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IMPLEMENTATION OF THE RECOMMENDATIONS OF THE AD HOC COMMITTEE OF
EXPERTS TO EXAMINE THE FINANCES OF THE UNITED NATIONS AND THE
SPECIALIZED AGENCIES

Form of presentation of the United Nations budget

Report of the Secretary-General

1. The General Assembly, at its twenty-fifth session, endorsed a Fifth Committee decision inviting the Secretary-General to report to it at its twenty-sixth session on the progress of the studies necessary to enable the Assembly to take a final decision on the question of the form of the United Nations budget and the duration of the budget cycle. The report of the Secretary-General was to be based on the various suggestions contained in his report to the twenty-fifth session^{1/} as endorsed by the Advisory Committee on Administrative and Budgetary Questions in its report^{2/} on the same subject. The Secretary-General was further requested to provide at the twenty-sixth session a mock-up of the 1972 budget estimates in a new form, an assessment of the possible technical difficulties involved and the means to overcome them, and a suggested time-table for the preparation and review of a medium-term programme and budget presented in the new format.
2. The planning work necessary for preparing the mock-up of the 1972 budget estimates was begun early in 1971 along with the preparation of the Secretary-General's 1972 budget estimates. Both exercises were carried out with the

^{1/} A/C.5/1335.

^{2/} A/8217.

assistance of the programme managers, division chiefs and substantive staff concerned. These officers assisted in preparing the basic budget submissions and in elaborating the specific programme objectives based essentially upon legislative decisions or guidance. The same procedures and forms as those existing for obtaining necessary budget data for the traditional format were utilized to the extent possible for the new format. However, new procedures were prepared and new forms were designed in order to gather the additional data needed for the mock-up.

3. During the first part of 1971, the highest priority was given to the preparation of the 1972 initial budget estimates, which were to be submitted to the Advisory Committee on Administrative and Budgetary Questions by early June 1971, as required under financial regulation 3.5. Studies were nonetheless carried out simultaneously on possible methodologies for preparing a programme budget, on possible programme structures, on design and layout features, on numerical coding techniques, and on several other technical aspects of the problem. As soon as the regular budget estimates were completed, highest priority was given to the preparation of the mock-up budget. Several sections of the mock-up dealing with economic and social activities are provided in the addendum (A/C.5/1363/Add.1).

General objectives and considerations

4. In a special report submitted to the General Assembly at its twenty-fifth session,^{3/} as well as in his foreword to the 1972 budget estimates,^{4/} the Secretary-General dealt in detail with the shortcomings of the Organization's present programming and budgetary practices and made a number of suggestions regarding desirable changes. Emphasis was given, in particular, to the need for (1) the various programme formulating bodies to formulate their resolutions in the first stage in terms of broad guidelines within which the Secretary-General would propose specific means of action, (2) the establishment of a review committee consisting of senior officials of the Secretariat to assist the Secretary-General in establishing and presenting a logical plan for achieving the desired goals,

^{3/} A/C.5/1335.

^{4/} A/8406, paras. 22-29.

(3) the establishment of a medium-term work programme and of a budget on programme lines, and (4) at the intergovernmental level, the centralization of decision making on programme and budgetary policies in as few governmental bodies as possible. These considerations, the ultimate and essential objective of which is to strengthen the control of Member States over the activities of the Organization and the way in which the Secretariat performs its functions, constitute the general background against which the mock-up is now submitted for consideration by the General Assembly.

5. The following general objectives were taken into account in constructing the mock-up.

(a) The new form of the mock-up was, to the maximum extent possible, to conform to the existing organizational structure;

(b) The presentation was to be consistent: to this end a uniform scheme of presentation of budget data would need to be adopted;

(c) The explanatory text was no longer to be limited to justifications supporting increases in the budget resources requested, but would rather refer to the totality of the credits requested down to the level of each specific project or programme unit, taking full account of the activities to be completed or terminated;

(d) The budget document was to present a consolidated picture of the total resources, budgetary and extrabudgetary, applicable to each programme, and to each programme unit, with a summary showing the consolidated grand total;

(e) The budget classifications were to be consistent with sound financial procedures and controls;

(f) The budget document was to present, as a minimum, the essential information necessary for the General Assembly to decide on the level of resources needed to carry out approved activities; it would, in particular, contain no less than the essential information available under the present form of the budget;

(g) Major emphasis was to be placed upon programming, priority being given to programme content;

(h) The programme budget was to be prepared within the context of a planning target;

(i) The budget classification system was to allow for the utilization of data-processing equipment through which the by-products obtainable from the same basic data could be increased;

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(j) The budget should lend itself to easy cross-referencing to other United Nations work programme documents such as the work programmes of the regional economic commissions, UNCTAD and UNIDO, which would already have been considered by intergovernmental bodies;

(k) The budget classifications were to be compatible with those of the budgets of the specialized agencies, in order to facilitate interagency comparisons and analyses;

(l) The classifications adopted were, at a future stage, to enable cross-classification of budget data by means of action, total programme effort and special analysis;

(m) The contribution that a programme budget would make to effective management within the organization was of sufficient importance to justify its adoption as a start towards developing the desired system, however imperfect the start might be.

