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Review of the efficiency of the administrative and financial functioning of the United Nations

Proposed amendments to the Financial Regulations of the United Nations

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on proposed amendments to the Financial Regulations of the United Nations ([A/73/717](#)). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 28 February 2019.

2. The Advisory Committee recalls that, subsequent to its consideration of the report of the Secretary-General entitled “Shifting the management paradigm in the United Nations: implementing a new management architecture for improved effectiveness and strengthened accountability” ([A/72/492/Add.2](#)), the General Assembly, in its resolution [72/266 B](#), requested the Secretary-General to submit for its consideration and approval any proposed amendments to the financial and staff regulations, along with the rationale for the proposed amendments.

II. Report of the Secretary-General

3. The report of the Secretary-General ([A/73/717](#)) comprises a 13-paragraph main section and two annexes that contain the proposed amendments to the Financial Regulations submitted for the approval of the General Assembly (annex I) and the related revisions to the Financial Rules provided for the information of the Assembly and for the Assembly to take note thereof (annex II) (see also para. 7 below). The Secretary-General indicates that, once the amendments to the Financial Regulations are approved by the General Assembly, he will promulgate the related amendments to the Financial Rules ([A/73/717](#), para. 12). The Advisory Committee requested and received a version of annexes I and II highlighting the changes proposed. **For ease of**



reference, the Advisory Committee trusts that the version with the changes highlighted will be provided to the General Assembly at the time of its consideration of the present report.

4. The Advisory Committee notes that the main section of the report of the Secretary-General does not provide a summary and analysis of the amendments proposed or details explaining the rationale associated with the proposals. The Committee recalls that information of this nature was provided in the previous report of the Secretary-General on the proposed revisions to the Financial Regulations for the adoption of International Public Sector Accounting Standards (IPSAS) by the Organization (see [A/67/345](#), sect. II). **The Advisory Committee is of the view that greater analytical and explanatory details on the proposed amendments would have improved the quality of the report of the Secretary-General and facilitated the consideration of the proposed amendments to the Financial Regulations.**

5. **The Advisory Committee considers that, overall, there is a need for adequate justification and rationales for the proposed amendments to the Financial Regulations, including definitions of new terms and consistency in the use of terminology. In that context, the Committee recalls that, during its recent consideration of the proposed amendments to the Staff Regulations and Rules ([A/73/378](#)), it expressed the view that, going forward, future reports of the Secretary-General should clearly stipulate the rationale for all proposed changes, including making a clearer case for editorial changes intended to improve clarity, simplification and user-friendliness ([A/73/622](#), para. 13).**

6. With regard to the consultative process followed for the finalization of the report of the Secretary-General, it is indicated that the proposed changes were presented to the Board of Auditors and the Office of Internal Oversight Services (OIOS) for comments ([A/73/717](#), para. 11). Upon enquiry, the Advisory Committee was informed that both the Board of Auditors and OIOS noted that some of the recommendations that they had previously raised had been addressed in the proposed amendments to the Financial Regulations (see also paras. 9–11 below). Upon further enquiries on the role of the Office of Legal Affairs in the review process and its comments on the proposed amendments, the Committee was informed that the Office had played an integral role during the drafting of the revisions to the Financial Regulations and Rules.

7. In his report ([A/73/717](#), paras. 6 and 7), the Secretary-General indicates that in the context of the management reform, he has delegated enhanced managerial authority in the areas of human resources, budget and finance, procurement and property management to heads of Secretariat entities under a new framework for delegation of authority (see [ST/SGB/2019/2](#)). In order to facilitate the implementation of the new framework for delegation of authority, he promulgated amendments to the Financial Rules with effect from 1 January 2019 ([ST/SGB/2013/4/Amend.1](#) and [ST/SGB/2015/4/Amend.1](#)). The Advisory Committee was informed, upon enquiry, that those amendments promulgated already were not part of the report of the Secretary-General currently before the Assembly ([A/73/717](#)). However, the Committee also notes from his report on accountability¹ that the Secretary-General refers to the “interim” nature of those amendments to the Financial Rules ([A/73/688](#), para. 57). **While recognizing that financial regulation 5.8 stipulates that the Secretary-General shall establish detailed financial rules, the Advisory Committee considers that it would have been prudent to submit to the General**

¹ Eighth progress report on the accountability system in the United Nations Secretariat: strengthening accountability under the new management paradigm ([A/73/688](#) and [A/73/688/Corr.1](#)). The related report of the Advisory Committee is contained in document [A/73/800](#).

