



# General Assembly

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## Seventy-seventh session

Agenda items 136, 138, 139 and 140

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

#### Proposed programme budget for 2023

#### Programme planning

#### Improving the financial situation of the United Nations

## Shifting the management paradigm in the United Nations: review of changes to the budgetary cycle

### Twenty-first report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2023

## I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General entitled “Shifting the management paradigm in the United Nations: review of changes to the budgetary cycle” ([A/77/485](#) and [A/77/485/Corr.1](#)). 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 10 November 2022.
2. The report of the Secretary-General is submitted pursuant to General Assembly resolutions [72/266 A](#) and [76/236](#). In the report, the Secretary-General provides information on the experience of the Secretariat in the formulation, intergovernmental review and implementation of the annual programme budget for the years 2020 to 2022 ([A/77/485](#) and [A/77/485/Corr.1](#), paras. 1–5).
3. The Advisory Committee recalls that, by its resolution [72/266 A](#), the General Assembly approved the proposed change from a biennial to an annual budget period on a trial basis, beginning with the programme budget for 2020, and requested the Secretary-General to conduct a review of changes to the budgetary cycle in 2022, following the completion of the first full budgetary cycle. The Assembly further decided to review at its seventy-seventh session, with a view to taking a final decision, the implementation of the annual budget. In paragraph 10 of its resolution [76/236](#), the Assembly requested the Secretary-General to engage with Member States and other



relevant stakeholders, including programme managers and the Advisory Committee, when preparing the report on the review of the changes to the budgetary cycle, including on the sequence of budgetary procedures and practices.

4. Upon enquiry, the Advisory Committee was informed that the feedback from Member States was gathered progressively through different formats and levels. The information was captured and used to infer both common and unique views regarding the changes to the annual budget cycle. According to the Secretary-General, there was no criterion to select the Member States as the intent was to consult as widely as possible. In practice, however, it was not always possible to ensure feedback from all delegations. According to the Secretary-General, while some feedback was received from some members of the Advisory Committee and the Committee for Programme and Coordination, the Secretariat was not in a position to attribute the interventions of the members to the respective Committees as a whole. More general feedback is reflected in sections IV and V of the report of the Secretary-General. In addition, the report of the Committee for Programme and Coordination on its sixty-second session reflects comments from some delegations on the review of changes to the budgetary cycle ([A/77/16](#), paras. 30 and 33). The Advisory Committee recalls that it received an informal briefing on the review of the budgetary cycle on 28 April 2022, during which the Secretariat indicated that prior to the submission of the report of the Secretary-General, a more formal briefing would be provided; that was not the case, however.

**5. The Advisory Committee considers that the information provided on the efforts to engage with Member States and other relevant stakeholders, in particular the Committee, as requested by the General Assembly, is not fully inclusive and lacks clarity. The Committee trusts that additional information on those efforts and their outcome will be provided to the Assembly at the time of its consideration of the present report.**

## II. Evolution of the United Nations budgetary process

6. In his report, the Secretary-General provides a historical background of the evolution of the planning and budgeting process of the United Nations, indicating that until 1974, the budgets of the United Nations Secretariat were prepared annually on the basis of objects of expenditure. In 1974, pursuant to General Assembly resolutions [3043 \(XXVII\)](#) and [3199 \(XXVIII\)](#), the Secretariat prepared, for the first time, a programme budget containing a single planning document, the four-year medium-term plan, with a biennial budget document, changing from an annual to a biennial budget period. By its resolution [3392 \(XXX\)](#), the Assembly decided to consider the medium-term plan and the proposed biennial programme budget in alternate years, beginning in 1976 with a medium-term plan for the period 1978–1981, with the budget for 1978–1979 being prepared and considered in 1977 ([A/77/485](#) and [A/77/485/Corr.1](#), paras. 6–9).

7. In 1986, the General Assembly introduced additional features, including the establishment of a budget outline and a contingency fund (see Assembly resolution [41/213](#), sect. II, para. 4, and annex I). In 2000, by its resolution [55/231](#), the Assembly approved a new methodology for budget preparation, namely, results-based budgeting. The first results-based budgeting frameworks were prepared as part of the medium-term plan, commencing from 2002 to 2005. In 2004, the four-year medium-term framework was replaced, on a trial basis, with a biennial strategic framework, comprising a plan outline reflecting the longer-term objectives of the Organization (part one) and a biennial programme plan (part two) (see Assembly resolution [58/269](#), para. 5) ([A/77/485](#) and [A/77/485/Corr.1](#), paras. 10–14 and figure I).

8. Upon enquiry, the Advisory Committee was informed that in 1974, the introduction of a four-year medium-term plan accompanied by a biennial programme budget was intended to improve the utility and function of documentation, by allowing for analytical consideration of the cost, content and significance of each programme. Initially, the plan and the budget were discussed at the same time. The first medium-term plan covered the period 1974–1977 and was considered with the budget for the period 1974–1975. The next plan covered the period 1976–1979 and was considered in parallel with the budget for the period 1976–1977. However, the simultaneous preparation of plans and budgets posed challenges to producing the required documentation for both the plan and the budget. In the proposed programme budget for 1976–1977, the Secretary-General noted the questions of adequate time and opportunity for the preparation of the plan and budget by the Secretariat and of a more workable sequence for their review and approval by the intergovernmental and expert bodies. Accordingly, in its resolution 3392 (XXX), the General Assembly decided to consider the medium-term plan and the proposed biennial programme budget in alternate years, beginning in 1976, with a medium-term plan for the period 1978–1981. Since then, the planning period was shortened from four years to two years and again from two years to one year to ensure that budgets were fit for purpose and were adjusted to new mandates and changes in demands and operating conditions.

### **III. Programme planning and budgeting process on an annual basis (2020–2022)**

9. In his report, the Secretary-General explains the first year of the annual programme planning and budgeting process following the adoption of General Assembly resolution 72/266 A. The Secretary-General provides details on the process of consideration of the annual budget by the Committee for Programme and Coordination, the Advisory Committee and the Fifth Committee. The Secretary-General indicates that all aspects of the process continue to be governed by the Financial Regulations and Rules of the United Nations and the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation, in accordance with paragraph 13 of General Assembly resolution 72/266 A, unless superseded by elements of resolutions 72/266 A, 74/251, 74/262, 75/243, 75/252, 76/236 and 76/245. The Secretary-General also indicates that, in the introduction to the proposed programme budget for 2021 (A/75/6 (Introduction)), he identified the regulations and rules in the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation and the Financial Regulations and Rules that were suspended during the annual cycle (A/77/485 and A/77/485/Corr.1, paras. 15–19).

