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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 and the
duration of the budget cycle

Report of the Advisory Committee on Administrative and Budgetary
Questions to the General Assembly at its twenty-fifth session

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report by the Secretary-General on the form of presentation of the United Nations budget and the duration of the budget cycle (A/C.5/1335). After summarizing the discussion of this subject since the issuance of the second report of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies,^{1/} the Secretary-General describes the changes which are, in his opinion, required in the current United Nations programme and budget practices; his observations and recommendations cover:

- (a) The need for central decision-making at the governmental level;
- (b) The establishment within the Secretariat of a planning and programming unit;
- (c) The establishment of a high-level programme and budget review committee;
- (d) The setting-up of a consolidated medium-term programme of the economic and social activities of the United Nations;
- (e) A change in the form of presentation of the budget;
- (f) The adoption of a biennial budget cycle.

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

2. The Advisory Committee recalled that the submission of the report by the Secretary-General had been promised in his comments (A/7987 and Add.1) on the report by Mr. Maurice Bertrand on programming and budgets in the United Nations family of organizations (A/7892, annex). In its related observations (A/8033), the Advisory Committee welcomed the Secretary-General's pragmatic but positive approach to the introduction of programme budgeting in the United Nations. The Committee stressed that the question of the determination of priorities is a key component of planning and programming, and warned against an over-simplified and facile approach which might lead to the adoption of a system that would be programme budgeting in name rather than substance.

3. The Advisory Committee is pleased to note that the Secretary-General recommended a cautious approach, designed to provide the Member States with additional material before they are called upon to pronounce themselves on whether the present procedures should be changed and, if so, in what way. The Secretary-General's observations and recommendations are directed more particularly to what might be done within the field of competence of the Secretariat, but he rightly lays stress on the fact that concrete action at the intergovernmental level would be needed before the development of the United Nations and the associated agencies and organizations could be transformed into a conscious process of controlled growth. The Advisory Committee agrees that in the absence of such concrete action by the Member States, action within the competence of the Secretariat could not lead to major improvements.

4. At the same time, the Advisory Committee believes that improvement of the information and assistance at present provided by the Secretariat would help the Member States take the necessary action. It was within that context that the Advisory Committee considered the report of the Secretary-General.

5. In his report, the Secretary-General stated that the Secretariat should and could make progress in (a) better planning and programming of existing and proposed activities; and (b) assistance to Member States in the establishment of an order of priority between existing and proposed objectives (A/C.5/1335, paragraph 19).

6. To promote better planning and programming within the Secretariat, the Secretary-General proposed the establishment of a planning and programming unit and of a high-level programme and budget review committee.

7. The Secretary-General also indicated that the unit would not require a large or elaborate staff, as most of the necessary skills already exist in the Secretariat; in the initial stages, these specialists might be integrated with the staff of the Budget Division in the Office of the Controller. The tasks envisaged for the unit would include:

(a) The establishment of a catalogue of all existing and proposed activities;

(b) The development of long-term programmes for the implementation of priority objectives;

(c) The determination of the likely cost of these programmes covering a period of at least six years;

(d) The periodic review and assessment of the execution of the programme.

8. In its consideration of the proposed establishment of the unit, the Advisory Committee recalled that the setting up of a programming service in the United Nations was strongly urged by Mr. Bertrand in his report (A/7822, annex, paragraph 3.7). The Committee notes that, as now envisaged by the Secretary-General, the unit could be set up - at least for the initial period - from within the manpower resources already available in the United Nations, with the help of a small additional provision for high-level consultants. Redeployment within the approved manning-table for a unified Secretariat falls within the executive authority of the Secretary-General. In the Advisory Committee's opinion, the Secretary-General's suggestion is to be commended because, if implemented, it would enable the Secretariat to acquire experience in internal planning and programming.

9. Similarly, the Secretary-General does not require any specific authority to establish the high-level internal programme and budget review committee, whose main functions would be to develop a set of assumptions of the resources likely to be available during a period of at least six years, and to determine the work programme (or alternative work programmes) to be proposed for the same period. In his report, the Secretary-General stated that, in carrying out its tasks, the Committee would take into account (a) such decisions of competent programme-formulating bodies as might have an impact on work currently in process or about to be undertaken, including possible priority changes; (b) the resources (human

and financial) available or likely to be available to the Organization during the next budget and planning periods; and (c) relevant reports of the Administrative Management Service, and the recommendations of the planning and programming unit (A/C.5/1335, paragraph 26).

