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IMPLEMENTATION OF THE RECOMMENDATIONS MADE BY 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;
the United Nations budget cycle

Tenth report of the Advisory Committee on Administrative and Budgetary
Questions to the General Assembly at its twenty-second session

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports by the Secretary-General on the form of presentation of the United Nations budget (A/C.5/1121 and Corr.1) and on the United Nations budget cycle (A/C.5/1122 and Corr.1). As part of its consideration of these questions the Committee had useful discussions with the Controller and with the Under-Secretary for Economic and Social Affairs. In view of the fact that in some respects there exists a close relationship between the form of presentation and the cycle of the budget the Committee decided to submit its comments in a single report.

I. FORM OF PRESENTATION OF THE UNITED NATIONS BUDGET

2. The Advisory Committee recalled that the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies had recommended in its second report that "without disrupting the practices followed by each organization, the organizations should in the first instance provide a certain amount of supplementary information for the purpose of imparting greater clarity to the existing budget documents".^{1/} To that end the Ad Hoc Committee had indicated,

^{1/} Official Records of the General Assembly, Twenty-first Session, Annexes,
agenda item 80, document A/6343, para. 32.

inter alia, that "the organizations using the traditional budgetary breakdown by object of expenditure should submit, either in the budget itself or in a special document, a breakdown of their expenditure by main fields of activity".

3. As a first step in the direction recommended by the Ad Hoc Committee, the Secretary-General introduced a number of modifications - mainly affecting sections 3, 12, 16 and income sections 3 and 4 - in the form of presentation of the budget estimates for 1968. They are described in paragraph 6 of the Secretary-General's foreword to those estimates.^{2/} In the following paragraph of his foreword the Secretary-General suggested that if the change in the form of presentation of section 3 meets with the general approval of Member States, a means might be found in future budget documents to extend this basic idea and to present, for purposes of information, a more comprehensive statement, by main organizational unit, which would also cover such items of expenditure as common staff costs under section 4, travel on official business and home leave under section 5, hospitality under section 6, and the printing of recurrent publications, studies and reports under section 11. In the opinion of the Secretary-General that would show in an even more complete form the total resources required by each of those organizational units either to carry out their programmes of work or to provide the necessary central administrative, conference and general services.

4. The Secretary-General then expressed his considered view that any such further innovations should not affect for the foreseeable future the present sectional breakdown of the budget, on which the appropriations are based. In the opinion of the Secretary-General, the present appropriation pattern was designed, inter alia, to ensure effective central control and the most flexible use of available resources of certain important elements of expenditure, for instance, by providing on a global basis for staff and related expenses under part II of the budget, and for premises, equipment, supplies and services under part III. Moreover, he stated that unless the present method of appropriation were retained, it would not be possible to comply with the recommendation made by the Ad Hoc Committee of Experts in paragraph 40 of its second report to the effect that, with a view to avoiding the need for supplementary estimates, unavoidable increases in certain sectors should,

^{2/} Ibid., Twenty-second Session, Supplement No. 5 (A/6705).

as far as possible, be financed in the first instance by savings in other sectors, effected by a re-assessment of priorities, a redeployment of resources and, where necessary, by adjustments within the budget. The Secretary-General concluded in paragraph 7 of his foreword to the budget estimates for 1968 that excessive compartmentalization of the appropriations for particular organizational units in separate budget sections, coupled with the restrictions imposed by the financial regulations in regard to transfers between budget sections, would severely restrict his flexibility in the matter.

5. In document A/C.5/1121 and Corr.1 the Secretary-General looks beyond the suggestions set out in that paragraph. He states that the expenditure estimates might be divided into eight parts instead of ten as at present. The main change would affect part II which, in addition to Staff costs and related expenses (sections 3-6) would also include section 2, Special meetings and conferences, section 11, Printing, and sections 19 and 20, United Nations Conference on Trade and Development and United Nations Industrial Development Organization. Part II would thus cover all the expenses which are directly identified with the work programmes and activities of the various organizational units of the Secretariat. The Secretary-General envisages a presentation in which part II would contain a supplementary text that would show how the total provisions under the budget sections would be allocated by main office and department and, for the larger departments, by subsidiary organizational units. The text would give detailed justification in support of the estimates for each main and subsidiary organizational unit and, for the units engaged in economic, social and human rights activities, there would also be a statement of the principle programmes of work to be undertaken in relation to their direct costs. The Secretary-General goes on to indicate that he would retain the various annexes which provide supplementary information of an analytical nature.