10. Upon enquiry, the Advisory Committee was informed that the rules that were no longer applied included provisions that related to the budget period, such as the provisions covering the actions to be completed in each of the years of the biennium, as well as the provisions related to documentation, including on performance reports, budget outlines and other reports affected by the change from a biennial to an annual budget period. According to the Secretary-General, it is important to stress that all aspects of the planning and budgetary process continue to be governed by the Financial Regulations and Rules and the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation, unless superseded by elements of the above-mentioned related General Assembly resolutions. The Secretary-General indicates that, under the annual budget, part I now covers a three-year period, instead of two years in the biennial programme budget, and continues to include information

on the longer-term objectives. Parts II and III are approved in the same year. Other than changes in terminology and period, there were no other changes. The Committee was also informed that the extent of the review and update of the regulatory framework would depend on the decision of the General Assembly. After the trial period, the Secretariat would propose any amendments to the regulations and rules in accordance with the decision of the Assembly.

**11. The Advisory Committee considers that a review of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation and the Financial Regulations and Rules of the United Nations, as well as the relevant General Assembly resolutions, should have been an integral part of the report of the Secretary-General, which could have benefited from such a review to allow the General Assembly to have a well-informed consideration of the changes. The Committee thus recommends, subject to the decision on the budget cycle, that the General Assembly request the Secretary-General to undertake this comprehensive review and present any proposed changes to the Assembly for its consideration as soon as possible.**

#### **IV. Intergovernmental review process of the annual programme budget**

12. The Secretary-General mentions in his report that for the 2020 cycle, and compared with the preceding biennial programme plans, fewer programmes recommended by the Committee for Programme and Coordination for approval by the General Assembly were subject to a number of amendments, which constituted a shared concern and challenge for the intergovernmental review process, as it also affected the workload of the Assembly. For the annual programme budgets for 2021 and 2022, the Committee for Programme and Coordination provided conclusions and recommendations for 20 and 18 programmes out of 28 programmes, respectively. During its sixty-second session, the Committee for Programme and Coordination provided conclusions and recommendations for 23 out of the 28 programmes for the proposed programme budget for 2023, which represents the highest number of programmes with conclusions and recommendations since the first annual programme budget, for 2020. There has also been a notable increase in the number of conclusions and recommendations provided by the Committee for Programme and Coordination compared with the biennial cycle. According to the Secretary-General, the more frequent consideration of the programme plans and performance information by the Committee for Programme and Coordination has had a positive impact on its effectiveness, by ensuring that the programme plans and performance accurately capture the legislative intent of mandates on an annual basis (*ibid.*, paras. 21, 22 and 26).

**13. The Advisory Committee notes the number of programmes recommended by the Committee for Programme and Coordination for the programme budgets for 2020, 2021 and 2022 and the proposed programme budget for 2023.**

14. Upon enquiry, the Advisory Committee was informed that, under the biennial cycle, recommendations from the Committee for Programme and Coordination endorsed by the General Assembly would be reflected in the “Rev.1 document” containing the approved programme plans for the biennium. Under the annual cycle, the Secretariat prepares a document containing the approved programme plans with the symbol “A/7\_/6/Add.1”. This document is more comprehensive than the “Rev.1 document”, as it includes full lists of deliverables and performance targets, as approved by the Assembly. In the case of a mandate requiring a change to the approved biennial programme plans, it would be possible to present it in the

consolidated changes in the following year. The process under the biennial budget cycle did not include a systematic review of all aspects and elements of the approved programme plans in the second year of the biennium. Only when new mandates triggered significant changes (i.e. changes in objectives, expected accomplishments or strategies) would such new mandates and related changes be presented in the context of the report on the consolidated changes, and would therefore be subject to review by the Committee for Programme and Coordination and the General Assembly.

15. Regarding recosting, upon enquiry, the Advisory Committee was informed that the mechanism allowed the adjustment of the estimated resource requirements for the budget period on the basis of changes in post costs, rates of exchange and inflation. Since the proposed programme budget was prepared early in the year, the amounts reflected therein were adjusted towards the end of the year, taking into consideration changing macroeconomic conditions (inflation, rates of exchange and actual post-cost experience). The instances of recosting were reduced from four to two with the introduction of the annual budget. According to the Secretary-General, the instances of recosting could be reduced further from two to one but would entail some compromises. In reducing the instances of recosting, the General Assembly could opt for keeping the preliminary estimate done in May in the context of the proposed programme budget or keep the second instance of recosting done at the end of November or early December in the context of the report on revised estimates. Also, according to the Secretary-General, if only the first instance of recosting was kept, the accuracy of the estimates would be affected, as the rates used would be as available in May rather than in November. Keeping the second instance of recosting increased the accuracy of resource estimates, but no longer provided a preliminary estimate of recosting in the proposed programme budget and hence reduced its comprehensiveness.

16. The Secretary-General also indicates in his report that the annual budget cycle requires the Advisory Committee to examine programme budget proposals every year, which results in an additional workload for the Committee. However, this increased workload is offset in part by reducing the instances of recosting and by discontinuing the budget outline and the performance reports, which included projected expenditure for the ongoing biennial budget period. There is additional room for streamlining and merging the content of the report on transfers between sections, for which the Secretariat seeks the concurrence of the Advisory Committee, and the financial performance report, given that both reports provide information on the concluded budget period (*ibid.*, paras. 27–30).

