



United Nations

Budgeting in organizations of the United Nations system

Part I

Comparative analysis

Report of the Joint Inspection Unit

**Prepared by Pavel Chernikov, Mohanad al-Musawi and
Tesfa Alem Seyoum**

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*Executive summary***Budgeting in organizations of the United Nations system****Introduction and review objectives**

The present review was included in the programme of work of the Joint Inspection Unit (JIU) for 2024. Initiated by the Unit, it revisits the topic previously addressed in the 1989 JIU report, entitled “Budgeting in organizations of the United Nations system,”^a and provides an update to that landmark review.

The purpose of the present review is to provide the legislative organs, governing bodies and executive heads of JIU participating organizations with up-to-date information on major budgeting procedures and practices within the organizations. The specific objectives are to outline the budgeting procedures through a mapping exercise, using the 15 comparative tables contained in the 1989 report as a starting point, in order to provide a reference document on budgeting to delegates and other stakeholders; and to conduct a cross-organizational analysis of the major policies, techniques, methods and practices used in budgeting, in order to identify major challenges, lessons learned and good practices of the respective organizations.

The present part of the report consists of the cross-organizational analysis of the major policies, techniques and practices used in budgeting by the organizations of the United Nations system. Part II is a compilation of inputs from the participating organizations, and is intended as a reference document for delegates and other stakeholders on budgeting in the organizations.

Major developments and reform initiatives have had an impact on budgeting over the years. The introduction of results-based budgeting and results-based management in the late 1990s represented a substantial shift in the way things were done in the organizations of the United Nations system, and moved the focus from activities to outcomes and results. While the growth in voluntary funding has increased overall funding for the organizations, it has also introduced challenges such as funding unpredictability, competition for resources and complex reporting requirements. The adoption of the International Public Sector Accounting Standards (IPSAS) has improved consistency in financial reporting and harmonized accounting practices across the system. The formulation and review of budgets have been facilitated by the development of enterprise resource planning systems.

The uneven introduction of these major changes, along with different agency-specific initiatives, has increased diversity in budgetary practices among the organizations. This reflects the differences in history, functions, size, structure, funding sources and governance of administrative and budgetary issues. System-wide efforts aimed at standardizing and harmonizing budgetary and administrative practices are still not widely popular among many representatives of management of the organizations.

Main findings and conclusions**Budget policies and structures (tables 1.1 and 1.2)**

The review of budget policies and structures in JIU participating organizations reveals both commonalities and significant diversity across the organizations.

^a JIU/REP/89/9 (Vol. I) and JIU/REP/89/9 (Vol. II).

Medium-term planning. Most of the organizations have adopted medium-term planning as the foundation for budget formulation, with cycles typically lasting four to five years. However, there is considerable variation in the duration of these plans, reflecting a more diverse approach compared to the 1989 review.

Budget cycle. The biennial budget cycle remains common, although some organizations, such as the United Nations and the Universal Postal Union (UPU), have shifted to annual budgets, while others, like United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA) and United Nations Children's Fund (UNICEF), have moved to quadrennial budgets with midterm reviews.

Type of budget. Most of the organizations now incorporate elements of results-based budgeting, often in combination with the programme budget and information on objects of expenditure. The Inspectors consider that this approach should be maintained as it provides the opportunity to assess how realistic budget proposals are and to decide on the means by which resources are spent.

Unit of account and full/semi-full budgeting. Organizations continue to use as a unit of account the currency in which they spend mostly (mainly United States dollars). The majority of organizations apply full budgeting practices, including all projected increases in both staff and non-staff costs in their budget estimates, while some organizations use semi-full budgeting, providing only partial coverage of estimated costs.

Budget presentation and budget structure. There is significant diversity in how budgets are structured and presented. While some organizations have maintained traditional structures, others have shifted towards more results-focused formats.

Budget preparation and submission procedures (table 2)

Budget preparation procedures vary across the United Nations system organizations, with most organizations using a centralized approach whereby a budget office or specific department provides guidelines and coordinates the process. Organizations with a large field presence, such as the Office of the United Nations High Commissioner for Refugees (UNHCR), use a bottom-up approach. UNDP, UNFPA, UNICEF and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), as well as some other organizations, like the World Health Organization (WHO), integrate budget planning with strategic priorities. The WHO budget incorporates both top-down and bottom-up approaches: the overall budget level is set, priorities are identified and bottom-up planning is used to align the budget with the priorities.

Groups or committees on budgetary and financial matters are used by nearly all the organizations to review the budget and make recommendations. However, some organizations, like the Joint United Nations Programme on HIV/AIDS (UNAIDS), do not have such committees. The Inspectors suggest that UNAIDS establish a relevant committee to enhance budget oversight. The Inspectors observed that, in some organizations, such as the International Atomic Energy Agency (IAEA) and the International Maritime Organization (IMO), budget reviews were conducted by their governing bodies, such as the Board of Governors of IAEA and the IMO Council, rather than by small expert groups. The Inspectors recommend that these organizations engage delegates with relevant expertise in their budget discussions. Furthermore, the Inspectors suggest that the groups or committees of experts be provided with full support, including adequate information and sufficient time to analyse the budgets effectively, and that their reports receive due attention.

Budgetary and financial terms (tables 3–10)

Glossary. The development of the Glossary of financial and budgetary terms for the United Nations system dates to 1969, when the Consultative Committee on Administrative Questions issued the first edition in response to General Assembly resolution 2150(XXI) of 1966. A revised edition, published in 1983, was extensively referenced in the 1989 JIU report

on budgeting in organizations of the United Nations system. The glossary was last updated in 2000,^b however, it is not widely known or used by the senior budget and finance officers interviewed by the review team. Nonetheless, most of them recognize the need for the glossary to be periodically updated. The Inspectors recommend that the glossary be updated and reissued to serve as a common reference tool for both member States and management of the organizations (recommendation 1).

Appropriations. The budgets of the United Nations system organizations are typically approved by their principal legislative bodies. The term “appropriations” is used by many organizations to refer to the amount of the authorization granted to the executive head to incur commitments and make payments. In cases where an organization operates under a “federal” (or umbrella) structure, different parts of the budget may be approved by multiple bodies. Many organizations have provisions for supplementary budget estimates or appropriations, which allow them to address unforeseen expenditures or new priorities.

Assessments (contributions). The total annual revenue of United Nations system organizations increased between 2011 and 2023, from \$39.6 billion to \$67.6 billion. While the share of revenue from assessed contributions has significantly declined, the absolute amount of these contributions has slightly increased from \$13.3 billion in 2011 to \$13.8 billion in 2023. The methods for distributing the obligatory contributions among member States have also remained largely unchanged over the years. The United Nations continues to use a scale of assessments determined by the Committee on Contributions and based on factors such as membership and capacity to pay. This scale is also applied, with some adjustments, by several specialized agencies, such as the International Labour Organization (ILO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and WHO. The International Telecommunication Union (ITU), UPU and the World Intellectual Property Organization (WIPO) continue to use a different system of voluntarily chosen classes of contributors with the relevant number of contributory units.

The growth of voluntary contributions, which rose from \$23.9 billion to \$46.8 billion between 2011 and 2023, has led to increased reliance on non-core (earmarked) funding. This shift has been described as a “double-edged sword”: while it broadens donor engagement and signals interest in certain mandates, it also risks fragmenting organizational objectives owing to the conditionalities attached to earmarked contributions.

Staff assessment. Several organizations present their budgets on a net basis, excluding staff assessments. Different arrangements are in place for handling the tax implications for member States that tax the United Nations remuneration of their nationals. The Inspectors found that the system works effectively, in that it ensures equal remuneration for staff of all nationalities and fair funding arrangements for all member States, thus avoiding cross-subsidization.

Working capital funds, reserve accounts and funds. The Board of Auditors reported that the overall financial situation of the audited entities (mainly the United Nations and its funds and programmes) was generally sufficient, and that overall, entities displayed healthy financial performance. The Inspectors advocate for solutions to address periodic liquidity difficulties, especially in organizations such as the United Nations and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

The growth in funding has led to increases in working capital funds and reserve funds. The Inspectors note the views of the United Nations System Chief Executives Board for Coordination (CEB) regarding the need for a dedicated policy document on reserves, as well as for a regular review of any established reserves.

Surpluses. Cash surpluses from budget surpluses are handled differently depending on the funding sources of the organizations. In voluntary-funded entities, unspent balances are usually carried over and used according to donor agreements. Organizations established

^b Administrative Committee on Coordination, Glossary of financial and budgetary terms, 2000 (not publicly available), reflecting the changes and additions in annex V of ACC/2000/6, the report on the ninety-first session of the Consultative Committee on Administrative Questions (Financial and Budgetary Questions), held in Montreal from 28 August to 1 September 2000.

as funded by assessed contributions typically surrender surpluses to the member States, although some large agencies, such as IAEA and UNESCO, have shifted to crediting surpluses to capital investment accounts or funds; while WHO uses surpluses to finance the next approved budget. The Inspectors support maintaining traditional surplus policies while fully acknowledging the right of legislative organs or governing bodies to make decisions in the best interests of their organizations.

Miscellaneous income is normally credited to general funds or accounts and used in calculating surpluses and deficits. However, some organizations have started to transfer miscellaneous income to capital investment, building management, publications and similar funds.

External borrowing. Nearly half of the organizations are authorized to undertake external borrowing, including loans for buildings, subject to the approval of their governing bodies. Echoing views from the 1989 JIU review, the Inspectors emphasize that external borrowing should be considered a last resort. They also recall previous recommendations to the effect that charges associated with borrowing should be borne by member States that fail to pay their assessed contributions. The positive impact of charging interest on late payments, as seen in ITU and UPU, supports this approach. The Inspectors consider charging interest on late payments of obligatory contributions to be a valid option for ensuring adequate funding, while acknowledging that this is ultimately a policy decision to be made by the governing bodies of the respective organizations.

Budget increases (decreases) (tables 11–14)

Policies, techniques and methods. The Inspectors note that the organizations employ a mix of budgeting techniques. Zero-base budgeting, used by organizations such as IAEA, ILO and UNHCR, involves building a budget from scratch for each period; incremental budgeting, used by the United Nations, the Food and Agriculture Organization of the United Nations (FAO), and the International Civil Aviation Organization (ICAO), adjusts previous budgets to account for changes such as inflation; while hybrid approaches combine these methods, as seen in United Nations peacekeeping operations. Some voluntary-funded organizations, such as UNHCR, do not forecast inflation, but rather absorb cost increases within existing budgets. Organizations participating in the United Nations common system of salaries and allowances implement statutory adjustments further to decisions of the General Assembly of the United Nations, as recommended by the International Civil Service Commission (ICSC), as well as to decisions of the Commission.

The standard classification of objects of expenditure, once detailed in the *Handbook of the Consultative Committee on Administrative Questions*, is no longer updated by the Finance and Budget Network of CEB nor utilized by United Nations system organizations. In 2010, the Finance and Budget Network developed and approved revised harmonized expense categories for inter-agency reporting,^c which includes staff and other personnel costs, travel and contractual services, among others. However, the revised classification does not contain a list of objects of expenditure, and knowledge about the classification is not widespread among the organizations. The Inspectors recommend that the previously available standard classification of objects of expenditure be updated and made publicly available for use as a reference document in budgeting (recommendation 2).

Staff and non-staff costs. Staff costs comprise a significant portion of the budgets of United Nations system organizations, especially in organizations that are primarily knowledge-based and standard-setting. Vacancy rates are often incorporated into budgets to account for staff turnover, although practices vary. The Inspectors express concern that high vacancy-related reserves in some organizations may raise questions about overbudgeting. Approaches to budgeting non-staff costs vary considerably among organizations. Some organizations allocate these costs directly to specific programmes or units, while others centralize them.

^c See CEB/2010/HLCM/FB/18, annex I.

The level of detail provided to governing bodies in budget documents also varies significantly. While some organizations, such as the United Nations, WIPO, the United Nations Industrial Development Organization (UNIDO) and UNESCO, offer more comprehensive data, others, such as WHO, provide minimal financial information necessary for decision-making. The Inspectors recommend that legislative organs and governing bodies maintain or reinstate detailed budget information to ensure transparency and accountability (recommendations 3 and 4).

Administrative and support costs. There is significant diversity in how organizations present and manage administrative and support costs. Most of the organizations centralize these costs for consistent oversight, while others distribute them across budget sections to align with programmatic needs. Cost-recovery practices also vary, with most organizations applying different rates. A harmonized cost-recovery approach has been adopted by UNDP, UNFPA, UNICEF and UN-Women, and has contributed to financial sustainability and enhancing inter-agency collaboration.