10. The Secretary-General indicated that

"The Committee would review and recommend to the Secretary-General, on the basis of information provided by the Controller, a comprehensive expenditure budget level for the next ensuing period and the planning targets for the balance of a six-year cycle. A major objective of the Committee's work would be to recommend a balanced and well co-ordinated programme of activities, stated in terms of specific objectives, which was within the capacity of the Organization to carry out effectively during the budget and planning periods and which could be funded from within the level of resources expected to be available."

The Committee would be convened from time to time to review progress of implementation of current work, and to formulate suggestions for changing either the programme or priorities or both.

11. The Committee would be chaired by the Secretary-General or, in his absence, by the Under-Secretary-General for Administration and Management, and would consist of the heads of the various departments responsible for programmes in the economic, social and human rights fields (including UNCTAD, UNIDO, and the regional economic commissions) - who would be assisted as necessary by other senior officials when programmes or activities in their respective areas of responsibility were being considered - and the Controller, assisted by the Director of the Budget Division.

12. The Advisory Committee noted that the proposed composition and terms of reference of the high-level programme and budget review committee are similar in many respects to those of the internal Programme Committee of the International Labour Organisation, which are described in the Advisory Committee's review of the administrative and management procedures concerning the programme and budget of that Organisation.^{2/} The Advisory Committee is of the opinion that the establishment of the high-level Committee, which would advise the Secretary-General on the programme of activities for which he would make provision in his budget estimates, would be a worth-while experiment. If the experiment is to

^{2/} A/8140, paras. 36-40 and annex I, paras. 96-99.

succeed, however, each programme will have to be evaluated on its merits, the competing claims of departments and divisions will have to be reconciled within a budget level acceptable to the Member States and, where disagreements cannot be resolved by compromise, executive decisions will have to be taken.

13. In addition to the two organizational suggestions discussed above, the Secretary-General dealt with the setting up of a consolidated medium-term programme of the economic and social activities of the United Nations, and with changing the form of presentation of the budget.

14. As for the former, the Secretary-General indicates that the programme would outline and analyse the concrete objectives to be pursued by the Organization over a period of six years in all sectors where such programming proves possible. The Secretary-General adds that the programme would be drawn up by the Secretariat and would be considered and approved at the intergovernmental level by the competent decision-making body or bodies during the two years preceding the six-year period covered by the programme. In his report, the Secretary-General stated that, should the General Assembly approve this suggestion, he would require the assistance of outside consultants to render advice in the initial stages on the establishment of the new process (A/C.5/1335, para. 36).

15. The Advisory Committee recalled that the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies regarded the further development and application by the United Nations family of organizations of an integrated system of long-term planning on a programmed basis as an essential ingredient in improving their programming and budgetary processes and ensuring throughout the United Nations system the most rational use of available resources.^{3/} While the Ad Hoc Committee did not recommend what time-span should be covered by the plan, it suggested that in the case of agencies with biennial budgeting, the planning cycle might consist of a two-year programme and budget, a second two-year plan, and a further two-year tentative plan^{4/} - or six years in all. The advantages of medium-term programming are analysed in great detail in the report by Mr. Bertrand (A/7822, para. 3.4), who

^{3/} Official Records of the General Assembly, Twenty-first Session, Annexes, agenda item 80, document A/6343, para. 68.

^{4/} Ibid., para. 71.

recommends that efforts should be made to reach agreement among the various organizations on a common duration for the period of medium-term programming; the two alternative time spans mentioned by Mr. Bertrand are five years and six years.

16. The Advisory Committee believes that the Secretary-General should be encouraged to proceed with whatever preparatory work is necessary for the establishment in due course of a consolidated medium-term programme of the economic and social activities of the United Nations. The Committee realizes, at the same time, that the preparation of even an outline plan might be a time-consuming undertaking given the lack of experience in the United Nations in medium-term programming. Hence the Committee would warn against expecting too much too soon.

