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Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit on the review of the United Nations budgetary process (JIU/REP/2003/2).

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REVIEW OF THE UNITED NATIONS BUDGETARY PROCESS

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In accordance with Article 11.2 of the JIU Statute, this report has been "finalized after consultations among the Inspectors so as to test the recommendations being made against the collective wisdom of the Unit".

CONTENTS

		Paragraphs	*Page*
Acronyms			iv
Executive Summary: objective, conclusions and recommendations			v
Introduction		1-6	1
I.	**Shortcomings of the Current United Nations Budgetary Process**	7-31	2
	A. Planning and programming	9-15	2
	B. Budgeting	16-20	3
	C. Monitoring and evaluation	21-22	4
	D. Parties involved in the process	23-31	4
II.	**Improving the United Nations Budgetary Process: alternatives**	32-85	7
	A. Alternative 1	33-78	7
	1. Planning and programming	33-45	7
	2. Budgeting	46-55	9
	3. Monitoring and evaluation	56-58	11
	4. Parties involved in the process	59-78	11
	B. Other alternatives	79-85	15
	End Notes		17
	Annex		19
	Chart		20

ACRONYMS

ACABQ	Advisory Committee on Administrative and Budgetary Questions
CPC	Committee for Programme and Coordination
FAO	Food and Agriculture Organization of the United Nations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ILO	International Labour Organization
IMO	International Maritime Organization
JIU	Joint Inspection Unit
MDG	Millennium Development Goal
MTP	Medium-Term Plan
NPM	New Programme Model
RBB	Results-Based Budgeting
UNIDO	United Nations Industrial Development Organization
UNITAR	United Nations Institute for Training and Research
UPU	Universal Postal Union
WHO	World Health Organization
WIPO	World Intellectual Property Organization

Executive Summary: objective, conclusions and recommendations

Objective: To appraise the efficiency and effectiveness of the current United Nations budgetary process and present a number of alternatives to the General Assembly for an improved planning, programming, budgeting, monitoring and evaluation process at the United Nations, taking into account, in part, experience and practices in a number of United Nations system organizations

A. In document A/57/387, the Secretary-General expressed his view that the current process of planning and budgeting in the United Nations was seriously flawed, because it was complex, protracted, disjointed, time-consuming and rigid. The Inspectors concur with the Secretary-General on the need to improve the budgetary process of the United Nations. They believe the various elements of the process need to be reviewed, based on a clear identification of their deficiencies, to better reflect and serve the shift to results-based budgeting (RBB) and management.

B. Most of the present instruments applied throughout the process are ill-adapted to reflect and serve a results-based approach, and some have exhausted their purposes associated with a programme budget approach or with political objectives attained long ago. In particular, planning and programming at the United Nations suffer from a lack of strategic guidance and poorly conceived programmes. The Medium-Term Plan (MTP) is proving to be both untimely and inflexible for detailed programming, and an impractical tool for priority setting. The budget outline has exhausted its mainly political purpose to facilitate adherence to the consensus practice in view of the financial constraints imposed on the Organization, and is failing to be a meaningful tool for priority-setting. These deficiencies and others have negative bearings on the efficiency and functioning of the parties involved in the process.

C. The cost of the budgetary process for a biennium exceeds $20 million. On average, this is comparable to some 0.75 per cent of the budget, i.e., the level of the contingency fund. This cost would be significantly higher, however, if the national costs of Member States' internal review and participation in the process were considered. The Inspectors believe any reformed budgetary process must be more cost efficient. At the same time, Member States' oversight role throughout the process must not be diminished.

D. Bearing in mind the above, and guided, in part, by the review of experience and practices in a number of United Nations organizations, the Inspectors pose the following three alternatives to be considered by the General Assembly, together with the proposals of the Secretary-General, in its review for improving the planning, programming, budgeting, monitoring and evaluation process of the United Nations. **They would like to stress, however, that in their opinion, alternative 1 represents the best course of action to be pursued for the most efficient budgetary process**.

Alternative 1

- A strategic framework
- A strategic programme budget
- An enhanced system of monitoring and evaluation
- An improved governance process

(a) Preparation of a strategic framework based on the Millennium Development Goals (MDGs) and the outcomes of the major United Nations conferences and summits. The strategic framework should be concise, identify the global goals relevant to the work of the Organization, the strategic objectives contributing to their attainment, and criteria to guide priority-setting for the work of the Organization. It should serve as a guide to the long-term planning and programming of the United Nations; it being understood that it could be subject to review in case of major developments affecting its content;

(b) Elimination of the medium-term plan (MTP) and the budget outline used in the present process, instead using the programme budget document as the main programming instrument for the biennium, to be strategically conceived based on the strategic framework;

(c) Application of an enhanced system of monitoring and evaluation; provision of better tools for self-evaluation by the programme managers and more frequent and quality reporting to Member States;

(d) An improved governance process where each of the parties involved should fully assume their duties and responsibilities in the process, including the responsibility of the General Assembly to optimize the use of its subsidiary and expert bodies.

Alternative 2

- A strategic framework
- A strategic planning document with indicative resources for the biennium
- A strategic programme budget
- An enhanced system of monitoring and evaluation
- An improved governance process

(a) Preparation of a strategic framework as described in alternative 1;

(b) Elimination of the MTP and the budget outline used in the present process, replacing them with a short planning document for the biennium, guided by the strategic framework and developed at the main programme level. Indicative resources for the biennium will be included as part of the document which will be submitted to Member States two years before the relevant biennium;

(c) The programme and budget document will be the main instrument for detailed programming for the biennium guided by the strategic framework and based on the planning document in (b) above;
(d) Application of an enhanced system of monitoring and evaluation as described in alternative 1;
(e) An improved governance process as described in alternative 1.