Currency fluctuations (table 15)

Currency fluctuations present significant challenges to budgeting within United Nations system organizations, requiring various mitigation strategies to ensure financial stability. Different techniques are employed by the organizations to manage these risks. Some organizations set their budgets and assessments in the currency of their headquarters, as most of their expenditures occur locally, thereby minimizing foreign exchange exposure. Others use split assessments, dividing their budgets between currencies such as the United States dollar and the euro to better manage currency risks. In addition, some organizations, such as UNICEF, World Food Programme (WFP) and WHO, employ hedging techniques to stabilize their financial planning against currency volatility. The United Nations Secretariat also uses hedging for its programme budget in Swiss francs and euros. Finally, a few organizations, including FAO, IMO and UNIDO, maintain reserves to protect against exchange rate fluctuations, which provide an additional buffer to manage financial risks.

Inter-agency cooperation, including within the Finance and Budget Network

The Finance and Budget Network of CEB is highly valued by the participating organizations as a forum for information exchange, although some organizations expressed concern that it focused more on finance and accounting than on budgeting. Despite the active work of the Finance and Budget Network, comparison between the annex to volume I of the 1989 JIU report on the main agreements under the auspices of the Consultative Committee on Administrative Questions and annex I of part I of the present report on the main agreements under the auspices of the Network appears to show that the Network may not have achieved exactly the same level of results as its predecessor, in terms of the quantity of publicly available updated and relevant system-wide budgeting standards. The Inspectors suggest that the Network intensify its efforts to make its final products on budgeting more publicly accessible, so as to better serve member States.

Follow-up to the present review

During the interviews, the review team invited the participating organizations to suggest topics relating to the present review for potential follow-up studies, to be explored by JIU, the Finance and Budget Network or academic institutions. Attention was mostly given to jointly financed activities, especially the safety and security budget and the budget of the resident coordinator system. Other prominent topics included the use of measurable key performance indicators in programme budgets, various aspects of results-based budgeting and programme support costs. Regarding the periodicity of reviews on budgeting

in the organizations of the United Nations system, most organizations favour a 10-year review cycle, with some suggesting ad hoc reviews following significant changes or reforms.

Recommendations

The present report contains four formal recommendations, of which three are addressed to the legislative organs and governing bodies and one to the executive heads of the participating organizations. It also contains five informal recommendations, indicated in bold in the text, that complement the formal recommendations and are aimed at enhancing effectiveness and efficiency of budgeting in the organizations.

Recommendation 1

The executive heads of the JIU participating organizations, in their capacity as members of CEB, should, by the end of 2027, update the Glossary of financial and budgetary terms and make it publicly available, inter alia, for use as a reference document in budgeting.

Recommendation 2

The legislative organs and governing bodies of the JIU participating organizations should request the executive heads of the respective organizations, in their capacity as members of CEB, to update, by the end of 2027, the Standard classification of objects of expenditure and make it publicly available, inter alia, for use as a reference document in budgeting.

Recommendation 3

The legislative organs and governing bodies of the JIU participating organizations should request the executive heads of the respective organizations to refrain from reducing the level of detail currently provided in the context of their budget consideration, starting with the next budget cycle, so as to ensure a meaningful decision-making process.

Recommendation 4

The legislative organs and governing bodies of the JIU participating organizations that, in recent years, have removed from their budget documents pertinent information regarding the funding of specific outcomes or outputs, the distribution of budgets by categories and objects of expenditure, data on vacancy rates and staffing tables, should consider reinstating this information in their next budget cycle, so as to ensure a meaningful decision-making process.

Informal recommendations

1. **The Inspectors suggest that the Programme Coordinating Board of UNAIDS consider establishing the relevant expert budget or finance committee (para. 73).**
2. **The Inspectors recognize the authority of the legislative organs and governing bodies to organize their work, as well as the prerogative of the member States (and the social partners in ILO) to choose their representatives. At the same time, the Inspectors suggest that the legislative organs and governing bodies make every effort to engage delegates with relevant expertise in budgetary matters in budget discussions (para. 75).**

3. The Inspectors concur with the General Assembly and suggest that the role of the expert budget or finance committees should not be undermined. In this regard, the Inspectors suggest that adequate attention be accorded by the organizations concerned to the consideration of the reports of the committees, including the recommendations contained therein, and that the committees be provided with full support (para. 77).
4. The Inspectors suggest that sustainable solutions should be found by the legislative organs and governing bodies with respect to organizations experiencing periodic liquidity difficulties during any given year (para. 109).
5. The Inspectors suggest that the Finance and Budget Network of CEB intensify its efforts to make its final products on budgeting more publicly accessible, so as to better serve member States (and the social partners in ILO) (para. 185).

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Abbreviations

CEB	United Nations System Chief Executives Board for Coordination
FAO	Food and Agriculture Organization of the United Nations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICSC	International Civil Service Commission
ICT	information and communications technology
ILO	International Labour Organization
IMO	International Maritime Organization
IPSAS	International Public Sector Accounting Standards
ITC	International Trade Centre
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UN Tourism	World Tourism Organization
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

I. Introduction

1. The present review was included in the programme of work of the Joint Inspection Unit (JIU) for 2024. Initiated by the Unit, it revisits the topic previously addressed in the 1989 JIU report entitled “Budgeting in organizations of the United Nations system”,¹ and provides an update to that landmark review. The present review falls within the thematic area of management and administration practices and methods articulated in the Unit’s strategic framework for 2020–2029.²

A. Background

2. **Budgeting in the United Nations system organizations.** Budgeting, as a process of formulation and adoption of budgets, is fundamental to the operations of every organization. The principal function of a budget is to provide the member States and legislative organs of an organization with “a plan in financial terms for the carrying out of a programme of activities in a specific period. A programme budget focuses on the work to be undertaken and the objectives sought through that work: it emphasizes the ends to be achieved and translates them into the costs required for their implementation – decisions relate both to resource levels and to results to be achieved.”³

3. Budgeting is a broad and complex process influenced by various factors, such as an organization’s mandate, functions, structure and size. The 1989 review primarily focused on different aspects of budgeting within the United Nations system organizations and examined the progress in achieving standardization and comparability in budgets across organizations. Given the wide scope of the study, the 1989 review made “some comparisons” of selected budgeting techniques and methods in volume I of the report, which provided a cross-organizational analysis of major techniques, methods and practices used by the organizations in preparing their regular budgets, as detailed in the comparative tables contained in volume II of the report.⁴

4. The Administrative Committee on Coordination, the predecessor of the United Nations System Chief Executives Board for Coordination (CEB), recognized the 1989 review as an objective and factual examination of important aspects of budgeting practices within the United Nations system organizations at the time. The Committee considered the 1989 report, in particular the comparative tables in volume II, to be a valuable reference for both member States and the organizations themselves as they pursued their aim of enhancing the comparability of their budgets and the compatibility of their budgeting methods and techniques. The Committee suggested that it would be desirable for JIU to periodically update the comparative tables.⁵

5. The necessity for the present review was underscored by the numerous reform initiatives undertaken and the significant changes effected over the past thirty-five years. Major developments and reform initiatives relating to budgeting included the introduction of results-based budgeting, the growth in voluntary contributions or extrabudgetary resources, the transition to International Public Sector Accounting Standards (IPSAS), the development of enterprise resource planning systems, among others. See section E below for an overview of some key issues.

¹ JIU/REP/89/9 (Vol. I) and JIU/REP/89/9 (Vol. II).

² A/74/34, annex I, para. 9 (b).

³ JIU/REP/89/9 (Vol. I), para. 1; see also “Budget” in the Administrative Committee on Coordination, Glossary of financial and budgetary terms, 1983 (ACC/1983/FB/1).

⁴ JIU/REP/89/9 (Vol. I), paras. 7 and 8.

⁵ A/45/130/Add.1, annex, para. 1.

B. Purpose, objectives and scope

6. The purpose of the present review is to provide the legislative organs, governing bodies and executive heads of JIU participating organizations with up-to-date information on major budgeting procedures and practices within the organizations. The objective of the review is to promote an understanding of the budgeting processes and promulgate good practices with the aim of enhancing the effectiveness and efficiency of budgeting in the United Nations system organizations.

7. The specific objectives of the review are to:

(a) Outline the budgeting procedures through a mapping exercise, using the comparative tables contained in the 1989 report as a starting point, in order to provide a reference document on budgeting to delegates and other stakeholders;

(b) Conduct a cross-organizational analysis of the major policies, techniques, methods and practices used in budgeting by the organizations, in order to identify major challenges, lessons learned and good practices of the respective organizations.

8. The scope of the present review is system-wide. The present review encompasses not only the regular budgets of the United Nations and its specialized agencies⁶ (as in the 1989 review), but includes all stand-alone budgets of organizations currently participating in JIU⁷ that are funded from assessed and voluntary contributions as well as from revenue-producing activities. The review covers 28 budgets, compared to 13 in the 1989 review.

9. The review provides updated data and an analysis of the current status of budgeting in JIU participating organizations, using the 1989 review as a starting point. It looks into how budgeting policies and practices have evolved in the organizations, including quantitative and qualitative analyses of the major factors contributing to the changes, and assesses mechanisms to support system-wide cooperation.

C. Methodology and limitations

10. In accordance with JIU internal standards and working procedures, the methodology used for the review combined quantitative and qualitative approaches for data collection and analysis, including the following:

11. **Desk review.** The review team examined available documentation, including previous relevant JIU reports,⁸ and analysed existing policies, regulations, rules and processes of budgeting in the participating organizations.

12. **Questionnaires.** Two questionnaires requesting quantitative data and qualitative information were sent out. One organizational questionnaire, consisting of 15 comparative

⁶ United Nations (programme budget), Food and Agriculture Organization of the United Nations (FAO), International Atomic Energy Agency (IAEA), International Civil Aviation Organization (ICAO), International Labour Organization (ILO), International Maritime Organization (IMO), International Telecommunication Union (ITU), United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Industrial Development Organization (UNIDO), Universal Postal Union (UPU), World Health Organization (WHO), World Intellectual Property Organization (WIPO) and World Meteorological Organization (WMO).

⁷ United Nations (programme budget and the budgets of the peacekeeping operations), FAO, IAEA, ICAO, ILO, IMO, International Trade Centre (ITC), ITU, Joint United Nations Programme on HIV/AIDS (UNAIDS), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), UNESCO, United Nations Population Fund (UNFPA), United Nations Human Settlements Programme (UN-Habitat), Office of the United Nations High Commissioner for Refugees (UNHCR), United Nations Children's Fund (UNICEF), UNIDO, United Nations Office on Drugs and Crime (UNODC), United Nations Office for Project Services (UNOPS), United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), World Tourism Organization (UN Tourism), United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), Universal Postal Union (UPU), World Food Programme (WFP), WHO, WIPO and WMO.

⁸ Including JIU/REP/94/7, JIU/REP/99/3, JIU/REP/2006/1, JIU/REP/2012/12 and JIU/REP/2023/5.

tables with 60 areas of inquiry, was sent to the 27 JIU participating organizations that have stand-alone budgets; all of which responded.⁹ A supplementary questionnaire was sent to the Chairs of expert budget or finance committees of the organizations, as well as to external auditors; a total of 22 completed questionnaire responses were received – 15 from Chairs of expert budget or finance committees and 7 from external auditors.

13. **Interviews.** A total of 28 interview sessions were conducted with 78 stakeholders, in person and virtually, between February and May 2024.¹⁰ The interviews were primarily with senior budget and/or finance officers and focused on both updating the comparative tables and collecting information on recent developments.

14. **Limitations.** As in the 1989 review, owing to the wide scope of the study, the Inspectors made only “some comparisons” of selected budgeting techniques and methods. The review could be followed up by in-depth studies of individual issues or topics, some of which are mentioned in chapter VIII. For the limitations of part II, please refer to its foreword.

15. The present review was conducted in accordance with the statute of the Unit and its internal procedures. Due consideration was given to protecting the confidentiality of the stakeholders who responded to questionnaires, queries and surveys, as well as to those who participated in the interviews. In fulfilling its professional and ethical obligations, the review team maintained its independence, fairness, neutrality and professional integrity throughout the planning, execution and drafting phases of the review.

16. For quality assurance purposes, in accordance with article 11.2 of the JIU statute, the draft report was subjected to an internal peer review process to test the recommendations against the collective wisdom of the Unit. The revised report was then circulated to the organizations reviewed for them to correct any factual errors and provide comments on the findings, conclusions and recommendations. Their comments were taken into consideration in finalizing the report, however, the final responsibility for the review rests solely with the authors.

17. The present report contains four formal recommendations, of which three are addressed to the legislative organs and governing bodies, and one to the executive heads of the participating organizations. The formal recommendations are complemented by five informal recommendations. All the recommendations appear in boldface in the report. To facilitate the handling of the recommendations, annex III contains a table indicating whether the recommendations are submitted to the organizations concerned for action or for information, and specifying whether they require action by the legislative organs and/or governing bodies or the executive heads of the organizations.

