability to provide an open forum for drug policy debate and inhibits its unique potential to act as a centre for the

dissemination of best practice. It is possible to argue that this situation has generated inertial dynamics that perpetuate current policies (Jensema and Thoumi, 2003.)

- *Loss of “Comparative Advantage”* – As noted in the introduction of this report, the UNODC regards its “comparative advantage” within the multilateral environment coming from its position as an “honest broker representing the interests of no single member state.” In reality this is extremely difficult to achieve, especially with regard to the wishes of Major Donors. As has been noted elsewhere, there is a Sword of Damocles hanging over the head of the Executive Director. In statements and the adoption of policy positions, he must be careful to appease large donors as well as other donors with different priorities and views (TNI, 2005.) An example of the problems faced by the *Office* involved the successful US request in 2004 for the UNODC to abstain from involvement in or support of some harm reduction interventions; a request backed up by a threat to cut US funding to the *Office*. Regardless of the motivations and diplomatic style of the particular US official involved, the incident did little for the image of the UNODC as an independent entity beyond the immediate influence of significant individual donor countries. It will be interesting to see if the 20 million Euros given by the Netherlands to the UNODC to address HIV/AIDS among injection drug users in Eastern Europe and Russia in August 2006 will do anything to change the *Office’s* stance on the harm reduction issue. (See Box 4.) The idea that the UNODC possesses a “comparative advantage” was also recently challenged with its publication of *Sweden’s Successful Drug Policy: A Review of the Evidence*, in September 2006. It currently remains unclear why Swedish policy was privileged over that of any other nation state with a “successful” drug policy. In terms of perception, however, it is easy to make the connection between Sweden’s financial contributions to the UNODC and the Executive Director’s increasingly strident advocacy of the Swedish model. This stance in itself may be influenced by the policy preferences of significant donor nations.
- *Constant Budget Crisis* – It is true that budget shortfalls force the *Office* to be creative and dogged in its pursuit of funding and extracting the best value from extant budgets. This can, however, be counterproductive for a number of reasons. First, expanding the traditional funding base to include non-traditional donors and “partnerships” has the potential to lead to additional pressures concerning programming and strategic coherence. In the same vein, appealing exclusively to donor priorities does little for the development a coherent strategic plan. Second, there is an important issue concerning Civil Society. It has been suggested that past UNODC claims that sections of Civil Society involved in drug policy issues were nothing more than legalizing lobbies may have been an attempt to curry favour with certain donor nations and increase the UNODC budget. If this was the motivation for the UNODC’s position, it is

worrying. While probably not leading to any guaranteed funding increases, action of this type does much to exclude other parties from the international policy debate (Jensema and Thoumi, 2003.) Moreover, it creates tension with the *Office's* proposals to generate relationships with NGOs for reasons of finance as well as inclusivity and consultation (E.g. UNODC Operational Guidelines 2003, UNODC Progress Update on UNODC Strategy, April 2006.) Third, the continuing high level of earmarking ensures the UNODC budget crisis becomes normalized. In such an environment the Office is constantly requesting more core funds from nations. However, because it avoids overt collapse through constant restructuring and budget redistribution, donors remain reluctant to alter the structure of their funding. This can have a number of serious negative consequences including a gradual degradation of programmes and strategic coherence, low project implementation and a situation where many UNODC personnel are retained on insecure short-term contracts. As a result, the structural problems faced by the *Office* are likely to be compounded by low staff morale. If the UNODC supports the preferred positions of the more zero-tolerance oriented donors it runs the risk of alienating the support of other countries. Conversely, if the Office promotes policies and activities that embrace more pragmatic approaches (harm reduction for instance) funds from its traditional donor base are put at risk.

6. Conclusions

The aim of this Report has been to provide the reader with an accessible guide to the intricacies and implications of recent UNODC funding. It has inevitably simplified some aspects of the issue in an attempt to fulfil this task. It is hoped, nonetheless, that the conclusions presented below will be a useful contribution to the continuing debate surrounding the operation of the *Office* and its relationship with donor nations.

Modern conceptions of intergovernmental organization mean that the UNODC, like other UN agencies, will always be the servant of the member states and donors and encounter the often paradoxical difficulties associated with such an arrangement. For example, as noted above, among other things the current budget process inhibits strategic planning and leads to low implementation rates. However, despite clear and significant improvements in the operation of the *Office* since 2003, donors remain unsure that their investments will be spent efficiently. This consequently limits their willingness to donate to the UNODC, especially with regard to multi-year unearmarked contributions. Such a problem is exacerbated by the different and sometimes conflicting priorities and policy positions of major donors. If the UNODC supports the preferred positions of prohibition oriented donors it runs the risk of alienating the support of more liberal countries. Conversely, if the *Office* promotes policies and activities that embrace more liberal approaches (harm reduction for instance) funds from its traditional donor base are put at risk.

Resolving such Catch-22 dilemmas are crucial challenges if the UNODC is to reach its full potential as an efficient channel for multilateral action on drugs. It seems clear, however, that important changes in not only the funding process, but also in donor states' perceptions and expectations of the *Office* (and changes in attitude of the UNODC itself), would be necessary to improve its efficiency and allow the *Office* to move closer to fulfilling its potential. For example:

1. An increase in Regular budget contributions, particularly in light of the expanding UNODC mandate concerning crime and terrorism, would help stabilize infrastructure.
2. While donors are understandably keen to ensure value for money and address national priorities, a move away from current levels of earmarking and micro-management would allow the *Office* to pursue a more coherent and holistic strategy. Attainment of this goal could be assisted by moves to encourage "Objective driven," as opposed to thematic, programme or regionally earmarked, contributions, and assurances from the Executive Director that funds will be directed at identified need, as opposed to political priorities.
3. An increased willingness of donors to invest in developing the *Office* as a global centre of objective expertise would help it develop its full potential as a clearing house for best practice and international monitoring. It is likely that such investment would be more likely if the UNODC extended its engagement with donors beyond securing financial contributions and increased cooperation and communication at all programme stages.
4. A longer budget cycle would help ensure predictability of budget for programmes and permit longer term planning.
5. A more streamlined budget process would allow the UNODC to respond more rapidly to emerging or identifiable drug problems.

Meaningful engagement with any of these suggestions would of course require a significant change in the mindset of donor nations and the UNODC leadership. A general reluctance to trust the *Office* to direct sizable contributions as it sees fit is perhaps understandable in light of previous mismanagement. While this is the case, the forthcoming new UNODC Strategy could offer a good opportunity for a re-evaluation of funding structures and the introduction of longer term "Objective driven" contributions.

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