6. In preparing the mock-up, full attention was given to the following points to which the Advisory Committee drew attention in its report^{5/} on the form of the budget: (1) the feasibility of conducting an experiment in 1972 in a representative area of the Secretariat which would consist of recording and administering, as if new budget procedures were in effect, theoretical allotments for the area in question derived from the mock-up, but corresponding in amount to the funds that would be actually available for activities in the selected area under the present system of appropriation and allocation of funds, (2) a way of showing in the new form of presentation the activities likely to be completed or terminated and the corresponding manpower and other resources that would become available for new work, and (3) avoiding appropriations for a large number of very small sections, which might give rise to considerable difficulties and might involve frequent transfers between sections or other procedures.

7. With regard to the Advisory Committee's first point, the possibility of selecting representative areas of the Secretariat that might be used for an experiment was explored, with the idea that the Centre for Development Planning,

^{5/} A/8217.

Projections and Policies and the Economic Commission for Africa might be used for this purpose. However, during the course of preparing the mock-up, it became clear that experimenting with theoretical allotments in 1972 would divert time and effort from other crucial tasks leading to an effective programme budgeting system, and that the exercise would interfere with the development of a management system necessary to support a programme budget. Furthermore, the results of such a theoretical exercise would not be available until about May 1973 and could therefore not be considered by the General Assembly until its twenty-eighth session.

8. Regarding the Advisory Committee's second point, the programme budgeting system which is being developed would be based on the "zero concept", under which the budget requests for each budget period would no longer be limited to a justification of the increase sought in budget resources, but would be based upon a complete justification for each programme unit down to the level of specific projects contained within the programme unit. Each programme manager would be required to re-examine the total range of activities proposed and to consider desirable objectives in the light of competing means of action. Programme managers would have available to assist them in this process programming services and analytical techniques and expertise. This basic process would be carried out at each successive higher level of management, so that the budget estimates finally developed by the Secretary-General would automatically take fully into account "activities likely to be completed or terminated and the corresponding manpower and other resources that would become available for new work".

9. The third observation made by the Advisory Committee - that the programme budget should avoid appropriations for a large number of very small sections - was also taken into account. Whereas in annex II of the Secretary-General's previous report^{6/} 46 appropriation sections were utilized in the outline presented, a review of the problem has shown that it would be possible to eliminate 12 small appropriation sections by combining them with relevant or related activities and to arrive at a budget structure limited to perhaps 34 appropriation sections.

^{6/} A/C.5/1335.

Proposed form of a programme budget

10. As will be seen from the addendum to the present report, the budget, in its new format, would be divided into parts, sections, and programmes; the programmes would be further divided into programme units. The main divisions would be established as follows:

(a) Under the various parts of the budget, all estimates pertaining to a given broad field of activity would be grouped together; the general structure adopted for part III in the mock-up is fully consistent with the recommendations of the Administrative Committee on Co-ordination (ACC) and allows for easier comparability between the budget of the United Nations and those of the specialized agencies;

(b) The sections would correspond to main fields of activity, but it should be noted that they also would correspond to the major units of the Secretariat;

(c) The programmes would indicate the estimated cost of achieving a specific objective; a further breakdown would be provided under the programme units.

11. Under each of the programme units, narratives would be given outlining their objectives; their legislative authority; their accomplishments in prior years as well as those planned for in the current budget period based upon a recent reassessment of the situation; the activities programmes for the next budgetary period; any new activity or feature to be initiated in the next period; field projects and technical co-operation activities expected to be carried out in the next period; and clear explanations of programme increases in specific terms.

12. Indications would also be given, under chapters and items, of all identifiable costs involved in carrying out each programme, or each of its units, together with a precise indication as to the manpower required for its implementation. The estimates for the costs to be incurred would be accompanied by indications of the related costs for the following year, the amounts appropriated for the current year and the expenditure incurred in the course of the preceding year.

13. All transfers between sections would continue to require approval by the General Assembly; there would therefore be no need to modify financial regulation 4.5. An exception to this regulation, however, may have to be made for printing costs, as at present no change is envisaged in the procedures followed by the Publications Board in managing the entire printing programme of the Organization.