17. The Secretary-General's recommendations for changing the form of presentation of the budget are outlined in paragraphs 29, 35 and annexes I and II of his report (A/C.5/1335). He explained that the changes proposed would be designed to facilitate an easy correlation between the main components in the programme and the appropriations required for their implementation. The Secretary-General's proposal was to present the budget, in the initial stages, by main organizational unit, and to take into account, in the programme structure, the funds requested under the regular budget and also those forecast from extrabudgetary sources. While he did not propose to change the form of presentation of his initial estimates for 1972, he suggested that, provided the General Assembly is in general agreement with his proposals, he prepare a mock-up of the 1972 estimates in the new form.

18. The Advisory Committee notes that the proposed breakdown would not present a consolidated picture of United Nations expenditures by programme. Thus, expenditure on industrial development is shown under Section 24 (UNIDO) and Sections 17-20 (Economic Commissions); expenditure on statistics under Section 14 (Department of Economic and Social Affairs), 16 (United Nations Economic and Social Office in Beirut), 17-20 (Economic Commissions), 27 (Regular Programme of Technical Assistance); and so on.

19. As for central financial and administrative control, the Secretary-General is of the view that none of the proposed new measures would involve any basic departures from the present principles governing the administration of the appropriations as laid down in the Financial Regulations and Rules of the United Nations, including regulations 4.1 and 4.5.

20. The Advisory Committee agrees that the Secretary-General should prepare an experimental mock-up of the 1972 estimates along the proposed new lines while retaining the present form for the estimates themselves. As the Secretary-General indicated in his report, such a course of action would have the advantage of providing Member States with a much clearer impression of the proposed new budget format, and of enabling the Secretary-General to assess more accurately the possible technical difficulties which would need to be overcome should the Assembly ultimately decide in favour of the new form for the future.

21. The Advisory Committee is of the view, however, that the preparation of a mock-up of the estimates would not, in itself, be sufficient to bring out the advantages and disadvantages of the proposed new form of the budget. It would also be necessary to see how suitable the new form would be for purposes of administering the budget. To that end, the Committee would suggest that the Secretary-General consider the feasibility, within the level of resources which will be available in 1972, of conducting an experiment in a representative area of the Secretariat which would consist of recording and administering, as if the new 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.

22. The main component parts of the proposed new form of presentation of the United Nations budget document would seem to provide all the necessary elements for the mock-up. The proposed detailed breakdown of the budget estimates into parts, sections and chapters is given in annex II of the Secretary-General's report (A/C.5/1335). The Committee has been informed that the main headings of this breakdown for the economic, social and human rights fields, are fully compatible with the programme classification developed by the Consultative Committee on Administrative Questions on the basis of suggestions put forward in the report prepared for the Advisory Committee by Mr. W.F. McCandless (A/7821, annex), and agreed to by the Administrative Committee on Co-ordination.

23. Annex II lists forty-six Expenditure Sections, as against nineteen in the budget estimates for 1971. The Secretary-General indicated in paragraph 33 of his report that this fact would intensify the degree of control over particular

items of expenditure that would be exercised by the General Assembly and by himself on its behalf; moreover, the control could be exercised more intelligently, because it would rest on a more concrete and comprehensible basis rather than on the present wide and somewhat abstract concept of object or class of expenditure. In this connexion, the Advisory Committee trusts that the proposed presentation would also show more clearly than is the case at present the activities likely to be completed or terminated and the corresponding manpower and other resources that would become available for new work.

24. The Advisory Committee notes that the proposed appropriation lines (sections) would vary greatly in size. The bulk of the budget would be contained in Section 14 (Department of Economic and Social Affairs), Section 39 (General Services) and Section 40 (Conference Services). Within those sections, the Secretary-General would retain a degree of flexibility in allocating manpower and other resources akin to the one he now has in administering a consolidated manning-table.

25. At the other end of the scale, the Secretary-General proposed a large number of very small sections. Administering sections of that size might present considerable difficulties and might involve frequent recourse to intersection transfers or other procedures.