17. On the possibility of merging the report on transfers between sections and the financial performance report, the Advisory Committee was informed, upon enquiry, that following the endorsement of paragraph 35 of the Committee's report (A/76/7/Add.16) by the General Assembly, the financial performance report on the programme budget for 2021 (A/77/347), issued in September 2022, used the same baseline for comparison as the report on proposed transfers between sections (issued in May 2022). Both reports compare actual expenditures and appropriations approved by the Assembly. Therefore, the financial performance report on the programme budget for 2021 repeated some of the variance justifications that were already provided in the report on proposed transfers between sections. According to the Secretary-General, while both the financial performance report and the report on transfers between sections include information on overexpenditure, the financial performance report provides justifications for material variances exceeding 5 per cent, explanations for underexpenditure in excess of 5 per cent and material variances by object of expenditure, making it more comprehensive than the report on transfers between sections. The Committee was further informed that should a decision be made to merge the two reports, the combined report would continue to provide

justifications for material variances by section and by object of expenditure. In addition, the combined report would include justifications for all overexpenditure, since that information would have been provided in the context of the report on proposed transfers between sections. That would ensure that the merging of the two reports would not result in any loss of information while still contributing to streamlining the budgetary process. The Committee makes comments and recommendations on the matter of merging the reports of the Secretary-General on the transfers between sections and the performance of the programme budget in the context of its report on the financial performance report on the programme budget for 2021 ([A/77/7/Add.18](#)).

18. To ascertain that the increased workload of the Advisory Committee related to the annual programme budget review is offset by a reduction in the instances of recosting and by the discontinuation of the budget outline and the performance reports, upon enquiry, the Committee was provided with a comparison between the reports produced by the Committee under the biennial and annual budget cycles, as reflected in tables 1 and 2 below. Under the biennial cycle, there were four instances of recosting, as recosting information was provided not only in the proposed programme budget and in the revised estimates prepared towards the end of the year, but also in each of the performance reports. With the annual budget, the instances of recosting were reduced from four to two. The two financial performance reports were replaced by a single financial performance report and the budget outline was discontinued. The Committee was also informed that the second instance of recosting and the timing of the adoption of resolutions containing requirements for additional resources were the reasons for the submission in early December of the reports of the Secretary-General entitled “Revised estimates: effects of changes in rates of exchange and inflation” and “Contingency fund: consolidated statement of programme budget implications and revised estimates”. The latter report could be prepared only after the last resolution of a competent intergovernmental body to ensure that all potential budget implications that might arise from any resolution were captured. According to the Secretary-General, the report entitled “Revised estimates: effects of changes in rates of exchange and inflation” could be prepared earlier, but could possibly result in lower accuracy of the budget estimates as the accuracy of the projected rates of inflation and exchange rates improved with the proximity to the implementation period. Upon enquiry, the Committee was provided with the number of reports submitted by it under the biennial budget period, as reflected in table 1, and the number of reports submitted under the annual budget period, as reflected in table 2. The Committee notes from the information that while numerically the number of reports submitted by the Committee almost remained the same, the number of pages of the reports doubled.

Table 1  
**Reports of the Advisory Committee on Administrative and Budgetary  
Questions prepared during the biennial budget period**

(Number of reports/number of pages)

<i>Description</i>	<i>Number of reports</i>	<i>Number of pages</i>
First performance report	1	24
Second performance report	1	24
Proposed programme budget	1	320
Recosting	1	4
Budget outline	1	13
<b>Total</b>	<b>5</b>	<b>385</b>

Table 2  
**Reports of the Advisory Committee on Administrative and Budgetary Questions prepared during the annual budget period**

(Number of reports/number of pages)

<i>Description</i>	<i>Number of reports</i>	<i>Number of pages</i>
Financial performance report	1	26
Proposed programme budget	1	365
Recosting	1	4
<b>Total</b>	<b>3</b>	<b>395</b>

19. **The Advisory Committee notes the lack of a comprehensive assessment of the increased workload resulting from the annual budget cycle and the costs associated with this increase, and trusts that the Secretary-General will provide a comprehensive assessment of the workload and the associated costs in the next report on the programme budget.**

20. In his report, the Secretary-General explains the sequential nature of the review processes of the proposed programme budget. He indicates that the General Assembly did not act on his report entitled “Shifting the management paradigm in the United Nations: budgetary procedures and practices” (A/74/852), which was submitted pursuant to the request of the Assembly in its resolution 74/251. In that resolution, the Secretary-General was requested to present a report for the consideration of the Assembly at its seventy-fourth session on the impact of the changes to the budgetary cycle on the established budgetary procedures and practices as they pertained to the agreed sequential nature of the review processes of the proposed programme budget, with a view to ensuring the preservation of that sequence. In response to the Assembly’s request, the report submitted by the Secretary-General contained scenarios, including the advantages and disadvantages of an early session of the Committee for Programme and Coordination and a budgetary cycle where the Advisory Committee considered the post and non-post resource requirements (part III) on the basis of programme plans (part II) approved by the General Assembly. Nevertheless, the Assembly provided guidance in paragraph 9 of its resolution 75/243 and in paragraph 16 of its resolution 76/236 in which it confirmed that, in the event that the Committee for Programme and Coordination could not provide conclusions and recommendations on a given subprogramme or programme of the proposed programme budget, the plenary or the relevant Main Committee or Main Committees of the General Assembly responsible for those mandates would consider the said subprogramme or programme for timely consideration by the Fifth Committee (A/77/485 and A/77/485/Corr.1, paras. 31–33).

21. Upon enquiry, the Advisory Committee was informed that, while perceived by some Member States as an issue of the annual budget, and despite the lack of action by the General Assembly on the proposed standard procedure to communicate to the Advisory Committee that the recommendations of the Committee for Programme and Coordination, so far, did not entail any budgetary implications, as contained in the report of the Secretary-General entitled “Shifting the management paradigm in the United Nations: budgetary procedures and practices”, according to the Secretary-General, the sequential nature of the review process had been preserved. The Advisory Committee was also informed that the Financial Regulations and Rules of the United Nations and the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation allowed for a statement of programme budget implications



based on a provision from a competent intergovernmental body. Financial regulation 2.6 states that the report, or an addendum to it, shall contain the recommendations of the Advisory Committee concerning the statement of the Secretary-General on the programme budget implications of the recommendations of the Committee for Programme and Coordination. Furthermore, regulation 2.10 states that no council, commission or other competent body shall take a decision involving either a change in the programme budget approved by the General Assembly or the possible requirement of expenditure unless it has received and taken account of a report of the Secretary-General on the programme budget implications of the proposal. The same provision is reflected in regulation 5.9 of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation. Financial rule 102.6 stipulates that the Secretary-General is responsible for preparing and presenting to relevant legislative bodies the statements on programme budget implications required by regulation 2.10.