Alternative 3

- A strategic framework
- A strategic four-year rolling MTP with indicative resources
- A strategic programme budget
- An enhanced system of monitoring and evaluation
- An improved governance process

(a) Preparation of a strategic framework as described in alternative 1;
(b) Preparation of a rolling four-year MTP in which the programmes are strategically reformulated based on the strategic framework. The new MTP will be submitted for approval two years before the relevant biennium, and will be updated and "rolled" every two years. The current budget outline will be eliminated and will be replaced by indicative resources included as part of the new MTP;
(c) The programme budget document will mainly be a budgetary document to operationalize a biennium slice of the MTP. It will avoid repetitive programmatic justifications and will focus on the outputs to be produced during the biennium and their linkages to the strategic objectives identified in the strategic framework;
(d) Application of an enhanced system of monitoring and evaluation as described in alternative 1;
(e) An improved governance process as described in alternative 1.

E. It should be stressed that none of the alternatives proposed above should be construed as diminishing in any way the oversight role exercised by Member States throughout the budgetary process. Strategic budgeting mainly implies that the organization's resources allocated for the biennium are harnessed to bring the organization closer to the attainment of its strategic objectives and the realization of its goals, which are identified in the strategic framework. An enhanced focus by CPC on assessing the programmes' performance, as part of improved governance and an enhanced monitoring and evaluation regime, would ensure that the organization is moving in the right direction and bolster the oversight role of Member States in this regard. At the same time, ACABQ, through its examination of the detailed budgeting information, will continue to provide Member States with assurances on the financial management and accountability of the secretariat. In addition, with a clearer linkage of resource allocations to expected results and more meaningful programme performance reports, the ACABQ will have an improved basis for its recommendations to Member States with regard to resource allocation decisions.

Introduction

1. In document A/57/387, the Secretary-General has presented his agenda for further reform of the United Nations, including the process of planning and budgeting which, in his view, was seriously flawed, because it was complex, protracted, disjointed, time-consuming and rigid. In its resolution 57/300,[1] the General Assembly, while welcoming the efforts and initiatives of the Secretary-General aimed at further reforming the United Nations, expressed caution with regard to some budgetary-related proposals, and requested the Secretary-General to further develop his ideas and report to its resumed 57th or 58th session. More specifically, the General Assembly requested the Secretary-General to submit to its 58th session a report detailing his proposal for a shorter, more strategic medium-term plan linked to the budget outline and to submit to its resumed 57th session a report clarifying his proposal for a single-stage intergovernmental review of the programme budget and MTP. The response of the Secretary-General to the latter request is contained in its report A/57/786 dated 15 April 2003.

2. The Inspectors concur with the Secretary-General on the need to reform the budgetary process of the United Nations with the aim of making planning and budgeting real strategic instruments in the service of the priorities and the programme of work of the Organization. They believe the various elements of the process need to be reviewed to better reflect and serve the shift to results-based budgeting (RBB) and management. They are of the opinion, however, that to take an informed decision, in addition to the proposals of the Secretary-General, other alternatives ought to be explored by Member States based in part on the experience and practice of other United Nations organizations that have overhauled their budgetary process.

3. This report provides such alternatives to the fifty-eighth session of the General Assembly, based on a clear identification of the shortcomings of the present process. Chapter I identifies the deficiencies associated with each of the elements of the budgetary process, as well as with the functioning of the parties involved in the process. It provides a more focused diagnosis of the problem, before proposing in chapter II some alternatives to improve the process.

4. In this context, the Inspectors reviewed the experience and practices of a number of specialized agencies and the International Atomic Energy Agency (IAEA) to improve their budgetary processes over the last three bienniums. The United Nations funds and programmes are not covered by the report, owing mainly to the voluntary nature of their funding and the different nature of the governance oversight to their budget.

5. For the preparation of this report, the Inspectors dispatched a questionnaire to the United Nations specialized agencies and IAEA. They reviewed the relevant budgetary documents of a number of these organizations and conducted interviews with their officials. The Inspectors also reviewed the elements of the budgetary process in the United Nations, and met with delegations and Secretariat officials.

6. The Inspectors wish to express their appreciation to all those who assisted them in the preparation of this report. They are grateful for the cooperation they received from so many in their efforts.

I. Shortcomings of the Current United Nations Budgetary Process

7. The Secretary-General has highlighted many of the weaknesses of the current United Nations budgetary process.[2] These and other deficiencies were emphasized during the Inspectors' interviews with United Nations officials and delegations, and corroborated by the Inspectors' review of the budgetary process in a number of United Nations organizations.

8. This chapter summarizes the main deficiencies associated with each of the elements of the budgetary process, as well as with the parties involved in the process. While some of the weaknesses have existed for some time, and are indeed well known, especially to those who have been involved in the process for some years, their negative impact is most salient in the context of a results-based approach. The chapter, therefore, aims to provide a more focused diagnosis of the problem, before proposing alternatives to improve the process in chapter II.

A. Planning and programming

An instrument conceived for another purpose

9. Currently, the medium-term plan (MTP) is the main planning and programming instrument for the United Nations budgetary process. Despite the United Nations' shift to an RBB approach, no attempt was made to review the relevance of the MTP, developed mainly to guide the shift of the United Nations from an object-of-expenditure budget to a programme budget approach in 1974. In addition, not enough thought has been given to the relevance of its contents to the new approach adopted by the Organization.

Lack of strategic guidance and ill-conceived programmes

10. While the 2002-2005 MTP format was adapted to reflect the techniques of a results-based approach, the changes introduced to the programmes were more form than essence. As its stands, no strategic guidance is provided for the formulation of programmes, and, in general, programmes remain poorly conceived to meet the short-term requirements of legislative mandates. The detailing of programmes, including at the sub-programme levels, leads to a voluminous document that undermines its value as a policy framework for the Organization.