6. The Advisory Committee notes that the changes in presentation outlined in the report of the Secretary-General do not imply a change in the mode of appropriation. In other words, while appropriations for UNCTAD and UNIDO would be on an organizational unit basis, as at present, appropriations by object of expenditure would be retained in respect of the other areas of the Secretariat covered under the proposed part II.

7. In its first report to the General Assembly at its current session the Advisory Committee welcomed the steps taken by the Secretary-General in the presentation of the budget estimates for 1968,^{3/} and stated that it would like to see the present distribution extended in the 1969 budget estimates to such sections as 4, 5 and 11,^{4/} for the reasons indicated by the Secretary-General (see para. 3 above). As can be seen from document A/C.5/1121 and Corr.1, the Secretary-General agrees with the view expressed by the Advisory Committee. The Advisory Committee recommends that the new presentation of sections 2, 4, 5, 6 and 11 suggested by the Secretary-General should be incorporated in the 1969 budget estimates. The Committee notes from the report of the Secretary-General that, under the new form of presentation, the detailed justifications of the estimates under these sections would be given in a supplementary text which would show the total provisions included under each of the aforementioned budget sections distributed by main office and department and, for the larger departments, by subsidiary organizational units. Detailed justification in support of these estimates for each main and subsidiary organizational unit would be given in this text. Furthermore, for those units engaged in economic, social and human rights activities, the text would also include a statement of the principal programmes of work to be undertaken in relation to their direct costs. With regard to sections 19 and 20, these would be presented in the same form as that used in the presentation of the estimates for these same activities in the 1968 budget, since they already contain all clearly identifiable related items of cost.

8. As regards the other changes in the form of presentation suggested by the Secretary-General, **especially those with respect to section 3**, the Advisory Committee is of the opinion that, in the interest of retaining maximum comparability between budgets for different years and in view of the scope of the changes already introduced in the 1968 budget, these further changes should not be made at this time. The Committee nevertheless believes that it would be advisable to incorporate the substance of these changes in the annexes to the budget estimates. This would be in keeping with the Ad Hoc Committee's recommendation that the

^{3/} Ibid., Supplement No. 7 (A/6707 and Corr.1 and 2), para. 48.

^{4/} Ibid., para. 51.

organizations using the traditional budgetary breakdown by object of expenditure should submit, either in the budget itself or in a special document, a breakdown of their expenditure by main fields of activity.

9. The Advisory Committee hopes that, before new changes of presentation are introduced, progress will be made towards the solution of the two problems identified by the Secretary-General in paragraph 18 of his report (A/C.5/1121 and Corr.1), namely, that the programmes of work in the economic, social and human rights fields should be clearly determined and an order of priority established so that a clear and meaningful presentation could be made in the budget; and that the level of the annual conference programme and its related programme of special conferences should be more precisely defined.

10. With respect to changes in the form of presentation of the budget it should be recalled that the Ad Hoc Committee of Experts stated in paragraph 70 of its second report that "programme budgeting" did not in any way require that traditional budgeting be cast aside since the latter was essential within each organization for exercising financial control; the two methods of budgeting were not in conflict - on the contrary they could and should operate in a complementary manner.

II. THE UNITED NATIONS BUDGET CYCLE

11. The report by the Secretary-General (A/C.5/1122 and Corr.1) has been submitted in response to the recommendation in paragraph 56 (b) of the second report of the Ad Hoc Committee of Experts that he be asked to make a detailed study of the advantages and disadvantages of a biennial cycle for the budget of the United Nations, having in mind the discussion of the matter in the Ad Hoc Committee, and to submit his report, together with the comments thereon by the Advisory Committee, to the General Assembly at its twenty-second session.