22. The Advisory Committee recalls that no action was taken by the General Assembly on the report of the Secretary-General entitled “Shifting the management paradigm in the United Nations: budgetary procedures and practices” (A/74/852) and the related report of the Committee (A/74/7/Add.33), and stresses the importance of preserving the sequential nature of the review process.

## V. Review of the changes to the budgetary cycle

23. The Secretary-General indicates in his report that on the basis of experience gained since the first annual programme budget cycle, and with the submission of the proposed programme budget for 2023, the achievements of the reform that have materialized are: (a) a more results-oriented culture: increased engagement by programme managers and continuous learning and improvement for more effective mandate implementation; (b) more agile programme planning: faster adjustment to new mandates, changed demands and conditions and past performance; (c) a presentation format of the annual programme budget that balances the need for more transparency and accountability demanded by Member States with a preparation process that is efficient and allows for alignment with the operational realities of departments; and (d) increased comprehensiveness for a single holistic review by Member States: programme plans, performance and resource requirements integrated into one report and considered in one main session of the General Assembly (A/77/485 and A/77/485/Corr.1, paras. 34–81 and figures III–XVIII).

24. Upon enquiry, the Advisory Committee was further informed that the above-mentioned achievements had been identified on the basis of observations, interviews, a survey administered by the Office of Internal Oversight Services (OIOS) and analysis and research of budgetary documentation. The achievements were supported by a number of indicators, including: (a) more specific and concrete plans that enabled improved oversight (ibid., figures V–VII); (b) the number of performance targets that improved by more than 10 per cent nearly doubling, despite the shorter cycle (ibid., figure VIII); (c) more results aiming at more meaningful improvements of the situation of beneficiaries (ibid., figures XI and XII); (d) the increased percentage of recent mandates included in the plans (30 per cent compared with 15 per cent); (e) faster adjustment of performance measures in the light of recent developments and/or performance (ibid., figures XV and XVI); (f) increased participation of programme managers in the planning process (approximately 1,500 participants compared with fewer than 500); (g) percentage of the participants in the process that were substantive (more than two thirds under the annual budget compared with less



than one third under the biennial budget cycle); (h) increased number of tools that provided near real-time information about the budget proposal; (i) improved link between resources and results (*ibid.*, para. 79); (j) improved predictability of the budget (*ibid.*, para. 80); and (k) the positive trend regarding the availability of documentation in languages for the review of the Committee for Programme and Coordination.

25. Upon enquiry, the Advisory Committee was informed that the findings of OIOS had been shared with the Secretariat. The OIOS report was being finalized and could be shared once concluded. The Secretariat intended to address all recommendations, including those from OIOS and the Joint Inspection Unit. Future proposed programme budgets would continue to include the action taken to address the recommendations of advisory and oversight bodies. **The Advisory Committee notes the information provided, including that the current review is based on the survey administered by OIOS, and trusts that the findings of the survey will be provided to the General Assembly at the time of its consideration of the present report.**

26. With regard to the disadvantages, upon enquiry, the Advisory Committee was informed that, as indicated in the report of the Secretary-General, the challenges that emerged with the annual budget included: (a) the increased workload for the Committees and the Secretariat; (b) the more frequent expiration of funds, which posed challenges at year-end; and (c) the sequential nature of the review process.

27. Upon enquiry regarding the lack of a comprehensive assessment of the financial costs involved in the preparation and consideration of an annual budget report in the report of the Secretary-General, the Advisory Committee was informed that it was not feasible to determine such financial costs in the absence of an activity-based cost-accounting system, which in itself would be resource-intensive to develop and operate.

28. **While acknowledging the efforts made to implement the annual budget cycle and noting some progress presented in the report of the Secretary-General, the Advisory Committee considers that the information contained in the report of the Secretary-General remains general in nature and is not sufficiently supported with comprehensive assessments, including of the financial, administrative and procedural impact, of both cycles.**

29. Upon enquiry with regard to the assessments undertaken by the Board of Auditors during the past three years and how the Board's findings and recommendations had been included in the current review, the Advisory Committee was provided with the recommendations of the Board of Auditors on the budget at the seventy-fifth and seventy-sixth sessions of the General Assembly and the actions taken to address them. That information, which is also provided in the foreword and introduction to the proposed programme budgets for 2022 and 2023 (see [A/76/6 \(Introduction\)](#), annex I, and [A/77/6 \(Introduction\)](#), annex I), is contained in the annex to the present report. **The Advisory Committee notes that a number of the recommendations of the Board of Auditors are still not fully implemented and trusts that additional efforts will be made to ensure their full implementation.**

#### **A. A more results-oriented culture: increased engagement by programme managers and continuous learning and improvement for more effective mandate implementation**

30. According to the Secretary-General, under the biennial programme budget, programme plans were prepared more than two years in advance of the start of the implementation period and more than four years in advance of the end of the

implementation period, which provided little incentive for substantive programme managers to engage, leaving most of the planning and budgeting work to administrative personnel. This lack of engagement, along with the challenge to set concrete result targets so far in advance, led to broad and generic programme plans with static performance targets. The annual programme budget process and presentation format, however, brought about a sharp increase in the level of engagement by substantive programme managers. Performance target improvements in subprogrammes increased from 30 per cent in 2018–2019 to more than 45 per cent in the programme budget for 2023. Compared with the annual programme plans, the biennial programme plans had placed an emphasis on and had a higher percentage of performance measures that measured the relative improvement, from the beneficiaries' perspective, in the outputs delivered by the Organization (*ibid.*, paras. 36–49).