D. Acknowledgements

18. The Inspectors wish to express their appreciation to all the organizations that responded to the organizational questionnaire, consisting of 15 comparative tables, and provided valuable inputs for the review. They extend their appreciation to all those who willingly shared their knowledge and opinions through interviews and written responses to the JIU questionnaires and interview guides. The Inspectors also wish to thank the JIU focal points in the participating organizations who were instrumental in administering the questionnaires to the target audiences and facilitating the interviews.

19. The Inspectors would like to thank the Finance and Budget Network of the High-level Committee on Management of CEB for the invitation to its 2024 summer session, and for the considerable amount of information provided by the secretariat of the Network.

20. Special acknowledgment is given to the external auditors and Chairs of the expert budget or finance committees who took the time to respond to the supplementary

⁹ The United Nations Secretariat provided responses for issues relating to the regular budget and the peacekeeping budgets that are overseen by the Office of Programme Planning, Finance and Budget.

¹⁰ The executive management of one organization did not avail itself of any of the six dates proposed for an oral interview, but rather opted to present its responses to the JIU interview guide in writing, after the end of the period allocated for interviews.

questionnaire, in particular the Chair of the Advisory Committee on Administrative and Budgetary Questions.

E. Overview of some key issues

21. In accordance with the terms of reference of the present review, the Inspectors specifically examined the impact on budgeting of major developments and/or reform initiatives since the 1989 review, including the introduction of results-based budgeting, the growth in voluntary contributions or extrabudgetary resources, the transition to IPSAS and the development of enterprise resource planning systems.

22. Techniques of budgeting for voluntary-funded or extrabudgetary activities differ among organizations and from those applied to assessed contributions. Regarding assessed contributions, it should be noted that some elements of budgeting methodologies (reflected in responses to the 60 areas of inquiry in the 15 tables consolidated in part II of this report) have not changed much over the past thirty-five years, while others have undergone considerable changes, which are described below.

23. **Introduction of results-based budgeting.** Starting in the late 1990s,¹¹ results-based budgeting, along with results-based management, has had the most significant and direct impact on budgeting. It shifted the focus from activity-based to results-based management, enabling organizations to track and measure outcomes and facilitating the budgeting of projects, initiatives and results. Results-based budgeting has contributed to aligning activities and budgets with strategic goals, emphasizing expected results or even impact, and making the whole planning process more meaningful.

24. **Growth in voluntary funding.** This has resulted in an increase in overall funding for the United Nations system and its activities, thereby contributing to the attainment of goals, especially in humanitarian and development assistance. However, voluntary funding also drew attention to issues of unpredictability of funding, priority setting, competition for resources, programme support costs, cross-subsidization and reporting requirements.

25. In the view of the Inspectors, the growth in voluntary funding and, in some organizations, the introduction of results-based budgeting have led to less precise budgeting (often replaced with projections), fewer budget details provided to member States and reduced control by some governing bodies over budgeting inputs, which has affected the possibilities of ensuring meaningful decision-making.

26. Additional information on the impact of results-based budgeting and the growth in voluntary contributions is provided in the chapters below.

27. **Transition to IPSAS.** In 2006, by its resolution 60/283, the General Assembly approved the adoption of IPSAS for the presentation of the financial statements of the United Nations. Although budgeting continued to be typically carried out on a modified cash basis, the introduction of IPSAS,¹² with accrual accounting, was helpful for the United Nations system to compare reporting results and to harmonize accounting practices among the agencies. IPSAS contributed to the move to an annual cycle of financial reporting on the part of organizations and, in the case of UPU, to an annual budget cycle. IPSAS exposed long-term liabilities, especially the after-service health insurance obligations, and accelerated the development and deployment of enterprise resource planning systems to enable, inter alia, the production of IPSAS-compliant financial statements.

28. **Enterprise resource planning systems.** Developed and deployed since the early 2000s, these systems are now implemented in almost all the organizations. Enterprise resource planning systems have significantly enhanced decision-making, both internally

¹¹ The Secretary-General, in his report introducing the programme for reform in 1997 (A/51/950), recommended that: “the General Assembly review the existing arrangements governing the planning, programming and budgeting process in order to enhance their role in providing strategic direction, establishing better performance yardsticks and reporting and focusing more on accountability for performance than on input accounting – a shift to results-based budgeting” (strategy 5).

¹² Starting with WFP Audited Financial Statements for 2008 (WFP/EB.A/2009/6-A/1).

(within the secretariats) and externally (by the governing bodies). They have facilitated budget formulation and review, improved consistency in calculations of estimates, and increased transparency regarding detailed requirements, processing and compiling of budget inputs. Enterprise resource planning systems have enabled much faster access to a large amount of information than before. They offer reporting capabilities that can compare actuals to budget, provide advanced analytics and improve direct costing. The introduction of enterprise resource planning systems has also led to increased data accuracy – owing to the reduction in manual operations – that is achieved, inter alia, by specific applications for planning and budgeting.

29. The uneven introduction of all the aforementioned major changes, along with different agency-specific initiatives, has increased the diversity of budgetary practices among the organizations. Diversity in budgetary practices among the organizations has always existed, reflecting differences in history, traditions and precedents, as well as objective criteria, such as the type and character of the entity, sphere of activity and main functions, size, geographical structure, type of budget, funding sources and governance of administrative and budgetary issues.

30. **Difficulties in system-wide standardization and harmonization.** Discussions with the participating organizations further revealed that system-wide efforts aimed at standardizing and harmonizing budgetary and administrative practices, the development of identical or standardized formats, techniques and methods (as described, inter alia, in paragraphs 3 to 5 of the 1989 report), were not supported by the representatives of management in a significant number of organizations.

31. **Finance and Budget Network of CEB.** Successor to the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) of the Administrative Committee on Coordination, the Finance and Budget Network of CEB is highly valued by the participating organizations as a forum for the exchange of information. However, when comparing the annex on main agreements under the auspices of the Administrative Committee on Coordination, of the 1989 review, with annex I on main agreements under the auspices of the Finance and Budgetary Network, of the present review, it appears that the Network may not have achieved exactly the same level of results as its predecessor, in terms of the quantity of publicly available updated and relevant system-wide budgeting standards. For more details, see chapter VII.

32. **Views of external auditors and Chairs of expert budget or finance committees.** The views expressed in the responses to the JIU supplementary questionnaire on the impact of budgeting on United Nations system organizations highlighted the differences among the organizations and between the two groups of respondents.

33. The external auditors, who completed the supplementary questionnaires relating to six specialized agencies and one programme, were of the view that the current budgeting systems contribute most to the enhancement of effectiveness (goals attainment, inter alia, through measurable key performance indicators) and transparency, and a feeling of ownership by the membership. However, they contribute the least to economy (including reasonable cost of inputs).

34. On the other hand, the Chairs of the expert budget or finance committees, who completed the supplementary questionnaires relating to three specialized agencies and 12 other entities (i.e. the United Nations and its affiliated organizations, funds and programmes), considered that the current budgeting systems contribute most to the enhancement of economy (including reasonable cost of inputs) and efficiency (value for money, reasonable costs of outputs). They found the least contribution to the overall performance (relevance and name recognition), effectiveness (goals attainment, inter alia, through measurable key performance indicators), transparency and a feeling of ownership by the membership.

35. Some other inputs from the external auditors and Chairs of expert budget or finance committees are incorporated in the chapters below.

II. Budget policies and structures (tables 1.1 and 1.2)

36. As in the 1989 report, table 1 of part II of this report illustrates the general characteristics of budget policies and structures in the JIU participating organizations.

37. Although all the organizations share commonalities, diversity is evident from different angles: among the United Nations, its funds and programmes and the specialized agencies; depending on the prevailing source of funding (e.g. assessed contributions, voluntary contributions or revenue produced); mandate and function (e.g. humanitarian or development assistance); size of organization; geography (headquarters-oriented or field-based); and strength of the intergovernmental machinery (from virtually no oversight to two-stage scrutiny by two quasi-permanent bodies – the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee of the General Assembly of the United Nations).

A. Medium-term planning

38. Over the years, the vast majority of organizations have adopted medium-term planning in budgeting, with the most notable exception being the United Nations peacekeeping operations, which work on specific mandates from the Security Council of the United Nations. Medium-term or equivalent plans serve as the basis for budget formulation, with “strategic plan” being the most commonly used title of the documents implemented by 10 organizations.¹³ Planning documents are called medium-term strategies, plan outlines, business plans, financial plans, strategies and various other strategic frameworks (see part II, table 1.1, column 1.2).

39. These documents cover different periods of time, ranging from none, in the case of United Nations peacekeeping operations, to eight years for the Medium-term Strategy of UNESCO. Nevertheless, a 4-year cycle is the most common duration – used by 14 organizations,¹⁴ followed by a 5-year cycle used by three organizations.¹⁵

40. At the time of the 1989 review, a 6-year cycle was the most common duration, used by six organizations¹⁶ out of the 11 that had medium-term plans or equivalents at the time.¹⁷ Since then, out of those 11 organizations, six¹⁸ have shortened the duration of their plans, while four¹⁹ have extended the duration. This variation among the organizations indicates more diversity in approaches to medium-term planning than was observed previously, which may reflect a need to adjust to emerging situations in a more interconnected world.

B. Budget cycle

41. The 1989 review had reported that synchronization of budget cycles had been achieved to a certain extent (owing to the adoption of a biennial cycle by nine²⁰ out of 13 organizations observed). The biennial cycle remains most commonly used – currently for 15 budgets.²¹ Nonetheless, a shift away from biennial budgets has been observed in opposite directions: annual budgets in the United Nations, UN-Habitat and UPU,²² and quadrennial budgets with midterm reviews in UNDP, UNFPA and UNICEF.

¹³ ILO, IMO, UNDP, UNFPA, UNOPS, UNRWA, UN-Women, WFP, WIPO, WMO.

¹⁴ FAO, ILO, ITU, UNDP, UNEP, UNFPA, UN-Habitat, UNICEF, United Nations Industrial Development Organization (UNIDO), UNOPS, UN-Women, UPU, WFP and WMO.

¹⁵ UNAIDS, UNODC and WIPO.

¹⁶ United Nations (programme budget), FAO, ILO, UNESCO, UNIDO and WHO.

¹⁷ ITU and UPU did not have such medium-term plans.

¹⁸ United Nations (programme budget), FAO, ICAO, ILO, UNIDO and WMO.

¹⁹ IMO, UNESCO, WHO and WIPO.

²⁰ United Nations (programme budget), FAO, ILO, IMO, UNESCO, UNIDO, WHO, WIPO and WMO.

²¹ The biennial cycle is used by FAO, ILO, IMO, ITU, UNAIDS, UNEP, UNESCO, UNIDO, UNODC, UNOPS, UN Tourism, UN-Women (integrated budget), WHO, WIPO and WMO.

²² Influenced by the introduction of IPSAS.

42. At present, the biennial cycle is currently applied to 15 budgets,²³ the annual cycle to nine budgets²⁴ and the quadrennial cycle to three budgets.²⁵

43. Similar to the situation observed in the 1989 review, the programme and budget cycles in a number of organizations have their own specific features. For example, IAEA and UNRWA have annual budgets within a biennial programme period; ICAO has a triennial budget broken down by year; and ITU has a biennial budget within a four-year financial plan, broken down by year. For the programme of work of UNEP, the budget cycle is biennial within a four-year medium-term strategy. WMO has a biennial budget within a four-year financial period; and UNOPS has a biennial budget approved by the Executive Board and an annual budget approved by the Executive Director.

44. At the same time, it should be noted that all the biennial and quadrennial budgets appear to be harmonized among themselves, with the current cycles covering the years 2024–2025 and 2022–2025, respectively.

45. Regarding **the United Nations programme budget**, the Advisory Committee on Administrative and Budgetary Questions considered the change to the budget cycle to be a policy matter to be decided by the General Assembly.²⁶ The Inspectors were also informed of a view that the reintroduction of annual budgeting has had some minor success in reducing the rounds of recosting and removing the second performance report. However, the annual budget cycle has substantially increased the workload of the Secretariat, as well as the workload and periodicity of reviews of the programmatic and financial parts by relevant committees. It has also reinforced budgeting as a compliance exercise. Programmes that have been in operation for more than 70 years do not require the same flexibility as, for example, peacekeeping operations. For the regular budget, annual budgeting has led to an increase in workload without commensurate benefit and strategic value.

46. The United Nations Secretariat shared with the Inspectors a summary of the benefits of annual budgeting,²⁷ and of its strategic value; the measures already taken to cope with the increased workload; as well as arguments that the current annual budgeting is less of a compliance exercise compared to the previous biennial budgeting.