Untimely and inflexible tool for detailed programming

11. Programme managers are required to formulate their programmes in detail three years before their coming into effect. The MTP is then submitted for intergovernmental review two years before its implementation biennium. This often leads to situations where the MTP falls behind new legislative developments at the time of its adoption, or shortly afterwards. Such legislative developments have to wait two years to be reflected in the revised MTP, by which time, and following the same cycle, other new legislative developments would be falling behind.

12. In this context, the Secretary-General has highlighted the failure of the MTP for the period 2002-2005 in reflecting the political consensus and budgetary implications of the Millennium Declaration.[3] More recently, the General Assembly, bearing in mind that lack of time precluded further revisions to the

MTP at the fifty-seventh session, requested the Secretary-General to prepare the 2004-2005 proposed programme budget for the Economic and social affairs programme so as to reflect the review by the General Assembly at its fifty-seventh session of the outcome of the International Conference on Financing for Development and the World Summit on Sustainable Development.[4]

Impractical tool for priority setting

13. The MTP is supposed to be the first occasion programme priorities are to be set. However, this has proved largely to be a theoretical exercise in view of the detachment of the MTP from the resource allocation process. For instance, while weeks of negotiations were spent to reach consensus on the priorities for the 1998-2001 MTP (which were replicated in the 2002-2005 MTP), almost no changes occurred in the resources allocated for the programmes related to these priorities in the following bienniums.

Unnecessary annual review of detailed programme aspects by Member States

14. Under the current process, Member States review detailed programme aspects, through the Committee for Programme and Coordination (CPC) and the Fifth Committee, every year. Within a biennium, the detailed programme aspects are reviewed in the context of the MTP or its revision, and then in the context of the programme budget the following year (with the outputs added). This is unnecessary, given that as indicated above many details have to be updated in the second stage of their consideration.

15. This leads to an unnecessary increase in the volume of documentation produced for Member States. In most cases the narrative of the detailed programme aspects in the MTP is replicated word for word in the programme budget document. It also incurs amplified costs related to the meetings of CPC and the Fifth Committee. The cost of the budgetary process for a biennium exceeds US$ 20 million.[5] On average, this is comparable to some 0.75 per cent of the budget, i.e., the level of the contingency fund. This cost would be significantly higher, however, if the national costs of Member States' internal review and participation in the process were considered.

B. Budgeting

The budget outline

A tool that has exhausted its purpose

16. The budget outline was inserted as an important element of the budget process elaborated in General Assembly resolution 41/213 of 19 December 1986. One of its main purposes was to help Member States, in advance, to achieve the consensus sought in that resolution on the overall level of the United Nations budget, in view of the financial constraints imposed on the Organization.

17. Since 1986, the desired consensus for the adoption of the United Nations budget has been well established as General Assembly practice, and the de facto application of zero real growth budgeting has made the overall budget level of future bienniums largely predictable.

A failed opportunity for meaningful priority-setting

18. The political purpose underlying the budget outline, and its main focus on financial aspects, largely explain its unfulfilled role of matching programmatic priorities with resource

priorities. Indeed, in accordance with the present budget cycle, the review of the MTP (or its revision) is conducted in the same year as the budget outline is considered. However, the negotiations on both documents are disconnected, with the priorities agreed in the MTP added artificially at the end onto an already agreed budget outline.

The programme budget

Lack of strategic budgeting

19. The programme budget document is a product of the MTP and the budget outline. Hence, lack of strategic orientation and poorly conceived programmes are reproduced in the programme budget document, and the document is also adjusted in form rather than in substance.

Budgeting information irrelevant to the results-based approach

20. The budget document continues to contain budgeting information that is not needed for a sound application of a results-based approach, and the link between the outputs and the results to be achieved, and the resources provided to achieve them, remain unclear.

C. Monitoring and evaluation

Lack of adequate mechanisms for routine self-evaluation

21. The existing tools for monitoring and evaluation, including some information systems in place, such as the Integrated Monitoring and Documentation Information System (IMDIS), were not designed for an RBB approach and are proving to be difficult to adapt to such an approach. This renders it more difficult for programme managers to conduct routine self-evaluation, and to feed the results of these self-evaluations back into their programmes and future plans.

Reporting mechanisms do not allow appropriate feedback to future programme budgets

22. The existing mechanisms for reporting on the performance of programmes are not conducive to a timely and systematic feedback of evaluation results into the future upcoming biennial budget. The lack of interim reporting on programme performance during the biennium hinders a timely adjustment of future programme orientation, if needed, and the current mode of reporting (collating the status of completion of thousands of outputs) does not foster strategic discussion on future plans and resource allocation; it is more analogous to bean-counting.

D. Parties involved in the process

The Secretariat

The need for further improvement of documentation

23. While it is recognized that results-based budgeting is being implemented in a gradual and incremental manner, and that commendable efforts are being made by the secretariat to improve the documentation presented to Member States since the approval of the results-based approach by the General Assembly in December 2000, notably with regard to the presentation of the programme budget,[6] further efforts are needed to continue to improve the documentation presented throughout the budgetary process.

24. For instance, with regard to planning and programming, and as elaborated in chapter II, more efforts are needed along the efforts made by the secretariats of

other United Nations organizations in reviewing their planning and programming instruments, as well as in streamlining, regrouping and reformulating their programmes in a strategic manner, and identifying shared and cross-cutting objectives.

25. The view was expressed most recently in CPC that further efforts should be made in future proposed programme budgets to draw clear linkages between objectives, expected accomplishments, indicators of achievements and outputs. Also, the absence in the introduction of the proposed programme budget for the biennium 2004-2005 of any reference to efforts to eliminate programmatic or administrative duplication, as requested by the General Assembly, was noted. Furthermore, the Committee recommended that the General Assembly request the Secretary-General to make proposals to the Assembly at its fifty-ninth session on the better alignment of programme performance and evaluation reporting with the budget cycle.[7]

Untimely outreach to Member States and the lack of trust

26. The Secretariat does not validate its ideas and thinking on the different aspects of the budgetary process with Member States at an early stage. In some cases, important ideas are proposed without enough elaboration or clarification, and initiatives are implemented despite concerns expressed by Member States. This provokes skepticism towards the Secretariat and undermines the trust of Member States in it.