31. Upon enquiry, the Advisory Committee was informed that, to support programme managers during the transition, the Secretariat had developed guidance and instituted a series of workshops to help build capacity and enhance results orientation across the Secretariat. In preparation for the proposed programme budget for 2023, with significant capability developed in the previous three years, training was provided upon demand and focused mainly on new programme managers and departments to further strengthen the implementation of results-based budgeting. According to the Secretary-General, without prejudice to any decision of the General Assembly on the annual budget cycle, the Secretariat intended to continue to run workshops, upon demand, in which all departments would request support to strengthen existing capabilities, with a particular emphasis on lessons learned, continuous improvements and the development of planned results that focused on the impact of the programme and its contribution to achieving the approved objective. With many processes stabilizing through lessons learned in each cycle, the Secretariat expected that it would be able to engage more actively those programme managers who had shown less interest in the budget process and illustrate the importance of their engagement.

32. As regards the concrete indicators used by the Secretariat for the assessment of the changes in the engagement of managers with the planning process, the Advisory Committee was informed, upon enquiry, that the formulation of plans under the annual budget cycle had involved approximately 1,500 participants. Further, it was noted that most participants who had engaged in the formulation of programme plans had been substantive staff, while under the biennial cycle most participants had been administrative staff. According to the Secretary-General, the format that allowed programme managers to tell their story was more accommodating than the logical frameworks used in the preparation of the biennial programme plans, thus contributing to more favourable indicators: a higher number of participants engaged in the budget formulation process, a higher percentage of substantive participants and a lower percentage of administrative participants.

**33. The Advisory Committee considers that the length of the budget cycle does not constitute an incentive to programme managers to engage in budgeting and planning and ensure budget discipline. The Committee recommends that the General Assembly request the Secretary-General to ensure that a strong culture of responsibility and accountability, which also ensures compliance with regulations and rules, as well as the achievement of results, should consistently characterize the engagement of programme managers, regardless of the length of the budget cycle (see para. 46 below).**

## **B. More agile programme planning: faster adjustment to new mandates, changed demands and conditions, and past performance**

34. According to the Secretary-General, with the annual cycle, programme plans can incorporate new mandates, changes in demands and conditions, and past programme performance that occur approximately one year before the start of the implementation period. The annual proposed programme budget incorporates an average of 30 per cent of mandates adopted within the two preceding years, while the biennial programme budgets captured an average of 15 per cent of mandates less than two years old. The Secretary-General is able to propose more realistic budget levels with an annual budget cycle and, by using technology such as Umoja and within the regulatory framework, to more effectively manage expenditure to maintain all critical operations. The annual budget cycle also incentivizes greater budget discipline and contributes to greater predictability in expenditure and, subject to the liquidity situation, is expected to result in a more even expenditure pattern during the budget period compared with the biennium ([A/77/485](#) and [A/77/485/Corr.1](#), paras. 50–61).

35. Upon enquiry, the Advisory Committee was informed that, while there was no direct correlation between mandates and programme performance, the inclusion of (a) all activities related to all mandates in the strategies of the subprogrammes; (b) any deliverables related to the mandates; and (c) any performance targets aimed at demonstrating progress towards the objective, enabled a holistic review by the Committee for Programme and Coordination and the General Assembly of the plans of the Secretariat to implement the mandates, which had been less holistic under the biennial cycle.

36. The Advisory Committee requested information on the number and percentage of mandates, disaggregated by length of mandate, since 2016. In response, the Committee was informed that, over the past 76 years, the principal organs of the United Nations had produced nearly 27,000 resolutions. A recent OIOS report had examined the legislative mandates adopted between 2016 and 2020 and shown that an average of 415 resolutions had been adopted each year. The Office had established that, while not all resolutions contained legislative mandates for the Secretariat, some 70 per cent of the resolutions adopted during the seventy-second, seventy-third and seventy-fourth sessions of the General Assembly had contained requests for the Secretary-General to submit documentation or take some action. According to the Secretary-General, given the large volume of resolutions, the complexity of legal interpretation and the capacity of the Secretariat, it was not possible to analyse all resolutions adopted since 2016 and make a determination on the length of each mandate. A complete response to the request would require the involvement of a significant amount of resources over a considerable period of time, which would likely extend beyond one year.

37. According to the Secretary-General, a change of the budget period to ensure alignment between the duration of mandates and the budget period would not be possible, as the activities requested through mandates were of various durations and therefore only some would be aligned with the budget period. Further, the financial statements had been issued on an annual basis since 2014 without adversely affecting the implementation of programmes.

**38. The Advisory Committee considers that there is not sufficient information to support the increased agility of programme planning as one of the benefits of the annual budget cycle for the implementation of mandated activities and recommends that the General Assembly, subject to the decision on the budget cycle, request the Secretary-General to comprehensively review the impact of the annual cycle on the implementation of mandates across sections of the programme budget.**

39. Regarding the impact of the budget cycle on liquidity management, the Advisory Committee was informed, upon enquiry, that other than the return of funds to Member States once every two years under the biennial cycle, as opposed to once every year under the annual cycle, there was no difference in the management of liquidity in both cycles. The annual budget required the full and timely payment of contributions by Member States. The implementation of the two first annual programme budgets in 2020 and 2021 had been affected by the liquidity crisis and the impact of the coronavirus disease (COVID-19) pandemic.

40. **The Advisory Committee notes the information provided by the Secretary-General on the advantages and disadvantages of the annual budget cycle compared with the biennial budget cycle. The Committee further notes the challenges posed by the COVID-19 pandemic and the liquidity crisis, and their impact on the implementation of the annual budget, during the trial period, and the utilization of the post and non-post resources thereon.**

41. Upon enquiry regarding the quarterly expenditure patterns since 2016, the Advisory Committee was provided with table 3 below. The Committee was also provided with information on the unencumbered balance at the end of each budget period, as reflected in table 4 below. The Committee was also informed that the increase in unliquidated obligations during the annual budgets was not related to the budget period, but rather reflected the challenges posed by the precarious liquidity situation of the Organization in 2020 and 2021 and the disruptions in supply chains globally due to the COVID-19 pandemic (see table 5 below). According to the Secretary-General, with the improvement of the liquidity situation and the dissipation of the disruptions in supply chains attributable to COVID-19, it was expected that the level of unliquidated commitments would return to lower levels.