47. Without prejudice to the different views and arguments made above, and recognizing the usefulness of annual budgeting for certain types of activities (e.g. humanitarian assistance) and for relatively frequently changing mandates (e.g. in many peacekeeping operations), the Inspectors are of the view that, for longer-term mandates and for diverse functions consolidated in one document (such as the United Nations programme budget), a biennial budget is more appropriate than an annual one.

48. In that regard, the Inspectors recall that the General Assembly had requested the Secretary-General “to conduct a comprehensive review on the annual cycle, including its financial, administrative and procedural impact, its impact on the implementation of mandates across sections of the programme budget and the workload and the associated costs, and to submit a report for consideration by the General Assembly at the main part of its eighty-third session, in 2028”.²⁸

49. With respect to **quadrennial budget cycles** in New York-headquartered funds and programmes, in 2016 and 2017, the Advisory Committee on Administrative and Budgetary Questions made requests to the secretariat of UNICEF to review its experience and conduct a lessons-learned exercise.²⁹

²³ See footnote 22.

²⁴ The annual cycle is used by United Nations (programme budget and peacekeeping operations budgets), IAEA, UN-Habitat, UNHCR, UNRWA, UN-Women (assessed contributions), UPU and WFP (corporate budget).

²⁵ The quadrennial cycle is used by UNDP, UNFPA and UNICEF.

²⁶ A/77/7/Add.20, para. 59.

²⁷ As detailed in A/77/485 and A/77/485/Corr.1.

²⁸ General Assembly resolution 77/267, para. 5.

²⁹ For example, AC memo 1943 (2016), para. 7, and AC memo 1999 (2017), para. 7 (not publicly available).

50. In the view of the Inspectors, the necessity for the continuity of quadrennial budget cycles should be subject to periodic reviews by the organizations concerned.

C. Type of budget (programme, object-of-expenditure, results-based)

51. During the current review, an overwhelming majority of organizations identified their budget type as containing at least some elements of results-based budgeting, often in combination with their programme budget. In addition, in the vast majority of cases, budgets also included data on categories and objects of expenditure. While continuing to have an object-of-expenditure budget, like in 1989, UPU has added some elements of results-based budgeting to it.

52. The Inspectors note the continuing progress in the use of results-based budgeting in the United Nations system, as well as the specificities of individual organizations regarding the different results-based budgeting elements used and the various combinations of results-based budgeting with other methodologies. The Inspectors recall that the 1989 review had indicated that, in the programme budget, information on objects of expenditure was also provided.³⁰ They note that many organizations currently also apply the same approach combining the programme budget and results-based budgeting with objects-of-expenditure information. The Inspectors consider that this approach should be maintained as it provides the opportunity to assess how realistic budget proposals are and to decide on the means by which resources are spent.

53. In the view of the Inspectors, this approach gives member States the opportunity to understand the estimated distribution of resources by the different means to achieve the organization's goals, outcomes and outputs – and have a say in it – as well as to analyse the effectiveness and efficiency of these means and the reasons for any deviations from the plans for attaining the goals. Providing data on objects of expenditure for programmes/sub-programmes and/or outcomes/outputs by comparison with previous actual spending also allows for a better assessment of how realistic budget proposals are and an examination of the accuracy of estimated costs of expected accomplishments. A consolidated presentation of the budget by object of expenditure (even in the form of a single table) offers member States a more comprehensive picture of overall proposed budget spending. Such a presentation may also contribute to reducing the risk of unforeseen expenses and enhance the assessment of the expected implications of the introduction of new technologies and/or structural reforms.

54. Additional comments and recommendations on results-based budgeting are provided below, in particular, in chapter V, sections B and C.

D. Unit of account (budget currency)

55. The budgets of most of the United Nations system organizations continue to be expressed in United States dollars, except for nine organizations:

- ICAO, which is based in Montreal, in Canadian dollars;
- IAEA and UNIDO, which are based in Vienna, and UN Tourism, which is based in Madrid, in euros;
- IMO, which is based in London, in pounds sterling;
- ITU, UPU, WIPO and WMO, which are based in Switzerland, in Swiss francs.

56. The **currency of assessments (or contributions)** is normally the same as the budget currency. The most notable exception is ILO, whose budget is in United States dollars, but assessments are in Swiss francs.

57. Five organizations use split assessments: FAO, IAEA and UNESCO use both United States dollars and euros; ICAO uses United States and Canadian dollars; and WHO uses

³⁰ JIU/REP/89/9 (Vol. I), para. 14.

United States dollars and Swiss francs. Additional information is provided in chapter IV, section C, and in chapter VI.

E. Full and semi-full budgeting

58. As in the 1989 review, an overwhelming majority of organizations³¹ – with some caveats related to those that are voluntary funded – apply full budgeting, by including all projected increases in both staff and non-staff costs in their budget estimates.

59. Exceptions to full budgeting are few. For example, ITU, UNAIDS and UNRWA identify their policies as semi-full budgeting, providing partial coverage of estimated cost increases. This may include only part of the budgetary period or the assumption that some activities may be implemented using less costly modalities. See chapter V, section A, for more information.

F. Budget presentation and budget structure

60. The majority of organizations³² provide an integrated presentation of resources from different sources of funding. In a few others, data on extrabudgetary resources is treated differently. For example, ICAO provides data on extrabudgetary resources in a separate section of the budget; the United Nations (programme budget and peacekeeping operations budgets) and WMO include the relevant data for information purposes only; UNESCO integrates these data but does not “commingle” them; IMO reports on extrabudgetary resources during the year; and ITU deals with extrabudgetary resources within the financial operating report.³³

61. Data collected for the current review show a fundamental shift from the relatively uniform programme structure³⁴ of large organizations that were funded mainly through assessed contributions at the time of the 1989 review. At that time also, there was a common budget presentation structure recommended by the Administrative Committee on Coordination for programme budgets.³⁵ In contrast, there is now significant diversity in the structure and presentation of programmes and budgets.³⁶

62. There is considerable diversity in how budgets are composed, ranging from detailed multi-part structures to more consolidated formats. While most organizations have adopted a results-based approach, some organizations retain a structure similar to that presented in the 1989 review (e.g. the United Nations regular budget and UPU), others have made their budget structures more results-focused. For example, FAO, UNDP, UNESCO and WIPO provide extensive breakdowns by objectives and organizational units (or sectors, in the case of WIPO), emphasizing results and outcomes. IAEA, ILO and UNIDO retain similar budget compositions to those recorded in the 1989 review but have transitioned to a results-focused approach.

63. The **programme budget of WHO**³⁷ is structured around three strategic priorities and one enabling pillar, the latter of which is entitled “More effective and efficient WHO providing better support to countries.” The enabling pillar has four outcomes. Outcome 4.3 – Financial, human and administrative resources managed in an efficient, effective, results-oriented and transparent manner, has four outputs, covering sound financial practices

³¹ United Nations (programme budget and peacekeeping operations budgets), FAO, IAEA, ILO, IMO, ITC, UNDP, UNEP, UNESCO, UNFPA, UN-Habitat, UNHCR, UNICEF, UNIDO, UNODC, UNOPS, UN Tourism, UN-Women, UPU, WHO, WIPO and WMO.

³² FAO, IAEA, ILO, UNDP, UNEP, UNFPA, UN-Habitat, UNHCR, UNICEF, UNIDO, UNODC, UNRWA, UN-Women, UPU, WFP, WHO and WIPO.

³³ See part II of the present report, table 1.2, column 1.7.

³⁴ The uniform programme structure included major programmes, programmes, subprogrammes and programme elements/components or projects.

³⁵ See E/1978/43/Add.2 and JIU/REP/89/9 (Vol. I), para. 22.

³⁶ See part II of the present report, table 1.1, columns 1.4 and 1.5, and table 3, column 3.5.

³⁷ See, for example, WHO, Proposed programme budget 2024–2025 (A/76/4).

and oversight (with two output indicators); effective and efficient management and development of human resources (with five output indicators); effective, innovative and secure digital platforms and services (with three output indicators); and safe and secure environment, with efficient infrastructure maintenance, cost-effective support services and responsive supply chain (with two output indicators).³⁸ The budget proposal for outcome 4.3 for 2024–2025 shows one figure (\$469.0 million),³⁹ which is split among WHO headquarters and regional and country offices in the six regions.⁴⁰ No distribution of the figure by output or output indicator is provided. However, two years earlier, in the context of the programme budget for 2022–2023, in response to the request by the membership,⁴¹ relevant details were furnished, including five lines of figures for outcome 4.3 and related outputs 4.3.1 to 4.3.4, broken down by “Staff” and “Activity”.⁴²

64. The Inspectors consider the terminology used by WHO to be somewhat misleading. What WHO refers to as “outputs” are in reality “outcomes”, and the “output indicators” would be better termed “performance indicators” (e.g. as done by IAEA).⁴³

65. The Inspectors also note that the WHO budget document does not contain meaningful financial information, such as allocations for information and communication technology, budget and finance, human resources and administration, or on planned outputs. The absence of other traditionally provided data (e.g. distribution of the budget by categories and objects of expenditure, staffing figures, staffing table, vacancy rates, etc.) is further described below.

³⁸ See WHO, Proposed programme budget 2024–2025 (A/76/4/Add.1), annex 1 – Output indicators and narratives.

³⁹ WHO, Proposed programme budget 2024–2025 (A/76/4), table 6.

⁴⁰ Ibid., tables 7 and 8.

⁴¹ Reflected, inter alia, in the following recommendation of the Programme, Budget and Administrative Committee of the WHO Executive Board (A/74/46), para. 23: “While supporting the results-based management budgeting approach, the Committee further proposed as guidance for the Secretariat’s preparation of future programme budgets, that the Secretariat should submit, as background information to such proposals, high-level estimates by key items of expenditure based on the previous biennium, and should continue with the practice of providing preliminary estimates by output, broken down by staffing and activity costs, for information purposes”.

⁴² See WHO, White paper: Details for budget figures for the proposed programme budget 2022–2023, table 3.

⁴³ See IAEA, The Agency’s Programme and Budget 2024–2025 (GC(67)/5), part II – Details by major programme.

III. Budget preparation and submission procedures (table 2)

A. Budget preparation procedures by the secretariats

66. According to the information provided in table 2, column 2.1 of part II of the present report, most of the organizations⁴⁴ use a centralized approach whereby the budget office or a specific department provides guidelines and instructions for and coordinates the budget preparation.

67. Organizations with a large field presence, such as UNHCR, use a bottom-up approach whereby budget preparation starts at the field or country office level and is then consolidated at headquarters. UNFPA also applies a combination of centralized guidance with a bottom-up approach by consolidating inputs from various country offices and units.

68. UNDP, UNFPA, UNICEF and UN-Women as well as some other organizations, such as WHO, follow integrated budget planning processes that align resources with strategic plans and priorities. The WHO budget is both top-down and bottom-up: the overall budget level is set, priorities are identified, then bottom-up planning is carried out to align the budget with the priorities.

69. The budget preparation of WIPO involves a questionnaire to member States on their priorities for the upcoming biennium, followed by internal consolidation by sector leads and directors.

70. While noting the diversity in budget preparation procedures, the Inspectors share the view expressed by the Advisory Committee on Administrative and Budgetary Questions that “notwithstanding variations in budgeting practices, a clear and concise explanation of the methodology used in formulating the estimates should be readily available, perhaps in the budget document itself”.⁴⁵

71. The Inspectors support the view expressed in the 1989 review⁴⁶ that the budget estimates should indicate both real growth and cost increases (decreases). See also chapters V and VI below.

B. Groups or committees on budgetary and financial matters

72. The Inspectors recall recommendation 3 of the 1989 review, which states that “organizations which have not already done so should establish a small group of experts on budgetary, financial and programmatic fields as a subsidiary unit of the legislative organ in order to efficiently examine budget proposals and related matters”.⁴⁷

73. According to the information provided in table 2, column 2.3, of part II of the present report, almost all the organizations have specialized committees or groups of experts that review and provide recommendations on budgetary and financial matters. However, the Inspectors note that there are still some organizations, such as UNAIDS, that do not have such expert bodies as subsidiary bodies of their intergovernmental legislative organs or governing bodies. **The Inspectors suggest that the Programme Coordinating Board of UNAIDS consider establishing the relevant expert budget or finance committee.**

74. The present review also revealed that, in some other organizations, such as IAEA and IMO, consideration of the budget is currently carried out not by a small expert group first, but by the governing body, such as the Board of Governors of IAEA and the IMO Council. At ILO, the Programme, Financial and Administrative Committee of the Governing Body has been replaced with the Programme, Financial and Administrative section of the Governing Body, which plays that role.