26. Again, there would seem to be an element of inconsistency in the proposed breakdown of the estimates into sections. Thus, while all human rights activities are grouped in one appropriation line, the same is not true of the legal field, where there are three distinct appropriation lines for the Office of Legal Affairs (Section 34), the International Law Commission (Section 35) and the Commission on International Trade Law (Section 36) - despite the fact that the substantive servicing of these two commissions is done by the Office of Legal Affairs.

27. In his report, the Secretary-General indicated that the programme and budget formulation procedure he described would logically involve the adoption of a biennial budget cycle, but that, bearing in mind that not all United Nations activities can be programmed in advance, the submission of revised estimates on an annual basis will still be necessary (A/C.5/1335, paragraphs 30 and 31).

28. In this connexion, the Advisory Committee recalled that, in its first report on the budget estimates for 1971,^{5/} it drew a parallel between the necessary prerequisites for a two-year budget cycle and those laid down in General Assembly resolution 2370 (XXII) as regards the preparation of a planning estimate. At its twenty-fourth and again at its current session, the General Assembly deferred implementation of the relevant provisions of resolution 2370 (XXII). In the same report, the Advisory Committee expressed the hope that the Secretary-General would indicate to the General Assembly at its current session the administrative arrangements and machinery that would be required if the United Nations were to adopt biennial budgeting, and also the question of the time spent in the preparation and review of budget estimates in relation to the length of the budget period. This information is not included in the Secretary-General's report on the form of presentation of the United Nations budget and the duration of the budget cycle. In the light of the foregoing, the Advisory Committee reserves judgement on the question of biennial budgeting.

29. The success of the internal endeavours discussed above would hinge, however, on what is done at the intergovernmental level about rationalizing the present United Nations central decision-making machinery. In its preliminary observations on the report by Mr. Bertrand on programming and budgets (A/8033), the Advisory Committee stressed the importance of co-ordinated and consistent guidance by intergovernmental organs on objectives and priorities.

30. In his report, the Secretary-General pointed to the need for Member States to take concrete action which would concentrate the authority to approve projects and to determine the organizational programme and budgetary policy in as few intergovernmental bodies as possible, ideally in a single body (A/C.5/1335, paragraph 16). In the Secretary-General's view, the first step in the programming and budgeting process should be for the competent body to establish the budget policy for the next budget period. This policy should be determined before the budget estimates themselves are drawn up. A crucial decision-making process would be involved, which would include an analysis of alternative, and perhaps competing, means of action to achieve objectives, and an evaluation of the results of activities already embarked upon. The Secretary-General added that effective programming would be promoted if resolutions passed

^{5/} Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 8 (A/8008), paras. 68-79.

by the various programme-formulating bodies in their respective fields could be limited in the first stage to statements of intention, and that final decisions should be taken, in the light of all relevant considerations, by whatever body is to be made responsible for determining the programmes and the budget of the United Nations.

31. The Advisory Committee sees much merit in these views which, in its opinion, deserve serious consideration at the intergovernmental level by both programme-formulating and programme-reviewing and budget-reviewing bodies. In view of the late submission of the report by the Secretary-General, the Advisory Committee doubts that the Fifth Committee will have time at its current session to discuss this question in all its details. It hopes, however, that the various organs involved will give thought to it in the course of 1971 so that the Assembly, at its twenty-sixth session, can deal with the substance of the question with all the attention it deserves.

32. The financial implications in 1971 of the suggestions made by the Secretary-General (A/C.5/1335), and in particular those related to the establishment of a small planning and programming unit and the preparatory work for setting up a consolidated medium-term programme, are estimated by him at \$36,000 under Section 3, chapter III, on the basis of eighteen man-months of consultant services. While the Advisory Committee agrees that the specialized work involved might make it necessary for the Secretary-General to seek outside consultants, the Committee trusts that he will find it possible to defray some of these costs from within the total resources available for chapter III.

33. On the basis of its analysis of the report by the Secretary-General, and subject to the reservations stated above, the Advisory Committee recommends approval of the Secretary-General's suggestions. Should these suggestions be approved by the General Assembly, supplementary credits in the amount of \$36,000 would be required under Section 3, chapter III of the budget for 1971.