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14. Within sections, allotments would be issued for each programme in specific detail by chapter and item, and controls would be maintained on the expenditure incurred under these allotments. Flexibility would be maintained in the administration of programmes and programme units as long as their purpose and the identifying chapter of the appropriation remain the same. Transfers between chapters would continue to require approval by the Controller.

15. The necessity to maintain full comparability between project and non-project expenditure, and particularly between the cost of projects financed by UNDP, which are estimated in terms of net costs, and by the United Nations budget, which are estimated on a gross basis, will make it necessary to present salary costs on a net basis. The need to compare the relative cost of the programme activities of the United Nations itself with those of the specialized agencies, which record their programme cost on a net basis, adds to the necessity for such a presentation. Presentation on a net basis would require grouping the assessments levied on salaries under a single section, as is done in the budget of FAO. The assessments collected would continue, as at present, to be credited to the Tax Equalization Fund and applied, as appropriate, towards the annual assessments of Member States.

16. The need to maintain comparability between programmes should also lead to the establishment of a standard cost for use in computing estimated salaries, at least as far as established posts are concerned. The system would be administered in such a way as to ensure that savings accruing in specific programmes would be offset against over-expenditures in respect of other programmes. Any difference between the totals of the standard cost and the actual cost at the end of the financial year would be credited to miscellaneous income or shown as a special expenditure item, as the case might be.

Mock-up of the 1972 budget

17. In order to limit the size of the mock-up document, the repetition of material provided in essentially the same format in the Secretary-General's initial 1972 budget estimates (A/8406) has been avoided as far as possible.

18. It should be borne in mind that the mock-up was not based on a reappraisal or recosting of the activities of the Organization but was developed on the basis of, and to coincide with, the level contained in the Secretary-General's budget estimates

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for 1972 (A/8040). It is therefore hoped that the sample text and the figures presented will not give rise to misinterpretation or undue concern. The purpose of the mock-up is only to provide Member States with a better comprehension of what a programme-type budget would be like and with a basis for deciding whether the Organization should adopt a budget constructed on programme lines. For his part, the Secretary-General is convinced that a positive decision on this question would provide Member States with a better understanding of the use actually made of their contributions, with a better basis for across-the-board comparisons between the costs of the various activities undertaken by the United Nations and the specialized agencies, and with a better tool with which to introduce modern methods in the administration of the Organization.

Biennial budget cycle

19. It is obvious, therefore, that in order to be fully productive and, in particular, to provide a solid basis for the determination of an order of priority between the activities of the Organization and for the improvement of its decision-making processes, the adoption of a programme budget will need to be supported by the establishment of a two-year budget cycle and of precise and understandable statements of budget objectives, by the development of proper concepts for the identification of programme units and of systems producing the financial data required, and, more importantly, by the establishment of medium-term programmes particularly in the economic, social and human rights fields.

20. The adoption of a biennial budget cycle is deemed to be essential to the orderly development of the various phases of the budget process, particularly if a significant increase of the staff involved is to be avoided. More time could then be devoted to the orderly preparation of the budget based on modern management techniques. Moreover, while continuing to allow for a thorough consideration of the budget estimates by the Advisory Committee and the Fifth Committee, it would contribute to alleviating the heavy agenda of these bodies, thereby allowing them more time to devote to budget performance and evaluation, which programme budgeting should facilitate.

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Programme objectives

21. The establishment of precise and understandable programme objectives, quantified over the desirable time period, is an essential ingredient in a programme-type budget system. Any assumptions regarding the various activities necessary to achieve a programme's objective must also be stated clearly so that those assumptions can be taken into account when policy decisions are made regarding the allocation, or non-allocation, of resources to a given programme. Before rational decisions can be made regarding the programme, it is essential that careful attention be given to the objective of the programme, either to ascertain whether the specific objective is in fact desirable or, in many cases, simply to select the most desirable objective from among a number of alternative objectives. Within the United Nations, such a systematic consideration of objectives has not yet been accepted as an established procedure. If programme budgeting is to be effective, the active co-operation of Member States is, of course, essential. It is also necessary to improve the capability for defining programme objectives. The experience obtained in similar situations by other organizations has shown that training programmes have assisted in reorienting methods of work and enabling adequate attention to be given to this aspect of managerial responsibility. In the light of the experience gained in preparing the mock-up, it is proposed to use the services of one or two experts with experience in drafting programmes to assist in the formulation of more precise statements of programme objectives. The services of such experts would be used from time to time, subject to the availability of resources for that purpose from within the established level of credits.