⁴⁴ United Nations (regular budget and peacekeeping operations budgets), FAO, IAEA, ICAO, ILO, IMO, ITU, UNESCO, UNFPA, UNIDO, UNICEF, UPU, WFP and WHO.

⁴⁵ A/39/592, para. 17, referenced in JIU/REP/89/9 (Vol. I), para. 32.

⁴⁶ JIU/REP/89/9 (Vol. I), para. 33.

⁴⁷ See also JIU/REP/2023/7, recommendation 4.

75. **The Inspectors recognize the authority of the legislative organs and governing bodies to organize their work, as well as the prerogative of the member States (and the social partners in ILO) to choose their representatives. At the same time, the Inspectors suggest that the legislative organs and governing bodies make every effort to engage delegates with relevant expertise in budgetary matters in budget discussions.**⁴⁸

76. Regarding the actual use of expert budget or finance committees, it should be noted that the last proposed biennial programme of work and budget that UNEP provided to the Advisory Committee on Administrative and Budgetary Questions was for the 2018–2019 biennium.⁴⁹ The General Assembly, in its resolution 78/252, endorsed the recommendations contained in the report of the Advisory Committee, more specifically the recommendation to request UNEP to ensure compliance with the Financial Rules of the Environment Fund and Associated Trust Funds (ST/SGB/2015/4, annex I) and to submit the Environment Fund programme budget to the Committee for its review.⁵⁰

77. **The Inspectors concur with the General Assembly and suggest that the role of the expert budget or finance committees should not be undermined. In this regard, the Inspectors suggest that adequate attention be accorded by the organizations concerned to the consideration of the reports of the committees, including the recommendations contained therein, and that the committees be provided with full support.**

78. The Inspectors note that, according to the Chairs of the expert budget or finance committees who completed the JIU supplementary questionnaires for 15 organizations, adequate and accurate information on their budgets was provided by slightly less than half of the organizations (7 out of 15), and only about a quarter of respondents (4 out of 15) reported having adequate time to analyse the data provided. In contrast, most of the external auditors (six out of seven) who completed the JIU supplementary questionnaire expressed satisfaction with their treatment in relation to both issues.

79. In the view of the Inspectors, the situation concerning the adequacy and accuracy of the budget information, as well as the time provided to the expert budget or finance committees for their consideration, should be addressed by the executive management of the relevant organizations.

80. The Inspectors note that, in accordance with the established procedures, the Executive Board of WFP receives advice on its budget from two expert committees on budgetary and financial matters: the Advisory Committee on Administrative and Budgetary Questions and the FAO Finance Committee.

⁴⁸ See also the informal recommendation in JIU/REP/2023/5, para. 29.

⁴⁹ UNEP/EA.2/16.

⁵⁰ A/78/7, para. IV.144.

IV. Budgetary and financial terms (tables 3–10)

A. Glossary

81. The Inspectors recall that, in 1969, the Consultative Committee on Administrative Questions had issued a glossary of financial and budgetary terms in response to General Assembly resolution 2150(XXI) of 4 November 1966 and the recommendation of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies that a standard nomenclature of budgetary and financial terms be adopted and followed throughout the United Nations system.⁵¹

82. A revised edition of the glossary was issued in May 1983,⁵² and was widely quoted in the 1989 JIU review. The last updated version of the glossary was issued in 2000,⁵³ however, it is not publicly available.

83. The Inspectors note that the 2000 version of the glossary is neither known to nor used by the senior budget and/or finance officers of the JIU participating organizations who were interviewed by the review team. However, several interviewees acknowledged the potential value of such a glossary as a common reference point for both member States and management of the organizations. In addition, an overwhelming majority of interviewees expressed their views that the glossary should be updated periodically in the future, especially when major developments, such as changes in IPSAS, occur.

84. The Inspectors fully concur with the opinions and views expressed by the interviewees with regard to the glossary.

85. The Inspectors recall the conclusion reached in 2016 that “all future JIU recommendations intended to enhance coordination and cooperation among participating organizations in the framework of CEB will be addressed to the executive heads of member organizations of CEB, as appropriate”.⁵⁴

86. The following recommendation is expected to strengthen system-wide coherence and harmonization.

Recommendation 1

The executive heads of the JIU participating organizations, in their capacity as members of CEB, should, by the end of 2027, update the Glossary of financial and budgetary terms and make it publicly available, inter alia, for use as a reference document in budgeting.

B. Appropriations (table 3)

87. The budgets of the organizations are usually approved by the principal legislative organ of the respective organization.⁵⁵ In the case of organizations with a “federal” (or umbrella) structure, whereby different parts of the budget are funded from different sources, several approving bodies might be involved. For example, in the case of UNEP, the General Assembly of the United Nations, the United Nations Environmental Assembly, the Meetings

⁵¹ A/6343, para. 59 (c), as reported in JIU/REP/89/9 (Vol. I), para. 39.

⁵² ACC/1983/FB/1.

⁵³ Administrative Committee on Coordination, Glossary of financial and budgetary terms, 2000, reflecting the changes and additions in annex V of ACC/2000/6, the report on the ninety-first session of the Consultative Committee on Administrative Questions (Financial and Budgetary Questions), held in Montreal from 28 August to 1 September 2000.

⁵⁴ JIU/ML/2016/25, para. 40.

⁵⁵ Such as the General Assembly of the United Nations, the FAO Conference, the General Conference of IAEA and the Assembly of ICAO, among others. See part II of the present report, table 3, column 3.1.

of the Parties and/or the Conferences of the Parties of respective multilateral environmental agreements approve the relevant budget.

88. An overwhelming majority of the participating organizations use the term “appropriations” to refer to the amount of the authorization granted by the principal legislative organ to the executive head of an organization to incur commitments and make payments for the purposes for which the appropriations were voted and up to the amounts so voted.⁵⁶

89. It is worth noting that WIPO, which is mainly funded through revenue-producing (registration) activities, has replaced the term “appropriations” with “allocations”, in order “to simplify the language and improve understandability”.⁵⁷ Similarly, WHO, which has a predominant share of voluntary contributions, uses the term “allocate” in its resolutions regarding the programme budget. For example, the World Health Assembly “allocates” the WHO budget to the strategic priorities and other areas.⁵⁸

90. Many organizations have provisions for the submission and approval of supplementary budget estimates or appropriations. This flexibility allows organizations to address unforeseen expenditures or new priorities that may arise after the initial budget approval. In addition, appropriation structures often grant executive heads or governing bodies the authority to make budget transfers within set limits. This centralization of control, with built-in flexibility, allows organizations to adapt to changing needs while maintaining accountability. For example, the United Nations High Commissioner for Refugees may make transfers from the operational reserve, which must be reported to the Standing Committee. Similarly, the Executive Board of WFP authorizes the Executive Director to adjust the programme support and administrative budget based on changes in the global contribution forecast, at a rate not to exceed 2 per cent of the anticipated change in income.

C. Assessments (contributions) (table 4)

91. According to the CEB website, the total annual revenue of the United Nations system organizations increased between 2011 and 2023, from \$39.6 billion to \$67.6 billion. Of the latter amount, 20.4 per cent came from assessed contributions, 69.2 per cent from voluntary contributions, and 10.4 per cent from other sources.

1. Assessed contributions

92. Despite a sharp decline in the share of obligatory funding (which, even in 2011, represented 33.5 per cent of total revenue), the total absolute amount of assessed contributions increased from \$13.3 billion in 2011 to \$13.8 billion in 2023.

93. The main methods of distribution of obligatory contributions among member States have not changed much over the years:

- The United Nations continues to determine the scale of assessments for the United Nations programme budget on the advice of the Committee on Contributions, based on several criteria (starting with the membership and capacity to pay).
- This scale is used as a basis for the scale of assessments for United Nations peacekeeping operations, providing discount adjustments to less developed countries, and the surcharge for the permanent members of the Security Council of the United Nations. The scale of assessments for the United Nations programme budget is also applied by a number of specialized agencies, including ILO, UNESCO, UNIDO and WHO – with an adjustment for differences in membership only; and FAO, IAEA and WMO – with some additional adjustments as well.

⁵⁶ See, for example, financial regulation 5.1 of the United Nations, financial regulation 4.1 of FAO, financial regulation 4.1 of IMO, and others. See part II of the present report, table 3, column 3.2.

⁵⁷ See WIPO Financial Regulations and Rules, applicable as of January 1, 2023; also the Revision of the financial regulations and rules (FRR) (WO/PBC/34/12), annex, page 27.

⁵⁸ See, for example, World Health Assembly resolution WHA76.1 (2023), para. 3.

- ICAO establishes its scale on the basis of capacity to pay (75 per cent) and civil aviation importance (25 per cent).⁵⁹ IMO requires a minimum assessment,⁶⁰ and the balance is split between the United Nations programme budget scale (12.5 per cent) and merchant fleet tonnage (87.5 per cent).
- ITU, UPU and WIPO continue to use different systems of voluntarily chosen classes of contributors with the relevant number of contributory units.

2. Contributions from other sources

94. Regarding funding from sources other than assessed or voluntary contributions, the Inspectors note their growth (from \$2.5 billion in 2011 to \$7.0 billion in 2023, and from 6.3 to 10.4 per cent of the total revenue). They recall that, for some organizations, revenue-producing activities represent the main source of income (e.g. WIPO) or even the only one, as in the case of UNOPS, which is completely demand driven.

3. Voluntary contributions and earmarking

95. Voluntary contributions show constant growth. For example, between 2011 and 2023, voluntary contributions rose from \$23.9 billion to \$46.8 billion, or from 60 to 69.2 per cent of the total revenue of the United Nations system organizations. It should also be noted that the bulk of these increases was associated with non-core (earmarked) voluntary contributions, which increased from \$19.7 billion in 2011 to \$41.0 billion in 2023, that is from 49.6 to 60.6 per cent of the total revenue of the United Nations system organizations.

96. According to the Chair of one of the expert budget or finance committees, the growth of voluntary funding is a “double-edged sword”. On the one hand, it broadens engagement of donor countries in the respective programmes and can be seen as a marker of interest in certain mandates. On the other hand, it can contribute to the fragmentation of the organization’s aims and objectives owing to the earmarking of contributions and some lack of flexibility in view of conditionalities attached to the funding.

4. Fundraising and types of voluntary-funded budgets

97. The Inspectors share the view expressed by one of the external auditors that budgeting in voluntary-funded organizations has at least some focus on fundraising purposes.

98. Budgets may be broadly characterized as needs-based, income projection-based or hybrid:

- An example of a needs-based or, according to the organization, needs-driven budget – with a funding gap of around 40 per cent – is the budget of UNHCR.
- Projected income is used, inter alia, by ITC, UNAIDS, UNDP, UNFPA, UNICEF, UNIDO, UNODC and UPU.
- A somewhat similar approach of forecasted expenditure is applied to the budgets of the United Nations entities (with the exception of UNHCR), FAO, UNESCO and WMO.
- The budget of WHO is based on member States requirements and results to be achieved.
- A mix (or a hybrid) of different approaches is applied by several organizations, including IAEA, ILO, UNEP, UNRWA, UN-Women, WIPO and WFP. The latter, for example, provides an assessment of needs built up from expected requirements at the country level, as well as another realistic budget (usually less than the assessed needs) based on the funding outlook.

⁵⁹ Measured by tonne-kilometres on the scheduled services of the relevant State.

⁶⁰ Currently, approximately 6,000 pounds sterling.

5. Recommendations of the Advisory Committee on Administrative and Budgetary Questions regarding the United Nations programme budget

99. The Inspectors recall the recommendations made by the Advisory Committee on Administrative and Budget Questions in respect of the budgeting of extrabudgetary resources under the United Nations programme budget. In its first report on the proposed programme budget for 2020, the Advisory Committee recalled, *inter alia*, paragraphs 39–41 of General Assembly resolution 64/243, in which the Assembly stressed that all extrabudgetary posts must be administered and managed with the same rigour as regular budget posts, that such resources “shall be used in consistency with the policies, aims and activities of the Organization” and that budget submissions should include clear and specific information on extrabudgetary resources, in order to make a distinction between voluntary and assessed contributions and programme support costs.⁶¹

D. Staff assessment (table 5)

100. Staff assessment is a deduction from the gross salary of a staff member of an amount in lieu of income tax.

101. A number of organizations present their budgets on a net basis (i.e., exclusive of staff assessment).⁶²

102. There are different arrangements to deal with member States that tax the United Nations remuneration of their nationals, including an assessment on a gross basis for the United States of America and the use of tax equalization funds.

103. In the view of the Inspectors, the system continues to work well in all instances, in providing both equal remuneration to staff of all nationalities, and fair funding arrangements for all member States, thus avoiding cross-subsidization.

