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PROGRAMME BUDGET FOR THE BIENNIUM 1978-1979

Presentation of the United Nations budget

Nineteenth report of the Advisory Committee on Administrative
and Budgetary Questions

1. In response to General Assembly resolution 32/211 of 21 December 1977, on the presentation of the United Nations budget, the Secretary-General has submitted four reports in which he deals with the advantages and disadvantages of semi-full budgeting (A/C.5/33/10), the implementation of the budget (A/C.5/33/11), considerations of methodology (A/C.5/33/12), and the identification of activities that are completed, obsolete, of marginal usefulness or ineffective (A/C.5/33/13). The observations and recommendations of the Advisory Committee on Administrative and Budgetary Questions on the reports in documents A/C.5/33/10 and A/C.5/33/11 have been submitted in its ninth report to the General Assembly at its thirty-third session (A/33/7/Add.8). In the present report the Advisory Committee deals with the reports of the Secretary-General in documents A/C.5/33/12 and A/C.5/33/13.

Considerations of methodology

2. In his report on "considerations of methodology" (A/C.5/33/12), the Secretary-General responds to the request addressed to him in paragraph 2 (b) of General Assembly resolution 32/211 that he submit proposals relating to

"the method to be followed in making a satisfactory determination of the amount corresponding to maintenance of programmes and the composition of that amount, for example by proposing the adoption of a zero base for the calculation of some elements thereof, and in making a more accurate assessment of staff costs".

3. After describing the form of the 1978-1979 budget and its review by the General Assembly at its thirty-second session, the Secretary-General, in paragraphs 13 to 23 of his report deals with certain considerations of principle

and method. According to the Secretary-General, "one of the more useful techniques for explaining the content of new budget estimates has been to analyse the differences arising between each new budget and the previous one" (A/C.5/33/12, para. 16). To that end, "the budget presentation attempted to establish a base level indicating the resource volume at stake if there were neither inflation nor real growth in the biennium" (*ibid.*, para. 18). "Growth" represents the net additional requirements - after full utilization of resources released as a result of completion or discontinuance of past activities - to provide for a net increase in programme activity as measured against maintenance (*ibid.*, paras. 19 and 20).

4. In paragraph 24, the Secretary-General lists the steps which he believes are required in order to arrive at a satisfactory determination of the composition of the maintenance base. For the reasons given in paragraphs 26 to 28, the Secretary-General concludes that "it is considered useful to continue the practice of excluding significant non-recurrent items from the calculation of the maintenance base as well as of real growth" at the programme level, but that, in the aggregate, such items "represent an element of continuing requirements which can, in total, be compared from one biennium to the next" (para. 29).

5. After discussing standard salary costs, the text in support of budget estimates and the tabular presentation, the Secretary-General states in paragraph 38 that he is convinced that the current concepts of budget presentation are basically sound and should be continued. Accordingly, he proposes to prepare the budget presentation for 1980-1981 basically in the same manner as before. The "maintenance" base will be calculated on the basis of average costs for 1979 as determined at the time of the preparation of the estimates for 1980-1981. Real growth will be indicated, and while less emphasis will be given to non-recurrent items than in the past, items of significant nature will be separately identified; a table will show the relationship between non-recurrent items, in total, in 1978-1979 and 1980-1981. The impact of currency fluctuations and inflation will be handled in the same manner as in the current budget (para. 39). A more summary approach will be taken in the presentation of tabular material, and the wish of the General Assembly that absolute figures should be presented at the subprogramme level will be respected (para. 43). The presentation of estimated extrabudgetary resources will be enlarged (para. 44).

Observations of the Advisory Committee

6. In his report in document A/C.5/33/12, the Secretary-General discusses the type of material that must be included in the programme budget document to facilitate consideration of the estimates by the General Assembly prior to the approval of appropriations for the budget period. It can be said that the ideal approach is to provide justification *de novo* ("zero-base" budgeting) for all the resources being requested. However, for practical reasons, it is doubtful whether the "zero-base" budgeting technique can be used to justify all the budgetary requests each time the estimates are being prepared and submitted. In the circumstances, the Secretary-General has been presenting budget estimates in such a way that the General Assembly would be able to analyse the differences arising between each new budget and the previous one. For that purpose he adopted the concept of the "maintenance base".