27. For example, the General Assembly recently requested the Secretary-General to clarify his proposal for a single-stage intergovernmental review of the programme budget and MTP. Member States also expressed concern about the move by the Secretariat to provide the annex to the programme budget 2004-2005 containing the detailed technical costing information only to ACABQ, and the CPC considered it important to stress that this annex could also be provided to Member States at their request.[8]

The Committee for Programme and Coordination

Perceived duplication; and tedious working methods

28. Criticism usually levelled at the role of CPC in the process, and repeated to the Inspectors, though with varying emphasis, by officials interviewed and some delegations, is mainly two-fold: duplication with the Fifth Committee; and tedious working methods (drafting committee).

The Fifth Committee

Assuming the roles of CPC and the Advisory Committee on Administrative and Budgetary Questions (ACABQ); focus on minute detail; eleventh hour dollar level

29. Criticism raised in relation to the role of the Fifth Committee in the process is mainly that: Member States duplicate the work of CPC in the consideration of the programmatic aspects of the programme budget; Member States focus on minute budgeting information (e.g., upgrading of posts, number of posts needed for a subprogramme, etc.) instead of focusing on strategic issues; Member States appear to usurp the role of ACABQ through their review of detailed budgeting information; the overall level of resources decided by Member States is not commensurate with the results of their section-by-section

analysis and the time and effort spent in this process. A dollar level is reached at the eleventh hour without regard to programmatic considerations and objectives to be achieved during the biennium.

Advisory Committee on Administrative and Budgetary Questions

Almost non-stop meetings

30. The burdensome United Nations budgetary process has also negatively affected ACABQ. It is now forced to work in a practically non-stop mode with concomitant increased costs for Member States.

Inability to fulfil its mandate related to Article 17 of the United Nations Charter

31. Despite regular missions by members of ACABQ to the specialized agencies and IAEA, the heavy workload related to the United Nations budgetary process has diminished the quality and scope of advice provided by ACABQ to the General Assembly in the exercise of its oversight functions vis-à-vis the budgets of specialized agencies in accordance with Article 17 of the Charter.[9] In the opinion of some delegations, this is an especially unwelcome development, as it prevents the General Assembly, among others, from becoming acquainted with new developments in the budgets of the agencies and IAEA.

II. Improving the United Nations Budgetary Process: Alternatives

32. Given the analysis of deficiencies in chapter I, and the review of experience and practices in a number of other United Nations organizations, the Inspectors believe three main alternatives could be explored by the General Assembly to improve the planning, programming, budgeting, monitoring and evaluation process of the United Nations. Those alternatives and their rationale are elaborated below.

A. Alternative I

1. Planning and programming

The need for a strategic framework

33. The United Nations shifted to RBB in the absence of an explicit strategic framework and objectives to guide its work for the future. The interviews conducted by the Inspectors in the preparation of this report revealed some scepticism on the part of Secretariat officials and some Member States, about the value of elaborating long-term or strategic plans for the United Nations, as the Organization is facing a dynamic and changing global environment. Some apprehension was also expressed that cumbersome and protracted negotiations could possibly accompany such an exercise.

34. On the other hand, there was a widely shared view, conveyed to the Inspectors by delegations and Secretariat officials, that the Millennium Declaration Goals (MDGs) coupled with the goals and objectives identified in the series of major United Nations conferences and summits held since the early 1990s, could serve as a long-term overall planning guide for the United Nations. There was also clear recognition of the need to link the MDGs and other globally agreed targets and objectives to the work and activities of the Organization. Therefore, the Inspectors believe that there is enough consensual ground on which the Secretariat could base itself and formulate, in close consultations with Member States and with their early involvement in the process, a strategic document that would set the direction for the Organization's programme planning in the longer term.

35. This view is strongly corroborated by the experience of other United Nations organizations where the shift to a results-based approach was undertaken and guided by a strategic framework providing vision and overall direction to the organization in the long- and/or mid-term. The Food and Agriculture Organization of the United Nations (FAO) formulated and adopted a Strategic Framework 2000-2015; the World Health Organization (WHO) developed a corporate strategy; and IAEA developed a Medium-Term Strategy (MTS) for 2001-2005. Other organizations have done the same, e.g., the World Intellectual Property Organization (WIPO), the International Labour Organization (ILO), the International Civil Aviation Organization (ICAO) and the Universal Postal Union (UPU) (see annex). The International Maritime Organization (IMO) is in the process of developing a strategic plan on a six-year basis.

36. Through the strategic framework documents, Member States sought to provide their organizations with clear and well-defined long-term policy frameworks that would guide their programme planning during the period covered. They tried to address the questions as to where their organizations should be going and what they should be

doing. Common elements in most of these documents were relative conciseness, identification of the global context, goals relevant to the organizations, and the strategic objectives to be pursued to attain these goals. Many of these documents identified criteria for priority- setting, an exercise pursued later in conjunction with the first resource allocation stage. Built into the process was the understanding and recognition that such documents could be flexible enough to reflect evolving and changed circumstances. This recognition, however, did not diminish their value as necessary guiding instruments for planning in an RBB approach.