104. It should also be noted that tax reimbursement is not relevant for organizations in which the United States is not a member State, and organizations that do not have staff members from the United States.⁶³

E. Working capital funds, reserve accounts and funds (tables 6 and 7)

1. Financial situation of the organizations

105. The Inspectors recall the findings of the Board of Auditors that the overall financial situation of the audited entities⁶⁴ was generally sufficient, and that overall, entities displayed healthy financial performance.⁶⁵

106. The Inspectors note that the financial statements show that, in fully (or predominantly) voluntary-funded organizations (namely, UNDP, UNEP, UNFPA, UN-Habitat, UNICEF, UNODC and WFP), total assets are four to six times higher than total liabilities, while in UN-Women, total assets are ten times higher. Other ratios are also measured in double-digits in UN-Women, WFP and IMO.⁶⁶

107. Most other organizations have a more reasonable correlation between assets and liabilities.

⁶¹ A/74/7, para 111.

⁶² Including IAEA, ICAO, ILO, IMO, UNAIDS, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO, UPU, WIPO and WMO.

⁶³ Such as UNIDO and UN Tourism currently.

⁶⁴ JIU participating organizations audited by the Board of Auditors include the United Nations, ITC, UNDP, UNEP, UNFPA, UN-Habitat, UNHCR, UNICEF, UNODC, UNOPS, UNRWA and UN-Women.

⁶⁵ A/78/578, para. 11, and A/79/243, para. 11.

⁶⁶ See IMO, Financial report and audited financial statements for the year ended 31 December 2022, paras. 72–89, for reasons relating to that organization.

108. It should be noted that liquidity difficulties (measured, inter alia, as below 1 in monthly cash and quick ratios) periodically occur in any given year in some organizations, such as the United Nations and UNRWA.

109. **The Inspectors suggest that sustainable solutions should be found by the legislative organs and governing bodies with respect to organizations experiencing periodic liquidity difficulties during any given year.**

2. Operational reserves

110. The growth in funding of the United Nations system was also accompanied by increases in the levels of the working capital funds of the organizations which have assessed funding, and by the proliferation of reserve accounts and funds in a number of entities. At the same time, ITU and UPU continued not to have working capital funds, which may be at least partially explained by the high level of collection of assessed contributions owing to interest being charged on late payments of contributions. The absence of working capital funds in the voluntary-funded funds and programmes, and/or the relatively low level of the Working Capital Fund in UNHCR, should be seen together with a high level of other operational reserves and/or carry-overs of budget and cash surpluses (as reflected in the IPSAS ratios and table 8 on surpluses).

111. The Inspectors recall several resolutions of the General Assembly of the United Nations (including resolutions 75/242, 74/249 and 73/268) by which the Assembly endorsed recommendations of the Advisory Committee on Administrative and Budgetary Questions with respect to the development – within the framework of CEB – of reasonable benchmarks for minimum and maximum levels of the operational reserves for the United Nations system.⁶⁷

112. The Inspectors received information from both the United Nations and CEB (the High-level Committee on Management and the Finance and Budget Network) that, at its thirty-seventh meeting, held in November 2021, the Finance and Budget Network had endorsed the conclusions and recommendations contained in the report of its Working Group on Operational Reserves.⁶⁸

113. The Inspectors note that, although the report of the Working Group on Operational Reserves does not contain specific benchmarks for minimum and maximum levels of the operational reserves, several key points are noteworthy, such as those regarding the need for a dedicated policy document on reserves and for a regular review of any established reserve.

114. The Inspectors are of the view that documents agreed within the Finance and Budget Network, in particular those containing conclusions and recommendations regarding the role of the governing bodies on the relevant issues,⁶⁹ should be regularly shared with these organs.

F. Surpluses (table 8)

115. Cash surpluses resulting from budget surpluses are treated differently in organizations that are funded from different sources.

116. Unspent balances in voluntary-funded funds, programmes and some other organizations⁷⁰ (as well as with respect to voluntary contributions in other organizations) are normally carried over, and the use of earmarked contributions is agreed with the relevant donor.

117. In most of the organizations that were established as funded by assessed contributions, surpluses are surrendered to the member States as a matter of policy. This practice continues

⁶⁷ See, for example, A/76/554, para 25.

⁶⁸ CEB/2021/HLCM/FB/6, para.32, and the report of the Working Group on Operational Reserves (2 November 2021).

⁶⁹ See, for example, the report of the Working Group on Operational Reserves (2 November 2021), subsection D.4.

⁷⁰ WFP, UNAIDS, UNEP, UNFPA, UNHCR, UNDP, UNODC, UN-Women.

to be applied with respect to the United Nations programme budget and the budgets of the United Nations peacekeeping operations, FAO, ILO and UN Tourism.

118. However, some agencies, such as IAEA (since 2009) and UNESCO (since 2023), no longer surrender surpluses to the member States, but rather credit the surpluses to their capital investment accounts or funds. For its part, WHO uses unspent assessed contributions to finance the next approved budget. ICAO and IMO have started to apply a regulation used by some other smaller specialized agencies (such as ITU) that govern the retention of surpluses, and the relevant governing bodies take ad hoc decisions regarding their use.

119. While fully acknowledging the right of individual legislative organs or governing bodies to take decisions in the best interest of their organization, the Inspectors would like to reaffirm the value of maintaining traditional policies regarding the treatment of surpluses with respect to both assessed and voluntary contributions referred to in paragraphs 116 and 117 above.

120. Regarding self-financing organizations, the Inspectors note the efforts reported by UNOPS to ensure fair fees for its services and to balance attaining net-zero revenue from operations and maintaining adequate liquid reserves as a going concern.

G. Miscellaneous income (table 9)

121. Miscellaneous income, defined as income other than regular income⁷¹ in many organizations⁷² is usually credited to a general fund or equivalent funds, reserves or ledgers, and used in the calculation of surpluses and deficits.

122. The proliferation of various special accounts and funds in some organizations has also been accompanied by changes in the use of miscellaneous income. For example, in 2023, UNESCO decided to adopt a new practice whereby, after relevant confirmation by the governing bodies, the income will be transferred to the Special Account for Capital and Strategic Investments. ILO started crediting income from the rental of premises to the Building and Accommodation Fund, and income from the sale of publications to the Publications Revolving Fund. Proceeds from sales of information products are not part of the miscellaneous income in some entities, like FAO and ITC.

H. External borrowing (table 10)

123. Based on the responses provided by the participating organizations to the JIU questionnaire, nearly half of them are authorized to undertake external borrowing,⁷³ including loans for buildings. However, in practically all of them, this is subject to the approval of the relevant governing bodies.

124. It should be noted that the support of host countries for construction and reconstruction of buildings, including interest-free or low-interest long-term loans (traditionally provided, for example, by the Swiss Confederation), represents a kind of voluntary contribution from the relevant member State.

125. The Inspectors share the view expressed in the 1989 review that external borrowing could be envisaged, but as a last resort.⁷⁴

126. Although internal borrowing is prohibited in the majority of organizations, it is practised by several others.⁷⁵

⁷¹ JIU/REP/89/9 (Vol. I), para 76, and part II of the present report, table 9.

⁷² For example, United Nations (programme budget), ICAO, IMO, UNAIDS, UNFPA, UNICEF, UNIDO, UNOPS, UN Tourism, WHO, and WMO.

⁷³ Including United Nations (programme budget), FAO, IAEA, ICAO, ITU, UNAIDS, UNDP, UNESCO, UN-Women, WFP, WIPO, WMO and WHO.

⁷⁴ JIU/REP/89/9 (Vol. I), para. 80.

⁷⁵ United Nations (programme budget and peacekeeping operations budgets), IAEA, ILO, UNEP, UNESCO, UNODC, UNRWA, UN Tourism, UN-Women, WFP and WIPO.

127. The Inspectors recall the recommendation in the 1989 report that interest due and charges associated with borrowing should be borne by those member States which fail to pay their assessed contributions fully and on time.⁷⁶ That recommendation had, at the time, received a sceptical reaction on the part of the Administrative Committee on Coordination, to the effect that proposals concerning the payment of interest by Governments on unpaid contributions had not so far been accepted by most governing bodies.⁷⁷ However, this proposal should be viewed in the light of the positive impact of charging interest on late payments, as in ITU and UPU (as well as in some non-United Nations system organizations, such as the Council of Europe), and the recommendation of the Advisory Committee on Administrative and Budgetary Questions relating to possible interest on cash loaned internally.⁷⁸

128. The Inspectors are of the view that charging interest on late payments of obligatory contributions is one of the valid options for budgets of international organizations to achieve sound funding. On the other hand, they fully recognize and respect the fact that this is a policy decision to be made by the relevant governing bodies.

⁷⁶ JIU/REP/89/9 (Vol. I), recommendation 7.

⁷⁷ A/45/130/Add.1, para. 17.

⁷⁸ A/66/713, para. 12.

V. Budget increases (decreases) (tables 11–14)

A. Policies, techniques and methods applied (table 14)

129. As indicated in the 1989 report, there are two basic means of establishing the basic budget level for the ensuing period: (a) zero-base budgeting, whereby the budget of the ensuing budgetary period is constructed from scratch; and (b) incremental budgeting, whereby the budget proposals for the ensuing budgetary period are built up by adding to and/or subtracting from the current budget base.⁷⁹ The 1989 report also mentioned that there were no pure or rigorous applications of zero-base budgeting or incremental budgeting in the United Nations system.⁸⁰ For practical purposes, in the present report, these terms will be used to describe a general approach.

130. The Inspectors note the diversity of methods actually applied to budgeting, including zero-base budgeting, incremental budgeting, as well as a combination of both, in many organizations.

131. **Zero-base budgeting**, which is used by IAEA, ILO, UNHCR and others, involves building a budget from “scratch” for each new period, and ensuring that all expenses are justified as new.

132. **Incremental budgeting**, which is used by the United Nations, FAO, ICAO and others, is more common among organizations with higher staff costs and repetitive activities. This method involves adjusting the budget of the previous period to account for changes in the new period, including incorporating inflation and known increases.

133. **Hybrid approaches** that combine zero-base and incremental budgeting are also prevalent. For instance, the United Nations peacekeeping operations apply zero-base budgeting to military and police personnel costs and to operational costs, and incremental budgeting to civilian staffing. Similarly, WMO uses zero-base budgeting for programmatic costs, and incremental budgeting for administrative costs.

134. Organizations that practise **full budgeting** (i.e. encompassing all expected costs)⁸¹ forecast inflation on the basis of the latest contract prices and rates available, consumer price indexes and data of authoritative bodies, such as the International Civil Service Commission (ICSC). In contrast, some voluntary-funded organizations, such as UNHCR and UNICEF, take a more limited approach to inflation forecasting: UNICEF applies inflation forecasts to salaries only, while UNHCR does not forecast inflation at all. Cost increases that occur during budget implementation in voluntary-funded funds and programmes are typically absorbed within the existing budget – a practice also seen in UNAIDS. Other agencies, such as ITU, have maintained the same contributory unit amount since 2016 – despite significant increases in the Geneva Consumer Price Index – thus reflecting a similar strategy of absorbing inflationary pressures rather than adjusting contributions. Regarding reserves, the trend among the organizations is to avoid maintaining specific inflation reserves, opting instead for real-time budget adjustments.

135. **Statutory increases or decreases.** The Inspectors note that, irrespective of the approach used for budgeting the relevant costs, organizations participating in the United Nations common system of salaries and allowances implement statutory adjustments further to the decisions of the General Assembly of the United Nations, upon recommendation by ICSC, as well as the decisions of the Commission.

136. The most comprehensive recosting system is applied with respect to the United Nations programme budget (see para. 45 above).

137. United Nations system organizations do not have fixed **policies regarding budget levels**. The relevant concepts, such as zero nominal growth or zero real growth, are usually reflected in ad hoc decisions by the governing bodies on individual budget submissions and

⁷⁹ JIU/REP/89/9 (Vol. I), para. 82.

⁸⁰ Ibid.

⁸¹ See chapter II, section E.

are mostly applied to assessed contributions. Furthermore, the executive management of some of the organizations use several scenarios in the budget preparation. For example, ICAO always presents three scenarios, based on guidance from its governing body, while UNDP requests business units or bureaus to submit two scenarios for maximum percentage above their base and potential reductions.

138. As in the JIU's 1989 review, this section does not cover policies, techniques and methods applied that are already reflected in chapter II, section C of the present report.

B. Staff costs and non-staff costs (tables 11 and 12)

1. CEB standard classification of objects of expenditure

139. The Inspectors recall that the 1989 review had used the standard classification of objects of expenditure of the Administrative Committee on Coordination, as set out in annex VII of the *Handbook of the Consultative Committee on Administrative Questions*. That classification consisted of eight categories of expenditure – two for staff costs and six for non-staff costs – encompassing 51 objects of expenditure.