Table 3  
**Expenditure, by quarter, 2016–2021**

(Millions of United States dollars)

<i>Year</i>	<i>First quarter</i>	<i>Second quarter</i>	<i>Third quarter</i>	<i>Fourth quarter</i>	<i>Total expenditure</i>	<i>Appropriation</i>
2016	740.1	616.8	621.4	763.9	–	–
2017	771.5	683.1	675.5	781.9	5 654.2	5 654.2
2018	844.8	694.3	651.0	622.3	–	–
2019	758.6	692.9	695.7	913.9	5 873.6	5 873.6
2020	700.8	631.1	777.5	906.5	3 015.9	3 073.8
2021	759.7	713.4	777.2	767.7	3 017.9	3 224.7

Table 4  
**Unencumbered balance, by budget period**

(Thousands of United States dollars)

<i>Budget period</i>	<i>Unencumbered balance</i>
2012–2013	40 238.2
2014–2015	120 030.2
2016–2017	28 571.9
2018–2019	–
2020	57 890.2
2021	206 833.3

Table 5  
**Unliquidated obligations, 2020, 2021 and 2022**

(United States dollars)

<i>Item</i>	<i>As at 31 December 2020</i>	<i>As at 31 December 2021</i>	<i>As at 7 November 2022</i>
Posts	3 482 782	5 313 378	4 330 807
Other staff costs	16 869 982	10 530 425	8 315 671
Hospitality	5 685	22 910	57 411
Consultants	10 917 872	10 076 562	8 132 955
Experts	3 670 379	444 558	2 703 725
Travel of representatives	69 447	425 783	2 680 049
Travel of staff	840 182	6 091 575	5 310 237
Contractual services	42 096 318	24 212 729	27 133 894
General operating expenses	69 658 585	38 712 497	49 768 260
Supplies and materials	7 750 507	3 685 440	4 703 307
Furniture and equipment	38 276 392	33 798 369	15 182 160
Grants and contributions	13 285 543	6 052 289	15 295 856
Improvement of premises	5 220 949	2 576 569	1 550 109
Non-staff compensation	142 608	1 588	55 350
Other costs	9 973 100	6 799 024	12 025 988
<b>Total</b>	<b>222 260 332</b>	<b>148 743 696</b>	<b>157 253 595</b>

42. The Advisory Committee notes generally the increased level of underexpenditure, unencumbered balances and unliquidated obligations under the annual budget cycle (see para. 40 above). The Committee makes further comments in its report on the financial performance report on the programme budget for 2021 ([A/77/7/Add.18](#)).

**C. A presentation format of the annual programme budget that balances the need for more transparency and accountability demanded by Member States with a preparation process that is efficient and sustainable and that allows alignment with the operational realities of departments**

43. The Secretary-General provides information on the improvements in the format and presentation of deliverables in the annual programme budget since 2020, including the addition in part II of the proposed programme budget for 2021 of the full lists of legislative mandates and deliverables that were presented in supplementary documentation in the 2020 cycle and tables containing aggregated information on post and non-post resources, disaggregated by object of expenditure, component and subprogramme, and by funding source at the section level, as well as expanded information on extrabudgetary resources, including the functions of the posts, the planned use of the resources and the oversight mechanisms of such resources in 2022. The presentation format of the proposed programme budget for 2023 shows the cumulative improvements resulting from the implementation of the guidance from the General Assembly during the annual cycle. This presentation format was well suited for special political missions.

44. In his report, the Secretary-General further indicates that a survey among programme managers conducted during the preparation workshops for the 2022 programme plans showed that 64 per cent of respondents strongly agreed or agreed that the format was an improvement compared with the biennial strategic frameworks of the past. Some programme managers with large and complex programmes already leveraged other planning processes to continuously improve the implementation of mandates and therefore were less convinced of the value and more conscious of the possible overlap of this approach to planning. It is noted, however, that prior to the annual budget process, many other programme managers did not dedicate sufficient time to identifying ways to implement mandates more effectively (ibid, paras. 62–76).

45. **The Advisory Committee trusts that the Secretary-General will continue his efforts to improve the presentation and the link between proposed resources and programme delivery (see also A/77/7, chap. I, para. 9). The Committee further trusts that the Secretary-General will continue to refine the presentation of the deliverables in future budget submissions (see ibid., para. 11).** The Advisory Committee makes comments and recommendations on the budget methodology, format and presentation in the context of its first report on the proposed programme budget for 2023 (see A/77/7, paras. 3–13).

46. **The Committee is of the view that there is a need to develop a more robust accountability mechanism for heads of entities and to link the approved programme activities not only to results-based budgeting and results-based management, but also to clearly defined results-based performance indicators and benchmarks in the senior managers' compacts and staff workplans.**

#### **D. Increased comprehensiveness for one holistic review by Member States: programme plans, performance and resource requirements integrated into one report and considered in one main session of the General Assembly**

47. The Secretary-General restates in his report that, under the biennial programme budget, the programme performance report was issued separately after the respective budget period, creating a four-year gap between programme performance information and programme plans (e.g. the 2014–2015 programme performance report was considered in the same session as the proposed strategic frameworks for 2018–2019). According to the Secretary-General, this gap facilitated neither the planning by programme managers nor the assessment by intergovernmental bodies of how past performance influenced future plans when preparing and approving those plans. Furthermore, the different presentation formats of the proposed programme budget and the programme performance report posed additional challenges for the comparison between past performance and future plans. The annual programme budget addresses these limitations by consolidating information on the programme plans, programme performance and related resource proposals in one budget document, which consistently uses the same format for plans and actual performance for each of the subprogrammes (A/77/485 and A/77/485/Corr.1, para. 77).

48. The Secretary-General indicates that the annual programme budget also aligns with the financial period from January to December, allowing for a comparison of the proposed programme budget with the financial statements prepared in compliance with the International Public Sector Accounting Standards, the budget resolutions and the financial performance report, with the same numbers being reflected across all three documents (ibid, para. 78).

49. In the report, the Secretary-General recalls that, at its seventy-fourth main session, in 2020, the General Assembly requested that additional information on the impact of the pandemic be presented in the budget proposals for 2022 and decided to adjust the resources for 2021, notably for travel, supplies and hospitality, given the anticipated continued impact of the pandemic into 2021. By proposing and considering yearly resource estimates, the annual programme budget allows for both resource proposals and Assembly decisions on such proposals to comprehensively incorporate all operational conditions and external factors and therefore to be more realistic (*ibid.*, para. 79).