Programme structure

22. Considerable progress has been made in developing workable concepts for identifying programme units. It is now fairly standard procedure to distinguish, in the case of the activities covered by programmes in the economic and social fields, between programme formulation and management, support to technical co-operation activities and other substantive programme units. Beyond this first step, however, considerable variation exists in describing substantive programme units covered under each programme. These variations reflect to some extent the fact that in some organizational units certain quantitative data required for

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reporting on one particular basis are available while in other units they are not. A review of the titles or captions assigned to programme units in the submissions indicates variations in the methods used to identify activities. In some cases, the programme unit is considered as a small individual project without a specific target data for completion or any expected quantifiable benefit accruing during the execution of the work or at its conclusion. In other cases, the action taken to accomplish a goal has been assigned to identify the programme unit or, in still other cases, sectoral designations are used to identify programme units. The broad range of activities carried out by the United Nations may cause recurring difficulties in establishing a consistent or uniformly compatible programme structure. While flexibility is desirable in determining each organization's programme structure, an organization-wide concept approaching a uniform system is desirable, is possible. This matter is being taken into account by the Administrative Management Service in its study of the organizational structure of the various Secretariat units and the recommendations which it believes would produce the most efficient and economical organizational design. Interdepartmental task forces are to be created to consider, among other things, the more difficult aspects of this problem in order to be able to make concrete recommendations leading to a more uniform programme structure throughout the United Nations. A chart is annexed to the present document in which the United Nations present administrative structure is compared with the programme structure envisaged.

23. At present, financial data on budget expenditures are recorded basically by object of expenditure and, in many cases, without breakdowns into organizational or programme components. Actual expenditures are recorded in a classification corresponding to the one used in the appropriation resolution so as to allow the required reports to be prepared on the same basis. Data on programme units would have to be made available in programme terms if a programme cost-consciousness is to be developed throughout the Organization. The cost items related to the options available, which constitute the basis on which decisions can be reached as to the ways in which the various tasks can be accomplished, should be readily available. In this manner a clear indication would be given of the level and type of resources and their limitations for the given financial period. The estimated level of the various types of resources likely to be placed at the disposal of the Organization

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throughout the period covered by the programme should be clearly stated, so that in considering new activities or the enlargement of existing activities the legislative bodies concerned can decide whether these activities should be added to the existing programme or substituted for others through changes in the approved order of priorities. In order to consider all the ramifications and nuances of the alternatives involved in the decision-making process, management and legislative bodies must have the benefit of relevant financial and programme data on a programme basis. The absence of such data within the United Nations reflects the low priority previously assigned to such information. The most effective way to solve this problem is to develop an integrated management and programme budgeting system. The establishment of such a system, utilizing available data-processing equipment, is being planned. However, additional systems analysis and programming talent may be required to achieve this objective.

Medium-term plans

24. As to the establishment of medium-term programming, the Secretary-General wishes to reiterate that, in his opinion, it constitutes an essential element in the budget programming process; only through medium-term programming will it be possible to obtain an over-all picture of the Organization's activities, determine its objectives, establish priorities between what is urgent and what is important and bring about an awareness of the need for an orderly development of the Organization.

Proposed time-table

25. Should the General Assembly concur in the proposals contained in the present report, the Secretary-General would suggest that the first phase - preparing a medium-term work programme together with the preparation and approval of a budget for 1973 on a programme basis - could cover October 1971 to December 1972. The first phase would thus be the transitional stage, with the actual implementation stage - covering the 1974-1975 budget and the 1974-1979 work programme - expected to start in late 1972. The time-table envisaged is as follows:

October 1971 — The various organizational units would be requested to prepare the 1973 budget submissions on a programme basis. The 1973 over-all budget target would be based upon the planning

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estimate approved by the General Assembly at its twenty-sixth session.

December 1971 -- The heads of all major units in the economic and social field would be convened into the high-level programme and budget review committee to (a) consider the comprehensive expenditure budget level for 1974-1975 and the medium-term plan for 1976-1979, and (b) make recommendations to the Secretary-General on these items.

December 1971 -- The major organizational units would be requested to prepare individual draft six-year medium-term work programmes for the period 1974-1979, covering all activities in the economic and social field.

June 1972 -- The 1973 initial budget estimates would be submitted to the Advisory Committee on Administrative and Budgetary Questions. The 1973 budget estimates would follow the new format, if it is adopted by the General Assembly.

June 1972 -- The individual draft medium-term work programmes covering the period 1974-1979 would be submitted to each legislative organ and policy-formulating body for consideration. The programme-formulating bodies, the Committee for Programme and Co-ordination and the Economic and Social Council, would have until February 1973 to consider the draft work programme, at which time it would be necessary to prepare the 1974-1975 budget estimates on the basis of the work programmes approved as at that date.