37. Indeed, the value of strategic guiding documentation was implicitly recognized by the General Assembly itself in recommending that the Secretary-General's report entitled "Road map towards the implementation of the United Nations Millennium Declaration"[10] be considered as a useful guide in the implementation of the Millennium Declaration.[11] Despite recognized limitations of the document in the United Nations context,[12] programme managers in the United Nations were encouraged to take this into account in the review of their programme activities for the 2004-2005 programme budget.[13]

38. The Inspectors are convinced that the formulation of a strategic framework for the United Nations, along the lines described above, is an essential element for an effective shift towards an RBB approach, and a much needed basis for improving the other elements of the budgetary process of the United Nations.

Programming

39. The formulation of a strategic framework should facilitate the reformulation of programmes in a strategically conceived manner that would go beyond the short-term requirements of some existing legislative mandates. The strategic objectives should be cascaded down to the various programme and sub-programme levels through a series of related objectives. This would ensure that an activity at the final end of the organization's work would be linked in a meaningful way to the strategic objectives and that the output of such an activity would contribute to the attainment of the overall goals of the organization. There is also a need to put more emphasis on cross-cutting and shared objectives among various programmes. Such a programming review is the key to improving the United Nations budgetary process.

40. Most of the other United Nations organizations reported that the major factor in improving their budgetary process related to the streamlining, restructuring and/or reformulation of their programmes. FAO introduced a New Programme Model (NPM), developed to reflect a results-based approach to budgeting. As part of its new programming approach, FAO also identified sixteen Priority Areas for Interdisciplinary Actions (PAIAs). With the major shift towards strategic budgeting starting in WHO in 2002-2003, programmes were regrouped and the three levels of the organization–global, regional and country–were integrated, with the same overall objectives, expected results and indicators. ILO reformulated and regrouped its programmes under four strategic objectives and 10 operational objectives, in addition to six cross-cutting or shared policy objectives. While in the United Nations Industrial Development Organization (UNIDO), two Main Programmes were derived from its Business Plan.

41. The Inspectors are convinced that such reformulation, restructuring and/or streamlining of United Nations progammes, guided by strategic objectives/directions, are necessary to shift the focus of Member States to outcome-driven programming, as called for in RBB. Programme budget presentation and the linkage between the various elements of the process would be improved.

The programming instrument

42. The Inspectors believe that the MTP should be eliminated as the main programming instrument in the United Nations given its shortcomings that are highlighted in chapter I.

43. Instead, programming should be done directly in the context of the programme budget document. This would enable programmes to be formulated as near as possible to their time of implementation, without losing the strategic direction provided by the strategic framework. It would also avoid the annual review of detailed programme aspects by Member States during a biennium. And it should improve the strategic consideration of the programmes, through inter alia a coherent assessment of the link between the outputs proposed in the programme budget and the strategic objectives and overall goals of the Organization.

44. Most of the other United Nations organizations, including IAEA, WHO and WIPO, followed this approach. In doing so, WHO expressed the belief that the purpose of translating policy into practice was best served through the programme budget and operational plans, prepared closer to the time of implementation.[14]

45. In fact, this approach has been partially followed at the United Nations itself in the 2004-2005 programme budget for the Economic and social affairs programme reflecting the review by the General Assembly at its fifty-seventh session of the outcome of the International Conference on Financing for Development and the World Summit on Sustainable Development. This incidental, yet illustrative, practice should be institutionalized and applied as a principle for programming in the United Nations.

2. Budgeting

The budget outline

46. The Inspectors believe that the budget outline in the United Nations has exhausted its mainly political purpose. A shift to an RBB budgeting approach necessitates an underlying high level of trust between Member States and the Secretariat, especially in financial planning and discipline. Prediction of resources should be based, in principle, on the overall level of the previous programme budget.

47. In cases where the Secretariat estimates that a change in the overall level of the upcoming budget compared to the preceding budget is needed and justified, it should proceed with transparent consultations at an early stage of the budgetary process with Member States and groups of Member States to alert them of such a change and its justification, and take their feedback into account before finalizing its programme budget proposal. Such a practice has been successfully applied in IAEA and is consistent with the call to improve the working methods of the Secretariat and promote more trust between it and the Member States, as recommended by the Inspectors below.

48. The recommended use of the programme budget as the main programming instrument also implies that the programme budget would be the first occasion programmatic priorities are matched with resource priorities. Therefore, the Inspectors recommend the elimination of the budget outline from the United Nations budgetary process.

49. In fact, the Inspectors did not find any similar practice in the United Nations organizations reviewed for the purpose of this report. FAO had an outline Programme of Work and Budget in the early 1990s, but this was abolished in 1997 upon the recommendation of the FAO Council, which deemed the outline duplicative in the budgetary process.[15] A similar decision by the General Assembly would provide a streamlined budgetary process, and is strongly recommended by the Inspectors.

The programme budget

50. The nature and quality of the programme budget document are a function of the planning and programming approach followed by the Organization. Therefore, strategically conceived and well-formulated programmes, with cross-cutting and shared objectives, should lead to an improved strategic budget document where the organization's resources allocated for the biennium would be harnessed to bring the organization closer to the attainment of its strategic objectives and the realization of its goals, which are identified in the strategic framework. As recommended under this alternative, the programme budget document would become the main programmatic instrument for the United Nations, in which programmes would be detailed in the first instance for the biennium.

51. As for the level of budgeting information made available in the core document, it is clear that a results-based budget analysis requires in essence a reduced level of financial data, consistent with the necessary shift in the focus of Member States to outcome-driven programming and a streamlined presentation of the programme budget document.

52. This has been the case in many organizations (IAEA, ILO and WHO for example) where the amount of budgeting information presented to Member States in the printed programme budget document was reduced considerably (including that on staffing in many instances), or made available to them through other means. In IAEA, more extensive budgeting information is contained in an electronic Management Part on the Agency's official website and is accessible to Member States. The IAEA secretariat also responds informally to any Member State's request for financial data.

53. In the case of the United Nations, the very detailed financial data would continue to be provided to ACABQ. This does not mean that Member States cannot and should not have access to this information; Member States could request these data to be included on a web site as is done in IAEA, or explore other means to this end. They will also have to optimize their use of ACABQ expertise in reviewing this type of data.