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7. There is need, however, for a clear definition of whether the above concept covers maintenance of resources (inputs) or maintenance of activities (outputs). In paragraph 15 of its first report on the proposed programme budget for the biennium 1978-1979, the Advisory Committee pointed out that the resources allocated to activities should not be equated with the activities themselves. 1/ As was stated in paragraph 3 above, the Secretary-General in paragraph 18 of his report in document A/C.5/33/12 relates the concept of maintenance to resources. However, in paragraph 19 the Secretary-General introduces an element of confusion between resources and activities when he states that "the growth element indicates the additional resources required to provide for a net increase in programme activity as measured against maintenance". None the less, the thrust of the argument in document A/C.5/33/12 would seem to be that it is the Secretary-General's intention to apply the concept of the maintenance base to resources. By contrast, the General Assembly in resolution 32/211 refers to the "maintenance of programmes" (see para. 2 above).

8. The Advisory Committee points out that to maintain a programme at a particular level the Secretary-General need not necessarily require the same level of resources as in the past. His resource requirements may be less (as a result, for instance, of increased productivity) or greater (e.g., if management were to deteriorate). Furthermore, an approach based on maintenance of programmes will necessarily involve value judgements on whether particular programmes need to be maintained.

9. The alternative approach is to take the real resources appropriated in the base biennium as a yardstick against which the real resources proposed for the coming biennium can be compared. To make this comparison possible, the two quantities of real resources must be given money values on the same price basis. The comparison has to be in monetary terms, since the budget consists of a fairly complex mix of resources, e.g., staff, travel costs, consultants and general supplies and services. The difference between the two valuations represents the real growth, whether positive or negative, in real resource inputs. The Advisory Committee agrees with the Secretary-General that this measurement of real resources growth from biennium to biennium is an indispensable tool of budgetary management in an era of inflation and currency fluctuations.

10. As the Secretary-General himself indicates in paragraph 20 of his report, such an approach "does not imply that previous inputs will all be required in the new biennium for exactly the same purposes as in the previous one. On the contrary, the budget allows for changes in the work programmes over time and the replacement of old activities by new ones". Furthermore "the maintenance level is not to be understood as depicting a level of budgetary requests which would simply continue and therefore be exempt from the process of budgetary examination. To do so would mean resorting to an incremental budget approach, in the sense that a certain level of expenditure is taken for granted, limiting the budget exercise to a scrutiny of what should be added thereto" (para. 21).

1/ Official Records of the General Assembly, Thirty-second Session, Supplement No. 8 (A/32/8).

11. In paragraph 22, the Secretary-General states that growth need not be confined to increases in requirements. To the extent that resources provided in the earlier budget will not be required in the later one they will be regarded as "negative growth", i.e., a reduction of resources in that particular programme. Only such net additional resource requirements as may remain after the resources released by "negative growth" have been redeployed, will constitute real growth for the new biennium.

12. In paragraph 24 (d) of his report, the Secretary-General states that the maintenance base should include the "delayed impact of decisions taken at the two preceding sessions of the General Assembly in respect of which full budgetary provision had not been made in the earlier biennium". The Advisory Committee notes that the Secretary-General's approach is based on methodology A recommended by the Advisory Committee in its first report on the proposed programme budget for the biennium 1976-1977 ^{2/} and that it was used by the Secretary-General in his programme budget proposals for the biennium 1978-1979. ^{3/} In annex IV to the forward to the proposed programme budget for 1978-1979, the Secretary-General identified the costs related to decisions having a delayed budgetary impact. The annex shows that two distinct elements have a delayed impact on subsequent budgets. One of them results from the practice of applying a delayed-recruitment deduction to the cost of new posts requested by the Secretary-General in his initial programme budget proposals: the Secretary-General's programme budget proposals for 1978-1979 made the necessary allowance for that deduction in the calculations of "real growth". The second element consists of the decisions taken in the context of revised or supplementary estimates. There now exists no procedure for showing the "real growth" impact of such decisions on either the current or the subsequent biennium. To remedy this situation to some extent the Advisory Committee recommends that the delayed impact of such decisions should be shown as delayed growth rather than be included in the maintenance.