140. However, the Inspectors were informed that the handbook is no longer updated by CEB nor utilized by the participating organizations.

141. In 2010, the Finance and Budget Network of CEB established the Working Group on Financial Reporting with the primary objective of harmonizing inter-agency financial reporting, including the revision of expense categories. There was general consensus by all the members of the Working Group that one standard for expense categories would be beneficial, thus leading to the development of the revised harmonized expense categories for inter-agency reporting, which was approved by the Finance and Budget Network in 2010.⁸² The revised classification consists of eight categories, but does not contain a list of objects of expenditure (see annex II hereto).

142. During the interviews, representatives of the executive management of the participating organizations generally exhibited a low degree of knowledge about the revised harmonized expense categories.

143. However, many of those interviewed expressed their interest in an update of the standard classification of objects of expenditure for use in budgeting, including as a reference document, and/or in financial reporting. The Inspectors fully concur that such an update would be useful.

144. The Inspectors also consider that, taking into account the variety of views of the representatives of executive management, a decision on the matter may require a pronouncement by the legislative organs and governing bodies of the participating organizations.

145. The following recommendation is expected to strengthen system-wide coherence and harmonization.

Recommendation 2

The legislative organs and governing bodies of the JIU participating organizations should request the executive heads of the respective organizations, in their capacity as members of CEB, to update, by the end of 2027, the Standard classification of objects of expenditure and make it publicly available, inter alia, for use as a reference document in budgeting.

2. Staff costs

146. A significant portion of the budgets of United Nations system organizations is spent on staff costs, with a particularly high share in organizations that are knowledge-based,

⁸² See CEB/2010/HLCM/FB/18.

standard setting and/or that settle disputes, compared to those that are more engaged in humanitarian or economic assistance through the delivery of goods and services or even cash.

147. Calculations of staff costs for the budgets are based on two major elements: projected staffing numbers, on the one hand, and unit costs, on the other.

148. Unit costs are derived from standard and/or actual costs, which mostly include statutory entitlements within the United Nations Common System of salaries and allowances for post grade and location established, as mentioned above, by the decisions of ICSC or of the General Assembly of the United Nations upon recommendation of the Commission.

149. Regarding work management, approximately one fifth of the organizations⁸³ calculate staff costs using work months and/or full-time equivalent, that is, the combination of work months and work percentage. The remaining four fifths of organizations mostly use the number of posts as the main unit for work measurement.

150. Half of the organizations incorporate vacancy rates⁸⁴ into their standard costs, while some others⁸⁵ apply a lapse factor to their budgets to account for staff turnover and anticipated recruitment delays. Some relatively small headquarter-based organizations with low vacancy rates, such as WMO and UPU, do not make adjustments in their budgets. Similarly, there is no vacancy rate or standard lapse factor built into the WFP Programme Support and Administration budget. WHO uses post cost averages for the duration of time considered necessary to deliver results. Some of the other specialized agencies, such as FAO and ILO, apply a symbolic adjustment of 1.2–1.3 per cent to staff costs in the form of a lapse factor.

151. Vacancies are often budgeted on the basis of actuals, sometimes at a slightly lower level, but more often at a slightly higher one.

152. The Inspectors understand the prudent approach to budgeting of staff costs and do not share the concept of “vacancy management”. In their view, the problem starts when the size of the de facto vacancies-related reserve appears to be a bit too high.

3. Non-staff costs

153. Table 12 outlines the various approaches that United Nations system organizations use to budget and manage non-staff costs, including the way in which these costs are distributed to programmes. The organizations follow various practices for budgeting non-staff costs. Some organizations⁸⁶ allocate non-staff costs directly to specific programmes or units, thus ensuring that costs are closely tied to the activities and outputs that generate them. Other organizations⁸⁷ centralize the management of administrative costs and often pool indirect costs for efficiency.

154. On a related matter, the Inspectors note the diversity of standard unit costs, relating to both inputs and outputs, used in budgeting by individual organizations, with the obvious exception of the common system staff costs. They also note the detailed information contained, inter alia, in the Standard Cost and Ratio Manual that is maintained by the Department of Operational Support of the United Nations Secretariat, and in the Universal Price List and the Local Price List of UNDP.

4. Provision of adequate information to governing bodies

155. Many United Nations system organizations provide detailed data on staffing, including staffing tables and vacancy rates, as well as budget distribution by categories and objects of expenditure to their governing bodies.

⁸³ FAO, ICAO, ILO, ITU, UPU and WHO.

⁸⁴ United Nations (programme budget and peacekeeping operations budgets), IAEA, ICAO, UNAIDS, UNEP, UNFPA, UN-Habitat, UNICEF, UNIDO, UNODC, UNOPS, UN-Women and WIPO.

⁸⁵ FAO, ILO, UNESCO and UN Tourism.

⁸⁶ United Nations, FAO, ITC, UNEP, UNESCO, UN Habitat, UNIDO, UNODC and UNRWA.

⁸⁷ IAEA, ILO, UNICEF, UNFPA, WIPO and WMO.

156. The regular budget of the United Nations and the budgets of the peacekeeping operations, which have substantial portions of assessed contributions and undergo extensive expert and intergovernmental scrutiny, contain the most amount of detailed budget information.

157. While applying a strong results-focused approach, some organizations provide reasonably comprehensive budget information. For example, the proposed programme of work and budget of WIPO includes resources by cost category, result and sector. It also details posts by sector and includes information on the vacancy rate.⁸⁸ Similarly, UNIDO provides a summary of budget estimates by results, along with proposed expenditure and income by major object of expenditure, annual proposed expenditure and income by major object of expenditure, data on positions established under the regular and operational budgets, and information on vacancy factors.⁸⁹ UNESCO provides a summary of its integrated budget by outcome, output and nature of cost. It also presents a summary of established posts, organizational charts, and information on lapse factors and vacancy rates.⁹⁰

158. On the other hand, there is a move among many organizations to share only high-level classifications and summaries of budgetary and staffing information with the governing bodies; the explanation being that this focuses on results-based management and operational flexibility. At the same time, it should be noted that some details are provided upon request or under other agenda items rather than as part of standard budget consideration.

159. WHO provides the least amount of information mentioned above⁹¹ to its governing bodies for consideration of programme budget proposals.⁹²

160. The Inspectors express their concern regarding transparency and justification of the budgets of some JIU participating organizations⁹³ that do not provide budget distribution by categories and objects of expenditure and/or data on vacancy rates and staffing tables. While they acknowledge that, in a few instances, this practice is agreed upon with the governing bodies, the lack of comprehensive budgetary information raises issues relating to accountability and oversight and limits the possibilities for assessing the efficiency and economy built into the budget presented.

161. The Inspectors are also of the view that a balanced approach to harmonization and diversity should be followed. In their opinion, such an approach may encompass the need to satisfy the legislative organs and governing bodies with regard to the provision of information that is adequate for decision-making (e.g. by helping to assess the causality between budget allocations and planned results and to draw conclusions as to how economical the budget proposals are), and ensure clear explanation of the budgetary methodologies used throughout the system and, at least, some comparability between the organizations.

162. The Inspectors would like to recall previous recommendations made, inter alia, by JIU and the Advisory Committee on Administrative and Budgetary Questions.

163. As part of its review of management and administration in FAO,⁹⁴ JIU made the following recommendations, among others:

- The Council should request the Director-General to provide, in the submission of a draft Programme of Work and Budget for 2026–2027, information on the distribution of the budget by category and object of expenditure (at least in the form of one table)

⁸⁸ See WIPO, Proposed program of work and budget for 2024/25 (A/64/11).

⁸⁹ See UNIDO, Programme and budgets 2024–2025 (IDB.51/6-PBC.39/6*).

⁹⁰ See UNESCO, 2022–2025 Approved programme and budget: First biennium 2022–2023 (41 C/5).

⁹¹ This is in comparison with other organizations examined, including those that are 100 per cent funded by voluntary contributions.

⁹² For fairness, it should be acknowledged that, ex-post factum, the WHO secretariat shares a lot of information regarding actual expenditures and comparison among approved budgets through numerous channels, including its web-based portal, digital platform and informal sessions for member States and other means of communication with them.

⁹³ For example, FAO, IAEA, ILO and WHO.

⁹⁴ JIU/REP/2023/5.

and a staffing table showing the distribution of posts by grade, down to the lowest organizational unit (recommendation 4).

- The Council should request the Director-General, when submitting the draft Programme of Work and Budget for 2026–2027, to include in the budget tables, as well as in the annexed tables on key performance indicators (namely, annex I on the updated results framework), an additional column showing the actual performance over the previous biennium or year for which this information is available (recommendation 5).
- The Director-General should, in the context of submitting the draft Programme of Work and Budget for 2026–2027, propose, on a pilot basis, an option of full or partial budgeting of vacancy rates based, as far as possible, on actual rates (recommendation 6).

164. The Advisory Committee on Administrative and Budgetary Questions addressed similar recommendations to the voluntary-funded funds and programmes, including UNICEF,⁹⁵ UNDP,⁹⁶ and UN-Women.⁹⁷

165. Regarding the programme budget of the United Nations, the Inspectors recall that the Advisory Committee had indicated that while it supported the results-based budgeting methodology,⁹⁸ it considered that the results-based budgeting frameworks should continue to reflect specific performance measures, that the detailed lists of outputs by programme should remain in the budget document and the proposed resource requirements should continue to be disaggregated at the level of each sub-programme.⁹⁹

166. The Inspectors would also like to recall a comment made by JIU in a previous review of results-based budgeting in United Nations organizations that success in budgetary reforms, including results-based budgeting, required a climate of trust and understanding between Member States and the Secretariat, and consensus among Member States.¹⁰⁰

167. The following recommendations are expected to enhance transparency and accountability in the context of budget consideration and approval and increase the ownership of the process by the member States (and the social partners in ILO).

⁹⁵ See memo 2293 (2024, not publicly available) to UNICEF: “the Advisory Committee reiterates its request that UNICEF provides comprehensive information on expenditures and staffing, as supplementary information, to facilitate its future consideration of the institutional component of the integrated budget. The Committee is of the view that the supplementary information should include a comparison of expenditures against planning estimates and an analysis of variances” (para. 9).

⁹⁶ See memo 2295 (2024, not publicly available) to UNDP: “the [Advisory] Committee is of the view that information on both regular and other resources is also required in order to have a comprehensive view of all the resources presented in the institutional component of the integrated budget, a comparison of expenditures against planning estimates, an analysis of variances and information on the projected increases in strategic investments. In this regard, the Committee reiterates its previous requests that both the text and the tables related to the proposals be expanded to also include the following detailed information: (a) a breakdown of expenditures; (b) an analysis of variances, comparing expenditures against planning estimates, with percentages; (c) detailed staffing plans and tables; and (d) explanatory information on major items of expenditure” (para. 12).

⁹⁷ See memo 2171 (2021, not publicly available) to UN-Women: “to enable a full review, the [Advisory] Committee considers that the presentation of the integrated budget of UN-Women should include the evolution of expenditures (actual and projected) by object or categories of expenditures against planning estimates and justification for projected resource requirements. The Committee trusts that such information will be reflected in future integrated budget proposals” (para. 10).

⁹⁸ A/55/543, para. 25.

⁹⁹ A/72/7/Add.24, para. 54.

¹⁰⁰ JIU/REP/99/3, para. 66.

Recommendation 3

The legislative organs and governing bodies of the JIU participating organizations should request the executive heads of the respective organizations to refrain from reducing the level of detail currently provided in the context of their budget consideration, starting with the next budget cycle, so as to ensure a meaningful decision-making process.

Recommendation 4

The legislative organs and governing bodies of the JIU participating organizations that, in recent years, have removed from their budget documents pertinent information regarding the funding of specific outcomes or outputs, the distribution of budgets by categories and objects of expenditure, data on vacancy rates and staffing tables, should consider reinstating this information in their next budget cycle, so as to ensure a meaningful decision-making process.

C. Administrative and support costs (table 13)

168. The data in table 13, part II of the present report, illustrate the diversity in the presentation of administrative, common services and support costs among the United Nations system organizations, with differences mainly attributed to the level of centralization in the operational models of the respective entities. The majority of organizations centralize these costs by consolidating them under specific departments or cost centres so as to ensure consistent oversight and efficient management. Conversely, other organizations apportion these costs across different budgetary sections or chapters, distributing them according to programmatic needs and strategic objectives to allow for flexibility and tailored resource allocation.

169. There is also diversity with respect to cost recovery practices and rates among the organizations, reflecting different operational models and financial strategies. For example, UNAIDS builds an 8-per-cent support cost into the total budget of the donor, with an additional 1 per cent of the United Nations coordination levy where applicable. WFP applies a 6.5-per-cent indirect support cost rate as a management fee.