54. It is clear, however, that omitting the very detailed financial data from the programme budget document is in line with the concept and nature of RBB as the focus shifts to accountability and results for the resources provided. In this context, the Inspectors stress the absolute need to foster a culture of trust between

the Member States and the Secretariat, that is sorely lacking and needed to ease the cultural transition to the RBB approach.

55. Providing more and more financial data is not the answer. Better, more focused and more strategic documentation, understandable to the membership at large is critical. It would also serve the interests of the majority of Member States who do not have the staff resources to cover United Nations activities in detail. Also critical is the fact that Member States will not exercise any less oversight throughout the budgetary process as a result of this change or any other change to the current process that the Inspectors are recommending.

3. Monitoring and evaluation

56. The Secretary-General expressed his intention to develop a strengthened system of evaluation and monitoring.[16] The Inspectors believe that the first step in establishing an enhanced evaluation regime would be to lay down a solid internal monitoring and evaluation infrastructure across the board in the Secretariat, through inter alia appropriate information systems and well-trained management, conscious of the needs and value of self-evaluation. Improved systematic self-evaluation by programme managers should constitute the basis for such an enhanced regime, to be complemented and overseen by periodic internal and external evaluations.

57. The enhanced regime should also enable the Secretariat to report on programme performance and implementation to Member States at more frequent intervals, to provide them with timely policy guidance for future plans and adjust their resource allocation decisions. This is critical if the programme and budget are to remain relevant to current needs. Member States cannot afford to fund completed, obsolete, marginally useful or ineffective programmes. A strengthened system of programme monitoring and evaluation would be more capable of identifying such programmes, and would allow a meaningful shift of resources.

58. Several organizations recognized at the outset that the shift to RBB required an enhanced monitoring and evaluation regime. WIPO develops annual work plans in tandem with the preparation of the programme budget, that are used for planning and monitoring activities during the biennium. The systematic use of annual work plans provides an internal tool that facilitates the monitoring, by the office of the controller amongst others, of progress in undertaking planned activities across the organization. More significantly, the WIPO secretariat reports to Member States on programme performance and implementation at several intervals during the biennium cycle. Such reporting increases the opportunities for Member States to take into account during the budgetary process the results of the assessments for inclusion in upcoming and future plans and to guide their resource allocation decisions accordingly. Similar systems allowing more frequent and quality reporting to Member States are being developed in organizations like FAO and IAEA.[17]

4. Parties involved in the United Nations budgetary process

59. The preparation of a future biennium United Nations programme budget starts internally within the Secretariat by September of the first year of the ongoing biennium (September 2002 for the 2004-2005 biennium). This is about 16 months before the start of the biennium to which it relates, which is largely in line with the

practice in most United Nations organizations.[18]

60. Member States are involved in the budgetary process at the United Nations mainly through CPC and the Fifth Committee (Administrative and Budgetary Committee). This is also in line with the practice in most United Nations organizations where review of programmatic and/or financial aspects is made over a two-stage inter-governmental process.[19] In addition, the Fifth Committee is assisted by an expert examination of the programme budget in ACABQ.

The Secretariat

Quality of documentation

61. The need and potential to provide better and more adequate documentation by the Secretariat is addressed in the review of the various elements of the budgetary process above. The Inspectors believe that the proposals recommended above in relation to planning, programming, budgeting, monitoring and evaluation should significantly improve the quality of documentation presented by the Secretariat for each of the elements of the process, and should lead to clearer and more focused documentation for Member States.

62. In the preparation of the programme and budget, and the programmes' conception and formulation, the Secretariat could consider more inclusive practices, at both the departmental and the Organization levels, so that all pertinent actors are involved in the process. WIPO establishes a Task Force to provide a broader perspective and enhance programme coordination in the development of the programme and budget. A similar practice can be found in ICAO, where a Senior Management Group provides internal overall support to the process, by ensuring consistency with strategic directions and advising on operational objectives.

Outreach to Member States and the question of trust

63. While improved documentation by the Secretariat would facilitate the fostering of trust between the Secretariat and Member States, the early involvement of Member States in the development of such documentation, including the strategic framework and the programme and budget, is essential throughout the process. To achieve this, the Secretariat needs to share its thinking at an early stage with Member States, and to seek their feedback, especially through timely informal consultations and briefings, and by providing conceptual and explanatory notes to Member States. Such informal dialogue should involve, in addition to the delegations to the Fifth Committee, the delegations to other substantive committees of the General Assembly with regard to the strategic conception and reformulation of their relevant programmes. This would ensure transparency in the process, while allowing the Secretariat to better identify the concerns and priorities of Member States.

64. Such a consultative approach has proved most fruitful in several other organizations, in particular in FAO, IAEA and WIPO. All three organizations reported that, while their consultative and outreaching approach to apply RBB most probably incurred more internal costs, especially in terms of staff time initially,[20] increased interaction with Member States at various stages of the process had enabled better identification of their needs and priorities. This, in turn, is being reflected in improved programme formulation and delivery,

supported by a better monitoring and evaluation regime. In addition, they all emphasized that such an approach had led to increased confidence, trust and sense of ownership in the organization and its work among Member States.

Committee for Programme and Coordination

Duplication with the Fifth Committee, and tedious working methods (drafting committee)

65. Concerning duplication with the Fifth Committee, many delegations and a few Secretariat officials pointed out that since 1997, CPC had achieved consensus on all the programmes included in the MTP with the exception of one or two programmes, where the absence of political will had hindered such consensus. Consequently, those programmes were adopted by the Fifth Committee without much discussion.