12. In the course of its consideration of the Secretary-General's report the Advisory Committee was informed that much of the expenditure under the regular budget could be budgeted on a biennial basis, provided certain conditions were met. The key condition, in the Secretary-General's view, would be forward planning in respect of all activities which would lend themselves to such a procedure. In the last analysis, the Secretary-General states in his report, the establishment of a system of longer-term planning and programme formulation does not depend for its

successful implementation on the prior introduction of a more extended budget cycle; such a cycle, however, would have no real meaning without such preparatory measures.

13. The Advisory Committee notes that while the Ad Hoc Committee had reached the unanimous conclusion that the specialized agencies with an annual budget should prepare their budgets on a biennial basis, there was a difference of opinion as to whether a biennial budget should be adopted by the United Nations as well. As noted in paragraph 11 above, the Secretary-General was requested to prepare a report on this subject. This report illustrates the complexity of the issues involved. The Advisory Committee feels that what is now required is additional information on the practical implications of a change-over to a biennial cycle, including the relationships between programming and budgeting bodies, the schedule of sessions of such bodies, the authority of the Secretary-General to effect transfers between sections, etc. In particular, the Advisory Committee would like to draw attention to the important recommendations contained in paragraph 73 of the second report of the Ad Hoc Committee dealing with long-term planning, programme formulation and budget preparation which are annexed to the report of the Secretary-General (A/C.5/1122 and Corr.1). The Advisory Committee feels that it would be advisable to give the organs responsible for programming a chance to develop longer-range planning before the General Assembly decides on the duration of the United Nations budget cycle.

14. Since the success of either an annual or a biennial budget is dependent on the exercise of discipline by the various programme bodies it is essential that the legislative organs concerned should devote early attention to the question of the resolution on unforeseen and extraordinary expenses, which the Advisory Committee discussed at some length in paragraphs 52-73 of its first report to the General Assembly at its current session.^{5/} The resolution must be sufficiently flexible to enable the Organization to respond to emergencies but should not provide a means for departing from statutory review procedures or for circumventing agreed limits on appropriations.

15. The meaningful building of a programme of work requires a process of compilation and analysis of programmes in the course of which the recommendations

^{5/} Official Records of the General Assembly, Twenty-second Session, Supplement No. 7 (A/6707 and Corr.1 and 2).

of the functional bodies and their sub-committees are considered by the Economic and Social Council and their relative importance and urgency are weighed by the Council's Committee for Programme and Co-ordination, before the General Assembly is called upon to take a final decision. It also presupposes a close relationship between the programme-building and review process and the budget-building and review process. This objective can be achieved only if the sessions of the various bodies concerned are properly scheduled and interrelated.

III. CONCLUSIONS OF THE ADVISORY COMMITTEE

16. As regards changes in the form of presentation of the United Nations budget, the Committee agrees with the Secretary-General's suggestion that the presentation of sections 2, 4, 5, 6 and 11 be changed in the manner described in paragraph 19 of the Secretary-General's report and quoted in paragraph 7 above. The Committee recommends that the other changes suggested by the Secretary-General should be incorporated, as appropriate, in the annexes to the budget estimates, and that any further changes should be preceded by progress in the matter of programme formulation and priorities and a more precise definition of the conference programme.

17. With regard to the United Nations budget cycle, the Advisory Committee feels that it would be inadvisable to proceed further with the consideration of the question until additional information has been received from the Secretary-General on:

- (a) A tentative time-table of the sessions of the General Assembly and the Economic and Social Council and their subsidiary bodies over a two-year cycle;
- (b) Developments in the field of long-range planning by the above organs;
- (c) Where and how central control would be exercised if a two-year budget were to be adopted;
- (d) The question of transfers and supplementary estimates, as reflected in paragraphs 35-46 of the second report of the Ad Hoc Committee of Experts (A/6343).

18. The Advisory Committee would recommend that the General Assembly should give early consideration to the question of the resolution on unforeseen and extraordinary expenses.

19. The Committee attaches importance to the early submission of the additional data described in paragraph 17 above. It realizes that extensive consultations will be required but trusts that the considered views of all concerned will be available to the Advisory Committee at its autumn session in 1968. As regards forward planning, the Committee wishes to stress that the improvement of such procedures would be of great use to the Organization regardless of the decision on the duration of the budget cycle.

20. Once these various implications have been clarified, it should be possible to make a clearer assessment of the advantages and disadvantages of a two-year budget cycle for the United Nations.