Assembly, for its information and for it to take note thereof, those amended rules contained in [ST/SGB/2013/4/Amend.1](#) and [ST/SGB/2015/4/Amend.1](#) regarding the new framework for delegation of authority under the management reform, in the interests of greater clarity and transparency.

III. Proposed amendments to the Financial Regulations

8. The Secretary-General indicates in his report that the proposed amendments to the Financial Regulations relate to establishing a clear regulatory framework for the management of implementing partners, including the award of grants to such partners, and streamlining and simplification of certain financial regulations, along with some editorial and language changes ([A/73/717](#), paras. 8–10).

Management of implementing partners and award of grants

9. The Secretary-General indicates that the use of implementing partners, such as organizations of the United Nations system and governmental, non-governmental, intergovernmental and not-for-profit organizations, to achieve or supplement the mandated objectives of the United Nations and to execute its projects and programmes has become increasingly important. Acknowledging the need to establish a clear regulatory framework for the management of these types of partnership arrangements, he is proposing regulations to clarify the framework and at the same time address the recommendation of the Board of Auditors that the legal framework around the granting of funds to partners should be introduced formally into the Financial Regulations and Rules ([A/73/717](#), para. 8). **The Advisory Committee recognizes the need to have an appropriate legal framework for the management of implementing partners and grants to partners in the Financial Regulations and Rules, as recommended by the Board of Auditors (see para. 10 below).**

10. In this connection, the Advisory Committee recalls that, in addition to its recommendation concerning legal authority for grants to partners, the Board of Auditors recommended that the Administration develop a common principles-based framework for the management of partners that specifies the key procedures to be performed by all Secretariat entities ([A/71/5 \(Vol. I\)](#), paras. 256 and 264). The Committee was informed, upon enquiry, that the proposed new financial regulations on implementing partners and grant recipients aimed to establish a legal framework as a first step. In parallel, the Organization would develop a harmonized policy framework to engage with implementing partners, which would guide the processes of engaging with implementing partners and of grant awards, including transparent application and selection processes, due diligence, capacity assessment, project execution by implementing partners and a standard template for agreements with partners and reporting. Moreover, the Committee was informed that, while the Financial Regulations and Rules applied to all implementing partners, it was anticipated that there would be varying procedures for different types of partners.

11. The Advisory Committee notes from annex I to the report of the Secretary-General that new regulations 5.8 (b) and (c), 5.11 and 5.12² are proposed in relation to the management of implementing partners and the award of grants. Overall, the Committee considers that these proposals do not have sufficient justification and consistency. For example, with regard to grant awards, while it is indicated in regulation 5.8 (c) that they are “to be made to grantees for purposes and aims as specified in a formal agreement”, it is also indicated in regulation 5.12 that the

² New regulations 5.8 (b) and (c) are under the existing heading of “authority and responsibility”; new regulations 5.11 and 5.12 are under the new headings “implementing partnerships” and “grant awards”, respectively.

“Secretary-General may award grants consistent with the policies, aims and activities of the United Nations based on the principles of fairness, integrity, transparency and the interest of the United Nations”. Moreover, references to “contributions” and “grant awards” in regulations 5.8 (b) and (c) are made in the absence of any definitions of these terms and in neither instance is there an explanation for their linkage to the term “all payments” in regulation 5.8 (a). In addition, terms such as “formal agreement”, “written agreements” and “arrangements” appear to be used interchangeably throughout the regulations and rules, without clarity concerning possible differences between these terms. **The Advisory Committee considers that the language of the proposed amendments to the Financial Regulations lacks clarity and consistency. There is a need for refinement and clarification of the proposed amendments.**

Amendments proposed for the stated purposes of streamlining and simplification

12. The Secretary-General indicates that he is also proposing to streamline and simplify certain financial regulations, which will underpin and support his envisaged reform of the Organization’s financial management practices and enable the development of simpler and more straightforward administrative processes (A/73/717, para. 9). Upon enquiry, the Advisory Committee was informed that such revisions were reflected in regulation 5.10 on reimbursements, regulation 5.15 on procurement and regulation 5.16 on disposition of peacekeeping assets.