50. Upon enquiry, the Advisory Committee was informed that the information on the impact of the COVID-19 pandemic on the plans, which was included in the introduction of the budget proposals as well as in some of the fascicles of the 2020 proposed programme budget, was not extensive, as the impact of the pandemic was difficult to anticipate with precision in early 2020, due to the high levels of uncertainty. According to the Secretary-General, the changes imposed by the COVID-19 pandemic were more operational (lower level) and would not affect the higher-level elements contained in the biennial programme plans. The changes affected mostly the deliverables and/or performance measures, both of which were not normally featured in the biennial programme plans.

51. The Secretary-General explains in his report that, as the annual programme budget period contributed to greater budget predictability, it has facilitated the “front-loading” of estimates since it is easier to identify costs and to determine which mandates are likely to be renewed. Under the biennial budget cycle, it would be difficult to anticipate and incorporate reliable preliminary estimates of resource proposals to be prepared more than one year later (*ibid.*, para. 80). Upon enquiry, the Advisory Committee was informed that the term “front-loading” referred to activities, including related resource requirements, that were included upfront in the proposed programme budget, and which had previously been submitted as supplementary budgets under the terms of regulations 2.8 to 2.11 and rules 102.4 to 102.7 of the Financial Regulations and Rules. According to the Secretary-General, front-loading could be applied regardless of the budget cycle. However, the accuracy of front-loading declined with a longer budget period. For example, the anticipation of resource requirements emanating from two years of resolutions of the Human Rights Council would be less accurate than an annual estimation of such resource requirements. Resources for construction could also be front-loaded into the proposed programme budget. The Committee makes further comments on front-loading in its first report on the proposed programme budget for 2023 (see also [A/77/7](#), paras. VI.4 and VI.7–VI.16, and General Assembly resolution [76/245](#), para. 22).

52. The Secretary-General states that, if the biennial budget cycle would have continued, there would have been a period of more than two years between the issuance of the 2022–2023 biennial programme budget, in April 2021, and the second resumed General Assembly session, in 2023, during which new mandates would potentially trigger programme budget implications for the budget period 2022–2023. With the annual cycle, however, applying the same scenario of issuing the 2022 annual programme budget in April 2021, any potential programme budget implications for 2023 resulting from new mandates emerging between April 2021 and April 2022 would be incorporated in the 2023 annual programme budget and would therefore not necessitate a separate programme budget implication report. According to the Secretary-General, owing to the increased comprehensiveness resulting from the annual cycle, there has been a reduction in the amounts covered by revised estimates appropriated outside of the proposed programme budget, which has thereby contributed to more predictability of the overall appropriation. For the 2018–2019 biennium, the additional appropriation totalled \$29,473,200, which exceeded the



combined additional appropriation of \$19,257,600 from three annual programme budgets for 2020, 2021 and 2022 (these amounts exclude regularized revised estimates of the Human Rights Council) (A/77/485 and A/77/485/Corr.1, para. 81).

53. Upon enquiry, the Advisory Committee was informed that, with the finalization of the proposed programme budget by early May, any decision from an intergovernmental body after May that would trigger budgetary implications for the same budget period as the programme budget would still result in a potential charge to the contingency fund, in line with the terms specified in General Assembly resolution 42/211. Upon request, the Committee was provided with information on the number of statements of programme budget implications and revised estimates by budget period since 2016, as reflected in table 6 below. The Committee was also provided with information on the amounts charged to the contingency fund due to programme budget implications and revised estimates by budget period in the past 10 years, which is reflected in table 7 below.

Table 6

**Number of statements of programme budget implications and revised estimates, by budget period**

<i>Type of supplementary budget</i>	<i>2016–2017</i>	<i>2018–2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Revised estimates	26	23	6	11	9
Statements of programme budget implications	20	20	5	8	12
<b>Total</b>	<b>46</b>	<b>43</b>	<b>11</b>	<b>19</b>	<b>21</b>

Table 7

**Amounts of statements of programme budget implications and revised estimates charged to the contingency fund, by budget period**

(United States dollars)

<i>Budget period</i>	<i>Appropriation</i>	<i>Utilization of Contingency Fund</i>	<i>Percentage</i>
2010–2011	5 416 433.7	14 100.0	0.26
2012–2013	5 565 067.8	37 500.0	0.67
2014–2015	5 808 565.5	40 200.0	0.69
2016–2017	5 682 779.0	34 500.0	0.61
2018–2019	5 873 652.3	40 382.1	0.69
2020	3 073 830.5	21 786.0	0.71
2021	3 224 724.1	23 049.3	0.71
<b>Total</b>	<b>34 645 052.9</b>	<b>211 517.4</b>	<b>0.61</b>

54. The Advisory Committee notes the information on the number of statements of programme budget implications and the slight increase in the utilization of the contingency fund under the annual budget compared with the biennial cycle.

## VI. Conclusions

55. According to paragraph 83 of the report of the Secretary-General, the General Assembly is requested to (a) take note of the present report, which includes the review of the changes to the budgetary cycle; and (b) lift the trial period effective from 2023.

56. Upon enquiry as to whether three years constituted a sufficient period to assess the quality of the implementation of the annual budget and the potential need for a three-year extension, the Advisory Committee was informed that, over the past two years, the degree of guidance provided and changes requested by the General Assembly had declined substantially. For example, the guidance from the Assembly on the proposed programme budget format for 2020 was significant and included various changes to the content and presentation format of the annual programme budget, while the guidance on the proposed programme budget for 2022 was minimal. In addition, according to the Secretary-General, programme managers were now familiar with the presentation format and approach. Those signals suggested that the annual budget was stabilizing. It was not expected that new crucial elements that would inform a decision regarding the implementation of the annual budget would emerge over the next three years.

57. The Advisory Committee recalls that it recommended that a review of the changes to the planning and budgeting cycle be conducted following the completion of two full budgetary cycles (see [A/72/7/Add.24](#), para. 46). The Committee also recalls that the General Assembly decided to approve the change from a biennial to an annual budget period on a trial basis, beginning with the programme budget for 2020, and requested the Secretary-General to conduct a review of changes to the budgetary cycle in 2022, following the completion of the first full budgetary cycle (see also Assembly resolution [72/266 A](#), para. 6).