13. The Advisory Committee also agrees with the Secretary-General's suggestion that significant non-recurrent items be excluded from the maintenance base (and from the calculation of growth), but that a comparison be also provided for the budget as a whole in which such items will be included both in the base and in the request for the coming biennium.

14. Needless to say, the approach discussed in paragraphs 9 to 13 above is not the only possible approach to the problem. For example, it would be possible to identify the over-all inflationary cost increase between the appropriations for the base biennium and the estimates for the new biennium and to deflate the latter by the amount of the inflation. The difference between the resultant figure and the appropriations for the base biennium would then represent the real resources growth, and the calculation would have avoided the use of a revalued "maintenance"

^{2/} Ibid., Thirtieth Session, Supplement No. 8 (A/10008), para. 18 (a).

^{3/} Ibid., Thirty-second Session, Supplement No. 6 (A/32/6).

base (whether so called or given another name). Whichever method is used, however, the sole valid purpose is the measurement of increase or decrease in the real resource inputs proposed for the budget.

15. The Committee agrees, in general, with the views expressed by the Secretary-General in paragraphs 32 to 37 of his report on standard salary costs and improvements in the textual and tabular material. In the Committee's opinion the textual material should relate the budgetary requests to the medium-term plan; any departures from the plan should be clearly explained.

16. While the Committee does not recommend that the length of the programme budget should be increased, it believes that the Secretary-General should compile, for submission to the Advisory Committee, more detailed back-up justifications for his request. Such material should include, *inter alia*, a quantification of the resources released through the reduction or termination of activities which have been completed or are regarded as obsolete, of marginal usefulness or ineffective (see also paras. 23 to 26 below). In paragraph 30 of its first report on the proposed programme budget for the biennium 1978-1979, the Advisory Committee recommended that zero-base budgeting be extended to selected areas such as travel, temporary assistance and consultants. ^{4/} For such areas the Secretary-General would have detailed justifications for his entire request. The Advisory Committee will reflect such information, to the extent necessary, in its report to the General Assembly on the Secretary-General's budget proposals.

17. In paragraph 44 of his report, the Secretary-General indicates that the presentation of extrabudgetary resources will be enlarged. The Advisory Committee notes in this connexion that, inasmuch as the level of reimbursement for support costs for activities financed from extrabudgetary resources does not cover those costs in full, the balance is borne by the regular budget. Yet there now exist no arrangements for scrutinizing whether the amounts received by way of reimbursement are spent in the most effective and economical manner. For instance, the Secretary-General can now create extrabudgetary posts at all levels without reference to any expert or intergovernmental body. In the opinion of the Advisory Committee this situation is not satisfactory, bearing in mind, in particular, that requests are submitted from time to time for the transfer of such posts to the regular budget. The Advisory Committee recalls in this connexion that the United Nations Educational, Scientific and Cultural Organization and the World Health Organization integrate their staff resources and treat reimbursement as an income item. In view of the uncertainty regarding extrabudgetary resources the integration of extrabudgetary posts in the regular budget presents several difficulties. None the less, the Advisory Committee believes that the question of extrabudgetary posts deserves further study.

18. Subject to the above observations, the Advisory Committee recommends that the General Assembly should approve the Secretary-General's proposals in section VI of his report regarding the methodology for the preparation of the programme budget proposals for 1980-1981.

^{4/} *Ibid.*

Identification of activities that are completed, obsolete, of marginal usefulness or ineffective

19. In paragraph 5 of document A/C.5/33/13, the Secretary-General states that the report on the identification of activities that are completed, obsolete, of marginal usefulness or ineffective has been prepared in compliance with General Assembly resolutions 32/201 and 32/211. The Secretary-General quotes in paragraphs 1 to 4 of his report the relevant provisions of the resolutions referred to above and also of earlier resolutions on the subject (3534 (XXX) and 31/93).

20. In paragraph 7, the Secretary-General expresses the view that the response to date at both the executive and the legislative levels to these resolutions "has not been a very significant one". He attributes the lack of progress to problems "of a conceptual and a practical nature" encountered by the Secretariat.