66. The Inspectors find it hard to perceive how a direct review of all the programmatic aspects by the Fifth Committee, given its universal composition, would lead to more efficiency in the budgetary process. For instance, costing information provided by the Secretariat to the Inspectors shows that out of the US$ 10 million estimated for the annual cost of the budgetary process, more than one third (US$ 3.5 million) is related to the formal meetings of the Fifth Committee. One can only expect this figure to increase significantly if the Fifth Committee is to consider the programmatic aspects, formally and informally, from scratch.

67. In addition, some delegations expressed concern about the competence of the Fifth Committee in reviewing the substantive programmatic aspects of the work of other General Assembly committees. They noted that CPC is a subsidiary body of the Assembly where Member States are encouraged to be represented "at an adequate level in order to raise the expertise of that Committee".[21] The responsibility to ensure this quality representation rests on the shoulders of the members of CPC, and on the General Assembly electing the members every three years of its "main subsidiary organ" for planning, programming and coordination.[22]

68. As for the tedious work methods of CPC, the Committee has embarked in the last few years on an exercise to review its working methods. However, in the context of the review conducted in this report, it appears that one of the key factors underlying the poor working methods of the Committee in reviewing United Nations programmes, is related to the quality of documentation provided to the Committee, and the nature of this documentation.

69. The synthesized "copy and paste" approach (copy from legislative mandates and paste in the MTP) exercised in the preparation of the MTP, was followed by CPC members in their review of the programmes, turning the Committee largely into a drafting committee. It is hoped, therefore, that strategically conceived programmes designed by the Secretariat will lead to strategic discussions among Member States and to the provision of improved policy guidance.

70. Moreover, once the recommended strategic framework is adopted, the proposal to eliminate the MTP and to use the programme budget as the main programming instrument for the Organization would entail a single-time review of the programmatic aspects during a biennium. This would allow the Committee to devote more time to and

focus on enhancing its evaluation (and coordination) function, notably during the first year of a biennium (even years).

71. This coincides with the widely shared view on the need to enhance the role of CPC in monitoring and evaluation. However, such a role could only be enhanced as part of a strengthened overall monitoring and evaluation regime as highlighted above. Such a role cannot be of value to the budgetary process unless the evaluation results are fed back in to the upcoming and future programmes. It is hard to perceive, therefore, an efficient role for CPC in monitoring and evaluation, without it being involved from the outset in the planning and programming aspects of the budgetary process, and vice versa.

72. Hence, there is a need to fully entrust CPC with its mandated role as the main subsidiary organ of the General Assembly for planning and programming. This can only be done through responsible and self-imposed discipline by Member States to adhere to practices that avoid any potential duplication between CPC and the Fifth Committee in planning and programming, as discussed below.

Fifth Committee

73. The issue of duplication between the Fifth Committee and CPC is partially addressed above. While de jure it may not be possible, nor advisable, to eliminate all duplication, it is obvious that a level of self-discipline and responsibility to be exercised by delegations in the Fifth Committee is necessary to avoid such potential duplication de facto. This has proven to be possible if the political will exists. For instance, the practice of consensus in the adoption of the United Nations budget was tacitly embedded in General Assembly resolution 41/213 through the "broadest possible agreement" formula inserted without prejudice to the decision-making process enshrined in the Charter of the United Nations or in the Rules of Procedure of the General Assembly.

74. In addition, in the consideration of the 2002-2003 programme budget, the section-by- section formal presentation to the Fifth Committee was skipped all together, despite reluctance on the part of some delegations, based on the understanding that programme managers would be made available to answer any specific questions that arose in the informal consultations. Delegations should refrain during the informal consultations from repeating general statements and positions already expressed in the formal meetings, and focus instead directly on bridging the gaps between various positions. Member States should be encouraged by the General Assembly to adhere to such practices to improve and streamline the negotiating process on the programme budget.

75. Concerning the review of the financial aspects of the programme budget, it has been an established practice for a long time in the Fifth Committee that the ACABQ reports and recommendations are the basis and entry point for the discussions of such aspects. However, there has been a deviation from this practice over the last years, leading to longer protracted discussions, increasing the tendency for micromanagement in budget consideration and steering the discussions away from the means-end analysis sought in the results-based approach. Member States should be encouraged to adhere, as far as possible, to the previous practice. Otherwise, Member States will need to address seriously the factors that have led to this

deviation if the General Assembly is to optimize the use and outputs of this expert body.

76. Finally, the Inspectors noticed, in the course of the preparation of this report, that some representatives of Member States in the Fifth Committee were largely unacquainted with the budgetary process of the Organization or with the needs associated with the shift to RBB. This is normal in view of the periodic change of representatives of Member States in the Committee. In its report on results-based budgeting: the experience of United Nations system organizations,[23] the Joint Inspection Unit (JIU) recommended that the United Nations Staff College and the United Nations Institute for Training and Research (UNITAR) should be invited to conduct seminars and workshops to help familiarize staff and representatives of Member States with RBB.

77. While the Inspectors were informed that some training on RBB was indeed provided to programme managers and other staff, no such informative orientations are yet provided to representatives of Member States in the Fifth Committee. Such workshops could help to bring the desired shift of focus by the representatives of Member States closer to a results-based approach. The Bureau of the Fifth Committee could play a more active role in arranging for such workshops before the start of a new session of the General Assembly, and also in facilitating informal briefings by Secretariat officials for Member States.

Advisory Committee on Administrative and Budgetary Questions

78. It is hoped that a strategically formulated budget and an improved budgetary process, as proposed above, together with continued refinement of RBB techniques, will ease the workload of ACABQ related to the United Nations budgetary process. This could possibly allow it to streamline its sessions and devote more time to fulfilling its mandate related to Article 17 of the United Nations Charter. In this context, ACABQ could be invited to report to the General Assembly on the results of its missions to the specialized agencies and IAEA, including the latest developments in the budgets of these organizations, as well as practices or techniques that could be useful in the context of the United Nations budget.