58. Upon enquiry regarding the intention of the Secretary-General to present both annual and biennial budgets for the next period, considering the time of consideration by the General Assembly of the present report, the Advisory Committee was informed that, taking into account that a decision on the review of the budget cycle by the Assembly was not expected before December 2022 and that the next proposed programme budget was to be finalized in March 2023, the only workable option, according to the Secretary-General, was to present an annual budget for 2024. The Committee was also informed that the change to a different budget period would entail changes in systems, guidance and preparation which would not be feasible within the existing timelines.

**59. The Advisory Committee considers that the decision on the change of the programme budget from the biennial to the annual cycle or extending the trial period to another cycle is a policy matter for consideration by the General Assembly (see para. 55 above).**

## Annex

## Observations and recommendations of the Board of Auditors and actions taken to address them

*Brief description of the recommendation*
*Action taken to implement the recommendation*

### Board of Auditors

#### A/76/5 (Vol. I)

The Board recommends that the Administration intensify efforts to coordinate with programme budget entities to sufficiently disclose all the posts and financial resources required, including both regular budget and extrabudgetary resources, in the budget documents to allow for enhanced oversight, transparency, and accountability (para. 68).

In the context of the proposed programme budget for 2022, additional information was provided to the legislative bodies to enable a holistic and comprehensive view of the post and non-post resource requirements for each subprogramme. That information was also accompanied by explanatory narratives that elaborate on the functions and activities to be funded through extrabudgetary resources and that demonstrate alignment with the policies, aims and activities of the Organization, in accordance with paragraph 14 of General Assembly resolution [75/252](#). The proposed programme budget for 2023 continues to provide such information.

The Board recommends that the Administration intensify its efforts to coordinate with programme budget entities to set performance indicators for quantifiable and non-quantifiable deliverables, wherever possible, in preparation of the programme budget, in accordance with the results-based budgeting framework (para. 73).

In the context of the proposed programme budget for 2022, the quantification of deliverables was introduced for substantive and enabling deliverables, where practical, in line with General Assembly resolution [75/243](#). The Committee for Programme and Coordination, in the context of its review of the proposed programme budget for 2022, did not reiterate its recommendation to provide additional quantification for deliverables. Furthermore, additional changes that increase the quantification of deliverables have been introduced in the proposed programme budget for 2023, in response to paragraph 25 of the report of the Advisory Committee on Administrative and Budgetary Questions ([A/76/7](#) and [A/76/7/Corr.1](#)). Further information can be found below.

The Board also recommends that the Administration continue to closely and centrally monitor the regular budget redeployments of various entities when warranted exceptionally (para. 79).

The Office of Programme Planning, Finance and Budget will continue to monitor regular budget redeployments, when warranted exceptionally, and will provide additional guidance to programme managers in various entities who have delegated authority to perform these redeployments.

The Board recommends that the Administration enhance the justification for material variances between expenditure and appropriation in the context of the financial performance report and the financial statements, in particular in situations of higher expenditure under consultants and experts (para. 83).

Explanations of any material variances, in particular for consultants and experts, will be enhanced, starting with the financial performance report and the financial statements for 2021.

*Brief description of the recommendation**Action taken to implement the recommendation*

The Board also recommends that the Administration request entities to enhance monitoring of the expenditure under consultants and experts and to keep it to a minimum in accordance with the request of the General Assembly (para. 84).

The Board recommends that the Administration disclose information on the performance of post resources from extrabudgetary resources in order to improve its transparency (para. 89).

The Board also recommends that the Administration intensify efforts to review more strictly estimated extrabudgetary posts in the proposed programme budget to ensure, to the extent possible, the accuracy of the estimated budget funded through extrabudgetary resources (para. 90).

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The Board recommends that the Administration provide self-contained explanations for material differences between the final budget and actual revenue and expenditure in the notes to the financial statements, which would also add to the availability of improved information and better transparency (para. 89).

The Board recommends that the Administration complete the exercise of aligning Umoja objects of expenditure with budget objects of expenditure within a reasonable time frame (para. 90).

The Board recommends that the Administration implement a mechanism for regularly fine-tuning and updating the content of the workshops and guidance based on the identification of challenges and feedback from participants (para. 95).

The Board recommends that the Administration continue to streamline the budget formulation exercise by improving the new budget formulation solution and resolving the challenges and issues being faced at various stages of the process, including the speed of the system and having to use Word and Excel first and then copying the figures into Umoja (para. 99).

In the budget guidance from the Controller to the heads of entities, programme managers were alerted to the request from the General Assembly and encouraged to keep provisions for consultants to a minimum.

In addition to the information on posts for the current period and the budget period, the Administration will include information relating to actual extrabudgetary posts utilized in the most recently completed budget period, starting with the proposed programme budget for 2023.

Additional information has been provided to entities, in the context of the budget guidance on the proposed programme budget for 2023, to contribute to more accurate estimates of post and non-post resource requirements funded through extrabudgetary resources.

Self-contained explanations for material variances will be provided in the 2020 financial performance report.

The alignment will be continued progressively over a number of annual budgets and will be completed with the issuance of the proposed programme budget for 2025.

The workshops were updated, and two new workshops were provided in January 2021, upon request from client departments. The Board of Auditors considered this recommendation to be implemented.

Enhancements were introduced in 2021 in the context of the proposed programme budget for 2022. The forms were streamlined and the splitting of resources across different “types” was discontinued. Known information was provided centrally to streamline the budget formulation. Regarding the strategic management application module, the copy and extract feature allows users to use the previously approved budget as the basis for the preparation of the next budget proposal, which substantially reduces the need for data entry. The performance of the system was also improved. The Board of Auditors is reviewing the request to consider this recommendation implemented.

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*Brief description of the recommendation*

*Action taken to implement the recommendation*

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The Board recommends that the Administration continue to identify opportunities within Umoja to develop tools and applications to support better budgeting and review practices and strengthen existing tools to better track budget utilization against outcomes (para. 104).

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The integrated planning, management and reporting solution has been launched and the strategic management application module has been enhanced to allow the linkage between budget utilization and results.