13. With regard to regulation 5.10, it is proposed to replace “peacekeeping operations” with “United Nations peace operations and other operations” and change the heading from the current “peacekeeping reimbursements” to “reimbursements to Member States”. Upon enquiry, the Advisory Committee was informed that the proposals aimed to expand the regulation to include all operations for which reimbursements had been authorized by the General Assembly, in order to support the reform of the Secretary-General and to enable the development of simpler administrative processes. **The Advisory Committee considers that the proposed inclusion of “other operations” requires clarification and justification as the term lacks a definition of scope. In addition, the Committee is of the view that this amendment goes beyond the stated intention of “streamlining and simplification”.**

14. With respect to regulation 5.15 under “general principles” in the section on procurement, it is proposed to replace the term “tenders” with “requirements” for goods and services for advertisement. The Advisory Committee was informed, upon enquiry, that the use of the term “tender” limited the public announcement of requirements to only those goods and services that would be obtained exclusively via formal procurement solicitations and that “advertisement” could be accomplished by publishing notices or requests for expression of interest on public websites, including the United Nations website, in newspapers, periodicals, notes verbales to permanent missions or through other appropriate means. The Committee was also informed, upon enquiry, that the proposed changes under regulation 5.15 aimed to fill a gap and simplify the language. **Noting that “tender” is a well-established procurement term, the Advisory Committee is of the view that the proposed changes and potential implications need to be justified.**

15. Regulation 5.16 covers matters under disposition of assets of peacekeeping operations. The Advisory Committee notes a number of issues relating to the proposed changes therein. First, the proposed use of the term “property” to replace “equipment” and “assets” as a means to achieve simplification requires a clear explanation of its practical implications. The Committee recalls that, to support compliance with the requirements of IPSAS, changes have already been made to the Financial Regulations

and Rules to update the terminology with IPSAS-compliant language (see [A/67/345](#), para. 10, and [A/67/564](#), para. 24). Second, while the reference to “assets” is being replaced by “property”, the language of the related heading continues to be “disposition of assets of peacekeeping operations”. Finally, the Committee notes that the term “peacekeeping operations” is maintained in the heading for regulation 5.16, contrary to the proposal to remove the term from the heading for regulation 5.10 (see para. 13 above).

16. Regulation 5.16 (e) applies to contributions of assets to the host country following liquidation of a peacekeeping operation. It is proposed to remove the existing requirement for the prior approval of the General Assembly. Upon enquiry, reference was made to the Secretary-General’s decentralization of decision-making authority under the management reform. **The Advisory Committee is not convinced of the rationale for the proposed change and is of the view that further justification is required for the proposed removal of the requirement to obtain prior approval by the General Assembly for the disposal of assets in peacekeeping operations following liquidation. Moreover, the Committee considers that the matter warrants further consideration under the relevant context of peacekeeping operations.**

Other matters

17. With regard to the proposed new regulation 1.2 on responsibility and accountability, the Advisory Committee notes that the new provision comprises three of the four existing elements in the current regulation 5.8. The Committee is of the view that the proposed new placement and reformulation require further justification.

18. Financial regulation 1.4 stipulates that the Regulations shall become effective on 1 July 2013. The Advisory Committee notes that, while the General Assembly is requested to approve the proposed Financial Regulations of the United Nations with effect from 1 April 2019 (see para. 19 below), annex I to the report of the Secretary-General does not contain a proposal to amend the existing regulation 1.4 on the effective date of the Financial Regulations.

IV. Conclusion

19. Actions requested of the General Assembly are set out in paragraph 13 of the report of the Secretary-General ([A/73/717](#)). The General Assembly is requested to approve the proposed Financial Regulations of the United Nations with effect from 1 April 2019, and to take note of the amended Financial Rules of the United Nations as set out in the report of the Secretary-General. The Advisory Committee notes that the related revisions contained in annex II to the report of the Secretary-General are subject to the approval of the proposed amendments to the Financial Regulations by the General Assembly (see para. 3 above), while those rules promulgated by the Secretary-General effective on 1 January 2019 are not part of his report (see para. 7 above).

20. **Taking into account its comments and recommendations in the present report, the Advisory Committee recommends against the approval of the proposed amendments to the Financial Regulations of the United Nations.**