August 1972 -- The 1973 initial budget estimates would be submitted to Member States with the related report of the Advisory Committee on Administrative and Budgetary Questions.

December 1972 -- The planning estimate for 1974-1975 would be submitted to the General Assembly. The planning estimate would reflect to the maximum extent possible the views expressed by the various programme-formulating bodies regarding the first two-year period of medium-term work programming.

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- June 1973 — The individual draft work programmes for the six-year period 1976-1981 would be submitted to each legislative organ and policy-formulating body for consideration. Discussion of the 1976-1981 work programme could continue until October 1974, at which time it would be necessary to prepare the 1976-1977 budget estimates.
- June 1973 — The 1974-1975 initial budget estimates would be submitted to the Advisory Committee.
- August 1973 — The 1974-1975 initial budget estimates would be submitted to Member States with the related report of the Advisory Committee.
- June 1974 — A progress report on the implementation of the work programme in 1973 would be submitted to the General Assembly.

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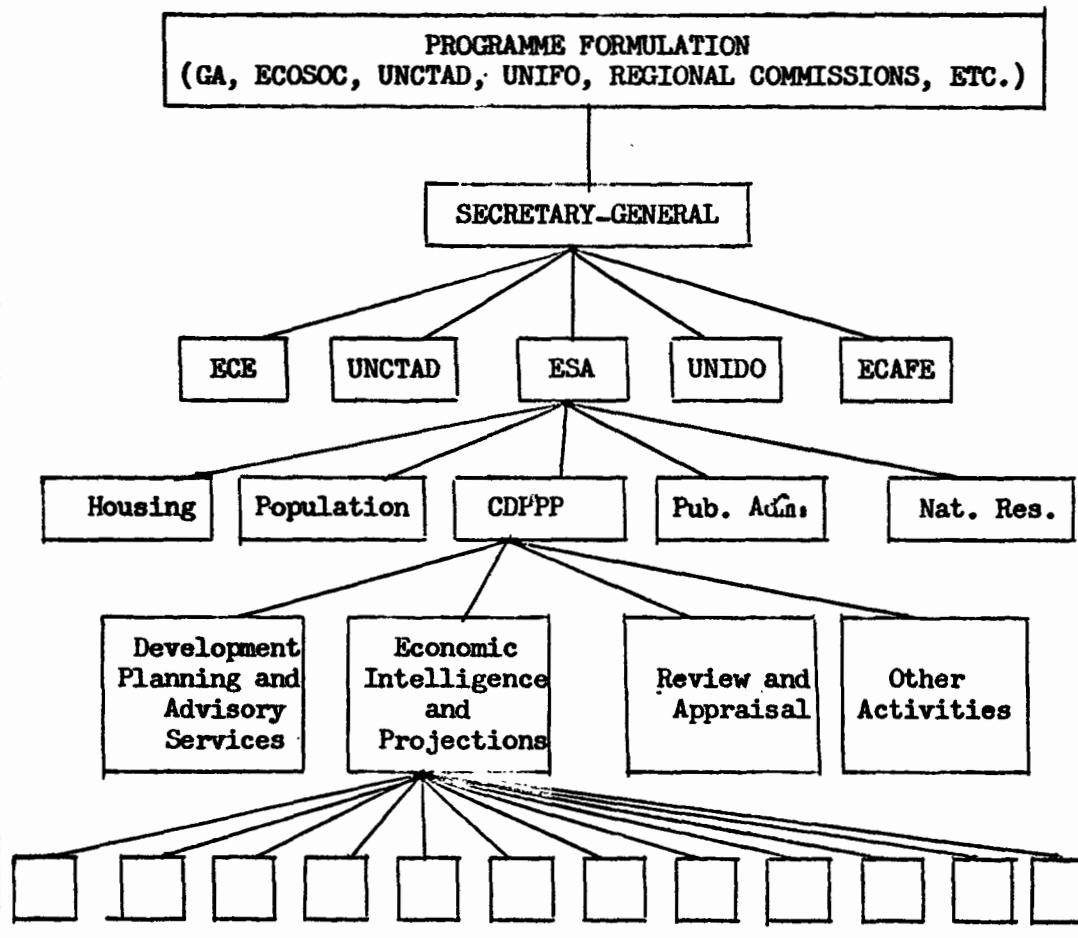
INTER-GOVERNMENTAL

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PROGRAMME STRUCTURE

POLICY-MAKING

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PROGRAMME

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