



# REVIEW OF BUDGETING IN ORGANIZATIONS OF THE UNITED NATIONS SYSTEM

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## Background, Purpose and Objectives

Initiated by the Unit, the present review provides an update to the landmark JIU's 1989 report entitled "Budgeting in organizations of the United Nations system" ([JIU/REP/89/9 Vol. I and II](#)).

Like 35 years ago, Part II of the report compiles inputs from the JIU participating organizations, building on the 15 comparative tables from the 1989 review, and is intended as a reference document on budgeting for delegates and other stakeholders, while Part I consists of some cross-organizational analysis of the key policies, techniques, and practices used in budgeting by the organizations.

Major developments and reform initiatives impacting budgeting over the years are captured in both parts of the document. They include: the shift to results-based budgeting (RBB) and results-based management in the late 1990s (which reoriented United Nations system organizations from activity-focused to outcome-driven budgeting); the growth in voluntary funding (expanding resources but also bringing challenges such as funding unpredictability, resource competition and complex reporting requirements); the adoption of the International Public Sector Accounting Standards, which has enhanced consistency in financial reporting; and the development of enterprise resource planning systems, which have streamlined budget formulation and review.

The uneven adoption of these major changes, along with different organization-specific initiatives, has increased diversity in budgetary practices, reflecting the variations in organizational history, function, size, structure, funding sources and governance of administrative and budgetary issues.

System-wide efforts toward budgetary "standardization" and "harmonization" are still not very popular among many representatives of management of the organizations.



## What the JIU found

The main findings of the report are that:

**1. Review of budget policies, structures, as well as preparation and submission procedures across JIU participating organizations reveals both common practices and growing diversity.**

**Medium-term planning, budget cycle and type of budget:** Most of the organizations have adopted medium-term planning cycles, typically lasting four to five years. 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 the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA) and the United Nations Children's Fund (UNICEF), have moved to quadrennial budgets with midterm reviews. Most organizations now incorporate elements of RBB, often in combination with the programme budget and information on objects of expenditure. Budget structures and presentations vary widely, with some maintaining traditional structures and others adopting results-focused formats. The majority apply full budgeting practices, including all projected increases in both staff and non-staff costs in their budget estimates, while some use semi-full budgeting, providing only partial coverage of estimated costs.

In terms of **budget preparation**, most organizations use a centralized approach, with a budget office or specific department providing guidelines and coordinating the process. In organizations with a large field presence, such as the Office of the United Nations High Commissioner for Refugees (UNHCR), a bottom-up approach is more common. Several organizations, like UNDP, UNFPA, UNICEF, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and the World Health Organization (WHO), integrate budget planning with strategic priorities.

Nearly all the organizations have **groups or committees on budgetary and financial matters**. The Inspectors suggest establishing a relevant committee in the Joint United Nations Programme on HIV/AIDS (UNAIDS). In organizations such as the International Atomic Energy Agency (IAEA) and the International Maritime Organization (IMO), budget reviews are conducted by the governing body rather than a small, dedicated expert group.

The Inspectors recommend that member States engage delegates with budget expertise. The Inspectors also recommend that the organizations ensure the expert groups or committees are provided with full support, including adequate information and sufficient time to analyse the budgets effectively, and that due attention is given to their reports.

## 2. Review of budgetary and financial terms highlights established practices and evolving needs.

The **Glossary** of financial and budgetary terms for the United Nations system, dating to 1969, saw its last update in 2000 and is now rarely used among senior budget and finance officers interviewed by the review team, although most recognize the need for periodic updates. 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**).

The total annual revenue of United Nations system organizations went up between 2011 and 2023 from \$39.6 billion to \$67.6 billion, although the absolute amount of assessed contributions increased only slightly. 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, broadening donor engagement but risking fragmentation of organizational objectives owing to the conditions attached to earmarked contributions. Additional measures are needed to address periodic **liquidity difficulties**, particularly in the United Nations and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). The Inspectors also note the need for a dedicated policy document on **reserves** and periodic reviews of established reserves.



The treatment of **cash surpluses** varies; organizations established as funded by assessed contributions typically surrender surpluses to the member States, though some agencies, such as IAEA, the United Nations Educational, Scientific and Cultural Organization (UNESCO), and WHO now allocating them for future budgets or capital investment funds. Nearly half of the organizations are authorized to undertake **external borrowing**, including loans for buildings, subject to the approval of their governing bodies. The Inspectors emphasize that external borrowing should be considered a last resort.