B. Other alternatives

79. The bulk of the proposals to improve the United Nations budgetary process suggested above under alternative 1 would apply to alternatives 2 and 3 below, with changes introduced mainly in relation to the programming instrument and its link to resource allocation, as follows:

Alternative 2

80. Under this alternative, the main instrument for detailed programming would remain the programme budget document, and the MTP would still be eliminated. However, prior to the programme budget preparation, the Secretariat would submit to the Fifth Committee, through CPC and ACABQ, a short planning document for the following biennium, guided by the strategic framework recommended under alternative 1, and indicating the strategic orientation and conception of the programmes for the biennium developed at the main programme level.

81. This document would also include the indicative resources required for the biennium, linked to each main programme (an adapted budget outline). It would be submitted two years before the biennium to which it relates, and would be the basis for the preparation of the detailed programme budget document. It would also serve as the tool for setting programmatic priorities by matching them with resource allocation. A similar practice to such an alternative is applied in IAEA.

82. While this alternative may imply the benefit of providing Member States with early indications about the programmatic orientations and the resources required for the biennium, it goes, in the opinion of the Inspectors, against a more streamlined and efficient budgetary process, given that the new document will have to be vetted again through both CPC and ACABQ two years before its relevant biennium, adding an extra work load to these two bodies at the possible expense of other functions.

Alternative 3

83. Under this alternative, the programmes in the four-year MTP would be conceived and strategically reformulated, guided by the strategic framework recommended under alternative 1, and indicative resources for the four years would be included in the MTP as a means to tie the programmatic priorities to corresponding (though indicative) resources. The MTP would be considered as a rolling text, revised and updated every two years.

84. The programme budget document would be developed based on the MTP with less programmatic justifications and more focus on budgetary information and the linkages between the outputs proposed for the biennium, their resources and the strategic objectives that they are striving to attain. It would mainly operationalize a slice of the MTP for the biennium. Such an approach is followed by FAO in its budgetary process.[24]

85. While this alternative implies considerable qualitative changes to the current programming and budgeting instruments in the United Nations, it changes little in the current cumbersome process associated with the annual review by the relevant bodies of the detailed programme aspects of the MTP and the programme budget thereafter. Therefore, the Inspectors are not in favour of such an approach in the case of the United Nations.

END NOTES

[1] A/RES/57/300 of 20 December 2002.

[2] Report of the Secretary-General entitled “Strengthening of the United Nations: an agenda for further change” (A/57/387 of 9 September 2002), paras. 155-165.

[3] Ibid., para. 160.

[4] A/RES/57/282. See also the “Proposed programme budget for the biennium 2004-2005, part IV, section 9, economic and social affairs” (A/58/6 (Sect. 9) of 9 April 2003).

[5] A/57/387 of 9 September 2002, para. 162.

[6] In its resolution 56/253 of 24 December 2001, the General Assembly noted with satisfaction the clarity of the presentation of the proposed programme budget, and welcomed the continued efforts made by the Secretary-General to improve the format of the proposed programme budget. Further elements to strengthen the programme budget presentation were introduced in the proposed programme budget for 2004-2005, A/58/6 (Introduction, para. 88).

[7] Report of the Committee for Programme and Coordination A/58/16 of 10 July 2003, Forty-third session (9 June to 3 July and 9 July 2003), paras. 41, 53 and 71.

[8] Ibid., para. 90.

[9] This issue was also raised in the JIU report entitled “Enhancing governance oversight role: structure, working methods and practices on handling oversight reports” (A/57/58 of 18 March 2002).

[10] Report of the Secretary-General (A/56/326 of 6 September 2001).

[11] General Assembly resolution 56/95 of 14 December 2001.

[12] The report was prepared, as requested by the General Assembly in its resolution 56/95 of 14 December 2001, as a long-term road map towards the implementation of the Millennium Declaration within the United Nations system. The goals and strategies prescribed in it, therefore, go obviously beyond the capacity of the United Nations per se. Moreover, the report, through its mandated focus on the MDGs, did not include the goals and targets agreed upon in the global conferences and, hence, did not elaborate strategies to pursue them.

[13] The United Nations Budget Instructions for 2004-2005, Introduction.

[14] “A corporate strategy for the WHO Secretariat: Report by the Director-General” (EB105/3 of 10 December 1999). See also EB105/2000/REC/2.

[15] Report of the Conference of FAO, twenty-ninth session, Rome, 7-18 November 1997 (C97/REP, para. 119).

[16] A/57/387 of 9 September 2002, para. 167 (e).

[17] In 2001, the Director-General of FAO elaborated through a bulletin (DGB No. 2001/33 dated 5 November 2001) the elements of a strengthened evaluation system for FAO. It contained, among others, the purpose and scope of evaluation, its coverage, the staff participation in the process, and the reporting to management, governing bodies and other stakeholders. In IAEA, the elements of a newly enhanced evaluation regime were submitted to Member States in 2002 in the “Reporting on programme results in the framework of the results-based budgeting” (GOV/INF/2002/5).

[18] With the exception of UPU (eight months), the preparation of the draft programme and budget for each biennium starts in the organizations reviewed from 15 (case of WIPO) to 19 months (case of IAEA) before the beginning of the biennium to which it refers.

[19] See annex. For more details about the oversight governance structure in the United Nations system organizations, see the JIU report entitled “Enhancing governance oversight role: structure, working methods and practices on handling oversight reports” (A/57/58 of 18 March 2002).

[20] No organization has an accounting costing system in place for its budgetary process.

[21] General Assembly resolution 3392 (XXX) of 20 November 1975.

[22] See terms of reference of CPC, annex to Economic and Social Council resolution 2008 (LX) dated 14 May 1976.

[23] JIU/REP/99/3; A/54/287.

[24] FAO has a six-year rolling MTP.