170. Notably, a harmonized cost-recovery approach was adopted by UNDP, UNFPA, UNICEF and UN-Women following a decision of the Executive Board of UNDP/UNFPA/UNOPS in September 2020.¹⁰¹ A comprehensive review of the joint cost-recovery policy, conducted in 2024,¹⁰² found that the policy has significantly contributed to the financial sustainability of these organizations and enhanced inter-agency collaboration. As a result, the review recommended the continuation of this harmonized approach.

171. The Inspectors were informed that, taking into account the funding model, UNOPS had harmonized its cost classification with its United Nations partners, but was keeping a cost-recovery model based on flexible rates.

¹⁰¹ See decision 2020/12 (DP/2021/2).

¹⁰² See the report of the Executive Boards of UNDP/UNFPA/UNOPS, UNICEF and UN-Women (DP/FPA-ICEF-UNW/2024/1).

VI. Currency fluctuations (table 15)

172. Currency fluctuations pose significant challenges to budgeting in the JIU participating organizations, necessitating effective mitigation strategies to ensure financial stability and operational efficiency.

173. The Inspectors note a continuation of the use of different techniques to mitigate the risks relating to currency fluctuations, as was previously observed in the 1989 review.

174. For example, various United Nations system organizations, such as WIPO, WMO, UPU, IMO, UNIDO and UN Tourism, set the currency of their budgets and assessments to that of their headquarters locations, as the majority of their expenditures (over 80 per cent) takes place in those locations:

- With most of their expenditures in Swiss francs and minimal exposure to foreign exchange, WIPO, WMO and UPU set their assessments in Swiss francs.
- Similarly, the IMO budget is in pounds sterling with expenses overwhelmingly in this currency and a small proportion in United States dollars. Expenditures that are not in pounds sterling are set at the United Nations operational rate of exchange with any differences charged to the Working Capital Fund.
- UNIDO uses the euro as its unit of account, with approximately 85 to 90 per cent of its expenses in euros, and only 10 to 15 per cent in other currencies.
- UN Tourism also sets its budget and assessments in euros, with all expenses budgeted in euros. Expenses in other currencies, primarily salaries and United Nations cost-shared contributions in United States dollars, are budgeted at the latest United Nations operational rate of exchange. Gains or losses from foreign exchange rate fluctuations are credited to miscellaneous revenue under the General Fund.

175. Split assessment is a vital tool for mitigating the risks posed by currency fluctuations in five United Nations system organizations (UNESCO, IAEA, FAO, ICAO and WHO). This approach was first introduced by UNESCO and IAEA, which used split assessment back in 1989. Following the introduction of the euro, these two organizations, together with FAO, moved to split assessments between United States dollars and euros around 2000 to 2003. In 2010, ICAO adopted split assessments between Canadian dollars and United States dollars to address its substantial local currency expenditures. Most recently, in 2013, WHO incorporated split assessments into its financial strategy.

176. Since it is not possible to predict currency fluctuations, one of the tools traditionally used by many organizations is fixing the exchange rate included in the budget by using actuals at the time of approval of the budget resolution.

177. Hedging for currency fluctuation is used by several United Nations system organizations, including UNICEF, WFP and WHO. With 25 per cent of its spending in United States dollars and the remainder in some 160 currencies, UNICEF uses “natural hedges” to minimize foreign exchange exposure. WFP uses foreign exchange forward contracts to hedge the euro versus the United States dollar exchange exposure, particularly for staff costs at headquarters and several offices where the local currency is pegged to the euro. These contracts lock in future exchange rates, thus stabilizing financial planning against currency volatility. WHO also uses several foreign exchange hedging techniques and programmes to minimize the risk of exchange rate movements, together with the split assessment technique described above. It should be noted that hedging may have a price tag and thus requires a cost-benefit analysis. The United Nations Secretariat also uses hedging for its programme budget for two currencies: Swiss francs and euros.

178. A few organizations, such as FAO, IMO and UNIDO, use reserves to protect against exchange rate fluctuations.

VII. Inter-agency cooperation, including within the Finance and Budget Network

179. The Inspectors note that the majority of JIU participating organizations appreciate the work of the Finance and Budget Network and recognize its utility and value. The Network is considered a crucial platform for promoting inter-agency collaboration through fostering dialogue, sharing best practices and enhancing cooperation in areas such as financial planning, strategic planning, and resource mobilization. It serves as a common voice for the finance and budget departments of the respective secretariats. By facilitating comparisons and discussions on topics such as cost-sharing, after-service health insurance, and the growth of the extrabudgetary component, the Network enables agencies to gain insight into and better understand how other organizations are addressing certain issues.

180. The participating organizations utilize the Network, both formally and informally, to learn from each other's experiences, particularly with regard to budget preparation. For example, organizations expressed appreciation of the informal network comprising agencies such as IAEA, ICAO, IMO, ITU, UNIDO, UNODC, UN Tourism, UPU, WIPO and WMO.

181. The New York-based voluntary-funded funds and programmes (UNDP, UNFPA, UNICEF and UN-Women) frequently collaborate on budgetary matters, leveraging their harmonized budgets and joint Executive Boards.

182. A number of participating organizations interviewed expressed their concern that discussions of the Network leaned more towards finance and accounting, than budgeting. According to the CEB secretariat, the agenda of the Network is based on the most current pressing issues in the areas of finance and budget that would benefit from inter-agency discussion and coordination. In 2024, the Network undertook a review of its terms of reference to ensure that it remains fit for purpose and adequately provides for discussions and initiatives in the areas of both budget and finance.

183. The Inspectors recall the recommendations made recently by the sub-working group on budgeting and funding requests of the Network for the inclusion of more budget-focused items in future agendas of the Network, particularly during in-person meetings, to facilitate the exchange of best practices, innovative approaches and collaboration among United Nations budget professionals through targeted side events, and for broader inclusivity of professionals leading the budget function in their respective organizations at the meetings of the Network.¹⁰³

184. Although they acknowledge the usefulness and benefits of the Network for the individual organizations and the overall system, approximately one quarter of the participating organizations consider their participation in the Network to be rather time-consuming. There is also a perception among some of the smaller organizations and some entities funded by the United Nations regular budget that they have a weaker voice and say in decisions made by the Network. This may be partly due to those organizations having relatively less capacity.

185. The Inspectors recall the outputs of the Network, including the biennial publication of financial statistics,¹⁰⁴ as well as its contribution to the adoption of IPSAS, and the CEB Financial Data Reporting Standards. While recognizing the very active work of the Network, the Inspectors are of the view that the number of final products on budgeting that are currently publicly available to the member States appears to be smaller than that produced by its predecessor – the Consultative Committee on Administrative Questions of the Administrative Committee on Coordination.¹⁰⁵ **The Inspectors suggest that the Finance and Budget Network of CEB intensify its efforts to make its final products on budgeting**

¹⁰³ See Working Group on the practical framework for financial management system in the United Nations, report of the Finance and Budget Network, Sub-working Group on budgeting and funding requests.

¹⁰⁴ See the statistical reports of the United Nations System Chief Executives Board for Coordination on the budgetary and financial situation of the organizations of the United Nations system. As of the time of this review, the most recent report was A/77/507.

¹⁰⁵ See JIU/REP/1989/9 (Vol. I), annex, and annex I of the present report.

more publicly accessible, so as to better serve member States (and the social partners in ILO).

VIII. Follow-up to the present review

186. During the interviews, the JIU participating organizations were invited to provide their views on key topics relating to the present review for potential follow-up studies, to be explored in line with established procedures by either JIU, the Finance and Budget Network or academic institutions, such as the United Nations University.

187. Representatives of 21 organizations expressed their interest in a total of 39 topics, with several topics being highlighted repeatedly. The topic of jointly financed activities garnered the most attention by a significant margin as the foremost area of interest, with focus on the safety and security budget and the budget of the resident coordinator system. Other prominent topics included: (a) the use of measurable key performance indicators in programme budgets; (b) various aspects of results-based budgeting; and (c) programme support costs.

188. Regarding the periodicity of comprehensive reviews of budgeting in the United Nations system organizations, the Inspectors note that the majority of participating organizations favoured an update ranging from 4 to 15 years, with the most common preference being a 10-year review cycle, especially with respect to updates of the comparative/reference tables outlining the different budgeting techniques and methods used by the participating organizations. In the opinion of the Inspectors, a cycle of approximately 10 years may provide the additional benefit of ensuring that each review is conducted by new authors. Furthermore, a notable number of organizations suggested that reviews be conducted following significant changes and/or reform initiatives, on an ad hoc basis.

Annex I

Main agreements drawn up under the auspices of the Finance and Budget Network

Below is a list of main agreements and/or documents drawn up under the auspices of the Finance and Budget Network of CEB that are publicly accessible. The list is not exhaustive and covers relatively recent documents.

<i>Areas</i>	<i>Document symbols or titles</i>
Enhancing transparency in the use of budget resources through the UN data cube: standards for the reporting of United Nations system-wide financial information	Data standards for United Nations system-wide reporting of financial data (available from the CEB website: https://unsceb.org/sites/default/files/2024-03/Data%20Standards%20March%202024%20edition.pdf)
Biennial statistical reports of the United Nations System Chief Executives Board for Coordination on the budgetary and financial situation of the organizations of the United Nations system	A/65/187 A/67/215 A/69/305 A/71/583 A/73/460 A/75/373 A/77/507
Knowledge-sharing and information exchange on budgeting issues, such as managing inflation, recosting, responses to emerging challenges (e.g. the financial implications of the COVID-19 pandemic)	Summary of the Finance and Budget Network virtual meeting “Impact and Financial Management challenges in the current COVID-19 crisis” (CEB/2020/HLCM/FB/3), 29 July 2020 (available from the CEB website: https://unsceb.org/sites/default/files/2021-07/FBN_virtual%20COVID-19_session_report_final.pdf)

Annex II

Detailed descriptions of the revised harmonized expense categories for inter-agency reporting

1. **Staff and other personnel costs:** Includes all related staff and temporary staff costs including base salary, post adjustment and all staff entitlements.
2. **Supplies, commodities, materials:** Includes all direct costs (e.g. freight, transport, delivery, distribution) associated with procurement of supplies, commodities and materials. Office supplies should be reported as “General operating costs”.
3. **Equipment, vehicles and furniture (including depreciation):** For those reporting assets on the United Nations Standby Arrangements System (UNSAS) or modified UNSAS basis (i.e. expense up front), this would relate to all costs to put asset into service. For those who do donor reports according to IPSAS, this would equal depreciation for period. Work is ongoing on the format of inter-agency reporting of project assets.
4. **Contractual services:** Services contracted by an organization which follow the normal procurement processes. In IPSAS terminology, this would be similar to exchange transactions. This could include contracts given to non-governmental organizations if they are more similar to procurement of services than a grant transfer.
5. **Travel:** Includes staff and non-staff travel paid for by the organization, directly related to a project.
6. **Transfers and grants to counterparts:** Includes transfers to national counterparts and any other transfers given to an implementing partner (e.g. a non-governmental organization) which are not similar to a commercial contract as per above. In IPSAS terms, this would be more similar to non-exchange transactions.
7. **General operating and other direct costs:** Includes all general operating costs for running an office. Examples include telecommunication, rents, finance charges and other costs which cannot be mapped to other expense categories.
8. **Indirect support costs**

Note: This list is taken from CEB/2010/HLCM/FB/18, annex I.

Annex III

Overview of actions to be taken by participating organizations on the recommendations of the Joint Inspection Unit

			Participating organizations of the Joint Inspection Unit																											
		Intended impact	United Nations*	UNAIDS	UNCTAD	ITC	UNDP	UNEP	UNFPA	UN-Habitat	UNHCR	UNICEF	UNODC	UNOPS	UNRWA	UN-Women	WFP	FAO	IAEA	ICAO	ILO	IMO	ITU	UNESCO	UNIDO	UN Tourism	UPU	WHO	WIPO	WMO
Report	For action		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	For information		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recommendation 1		d	E	E			E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 2		d	L	L			L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Recommendation 3		a	L	L			L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Recommendation 4		a																L	L		L							L		

Legend:

- L:** Recommendation for decision by legislative organ
E: Recommendation for action by executive head
☐: Recommendation does not require action by this organization

Intended impact:

a: Enhanced transparency and accountability; **b:** Dissemination of good/best practices; **c:** Enhanced coordination and cooperation; **d:** Strengthened coherence and harmonization;
e: Enhanced control and compliance; **f:** Enhanced effectiveness; **g:** Significant financial savings; **h:** Enhanced efficiency; **i:** Other.

* As listed in ST/SGB/2015/3.