21. The Secretary-General discusses those problems in paragraphs 8 to 11 of his report. He observes that while the General Assembly resolutions adopted on the subject require the Secretariat to report on three different types of activity, each of which requires a different monitoring and/or evaluation methodology, they do not clearly differentiate between the various levels in the programme structure. According to the Secretary-General the fact that Member States themselves establish the broad objectives of the Organization greatly circumscribes the Secretariat's ability to exercise discretion in the identification of completed, obsolete, marginal or ineffective activities at the programme level. The Secretary-General is of the opinion that even at the subprogramme level there is risk that Secretariat conclusions may conflict with existing legislative mandates, and that it might be more appropriate for an intergovernmental body, such as the Committee for Programme and Co-ordination (CPC), to take the necessary action in the context of its review of the medium-term plan. In the Secretary-General's view, therefore, it is only at the programme element level that "the likelihood of disagreement with legislative intent is smallest" and that the Secretariat can commence implementation of the provisions of the General Assembly's resolutions on the subject.

22. In paragraphs 12 to 19 of his report (A/C.5/33/13), the Secretary-General outlines his proposals whose objective "would be to create an organized body of information which would serve more adequately the purpose of monitoring and evaluating programme performance" (para. 13). The first step involves a system of identifying, at the time of preparation of the budget estimates, the level of resources required for each programme element (para. 14). Each element will have a time-frame and a justification for the resources required for its implementation (para. 16). According to the Secretary-General, such a system of identification of programme elements with related resources will automatically require programme managers continuously to review all programme activities and result in identification of activities that are completed, obsolete, marginal or ineffective (para. 15). As a second step, the Secretary-General proposes that the programme managers should make value judgements in identifying such activities and drawing the attention of the competent legislative bodies to them for appropriate action (para. 17). The third step in the new methodology is the institution of a more

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intensive monitoring process. Internal work programmes at the programme element level will be established. Any change in any programme element will be reflected in the work programme. The Secretary-General believes that such a procedure, together with the proposed submission of two performance reports, one early in the second year of the biennium and one early in the year following the end of the biennium, will facilitate identification of completed, obsolete, marginal or ineffective activities (para. 19). In paragraph 20 of his report, the Secretary-General states that the three steps referred to above will be supplemented by the existing internal evaluation exercises.

Observations of the Advisory Committee

23. The Advisory Committee recalls that the question of identification of activities that are completed, obsolete, marginal or effective has been under consideration since the first biennial programme budget - which covered the years 1974-1975. In the Advisory Committee's opinion, the Secretary-General's present report (A/C.5/33/13) breaks little new ground on the subject apart from his stated intention to incorporate, in the new machinery for monitoring and evaluation at the programme element level, the concepts of time frames and internal work programmes as recommended by the Joint Inspection Unit (A/33/226).

24. The Advisory Committee recognizes that the Secretariat's ability to implement the General Assembly's resolutions on identifying such programmes is to some extent inhibited by existing legislative mandates. The Advisory Committee is not fully convinced, however, that all efforts by programme managers to identify such activities "may face an immediate challenge by those who have an interest in their continuation" (A/C.5/33/13, para. 17). On the contrary, the Advisory Committee is of the view that the competent subsidiary organs like, for example, the functional commissions of the Economic and Social Council and the regional economic commissions and central bodies such as the Committee for Programme and Co-ordination may be receptive to secretariat initiatives which would be of assistance to their deliberations in this regard. The Advisory Committee recommends that the Secretariat, and in particular, the programme managers, should be more forthcoming in the future in making value judgements and drawing the attention of the competent legislative organs to activities which are, in the Secretariat's assessment, completed, obsolete, marginal or ineffective.

25. The Advisory Committee has no objection to the Secretary-General's proposals as outlined in paragraphs 12 to 19 of his report. The Advisory Committee cautions, however, that the proposed quantification of resources at the programme element level is not a substitute for the exercise of value judgements by programme managers as to which activities are completed, obsolete, marginal or ineffective.

26. The Advisory Committee trusts that it will be possible for the Secretary-General to reflect in his programme budget proposals for 1980-1981 the first results of the exercise outlined by him in his report.

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Recapitulation

27. Having considered the four reports (A/C.5/33/10, A/C.5/33/11, A/C.5/33/12 and A/C.5/33/13) submitted by the Secretary-General on presentation of the United Nations budget, the Advisory Committee is of the view that further special reports on the subject need not be submitted. Rather, the questions raised in them can be studied further in the context of future programme budgets and medium-term plans.