## 3. Diverse budgeting practices are observed across organizations, with techniques tailored to meet specific organizational needs.

Some organizations, like IAEA, the International Labour Organization (ILO), and UNHCR, use zero-base budgeting, building budgets from scratch for each period. Others, such as the United Nations, the Food and Agriculture Organization of the United Nations (FAO), and the International Civil Aviation Organization (ICAO), use incremental budgeting, adjusting previous budgets to account for changes such as inflation. Hybrid approaches, as seen in United Nations peacekeeping operations, combine these methods. Some voluntary-funded entities, such as UNHCR, do not forecast inflation, but rather absorb cost increases within existing budgets.

The standard classification of objects of expenditure that was detailed in the Handbook of the Consultative Committee on Administrative Questions is no longer updated nor widely used. The revised harmonized expense categories for interagency reporting, developed and approved by the Finance and Budget Network of the United Nations System Chief Executives Board for Coordination (CEB) in 2010, provides broad categories but does not contain a list of objects of expenditure. 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 costs** comprise a significant portion of the budgets of United Nations system organizations, with vacancy rates often incorporated to account for turnover. High vacancy-related reserves in some organizations may raise questions about overbudgeting.

Approaches to budgeting **non-staff costs** vary: some organizations allocate these costs directly to specific programmes or units, while others centralize them. The level of detail in budget documents provided to governing bodies also varies significantly, with some, such as the United Nations, UNESCO, the United Nations Industrial Development Organization (UNIDO) and the World Intellectual Property Organization (WIPO), providing more comprehensive data, while others, such as WHO, providing only minimal financial detail. 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 cost** management varies across organizations, with most centralizing these costs for consistent oversight, while others distributing them across budget sections to align with programmatic needs. Cost recovery practices including rates also differ, although UNDP, UNFPA, UNICEF, and UN-Women have adopted a harmonized approach

**Currency fluctuations** pose budgeting challenges for organizations, requiring various mitigation strategies to ensure financial stability. Some organizations set their budgets and assessments in the currency of their headquarters to minimize foreign exchange exposure, while others use split assessments between currencies like the U.S. dollar and the euro. UNICEF, the World Food Programme (WFP), WHO, and the United Nations Secretariat employ hedging techniques to mitigate currency volatility, and organizations like FAO, IMO and UNIDO maintain reserves as additional protection against exchange rate fluctuations.

**4. The Finance and Budget Network of CEB is a valued forum for inter-agency cooperation and information exchange, with opportunities to improve accessibility of its products on budgeting.**

While the Network is appreciated as a forum for inter-agency cooperation and information exchange, some feel that it places more emphasis on finance than on budgeting, and the limited accessibility of its final products on budgeting indicates areas for improvement. The Inspectors suggest that the Network intensify its efforts to make its final products on budgeting more publicly accessible.

**5. Several topics were suggested as potential follow-up studies to this review.**

Organizations interviewed by the review team were invited to suggest topics relating to the present review for potential follow-up studies. The most interest was expressed in jointly financed activities, such as 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 RBB, and programme support costs. Regarding the current topic on budgeting in organizations of the United Nations system, most organizations favoured a 10-year review cycle, with some suggested ad hoc reviews following significant changes or reforms



**Approach & Methodology**

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:



**A desk review** of relevant documents



**Two questionnaires:** an organizational questionnaire with 15 comparative tables covering 60 areas of inquiry, was distributed to the participating organizations; and a supplementary questionnaire was sent to the Chairs of expert budget or finance committees and to external auditors



**28 interviews** with 78 stakeholders, primarily senior budget and/or finance officers, conducted between February and May 2024



# What the JIU recommends

The JIU makes 3 formal recommendations to the legislative organs and governing bodies and 1 to the executive heads of the participating organizations, as well as 5 informal recommendations.

## **The executive heads of United Nations system organizations are called on to:**

- 1** In their capacity as members of CEB, 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.

## **The legislative organs and governing bodies of United Nations system organizations are called on to:**

- 2** 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.
- 3** 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.
- 4** Consider reinstating pertinent information regarding the funding of specific outcomes or outputs, the distribution of budgets by categories and objects of expenditure, as well as data on vacancy rates and staffing tables in their next budget cycle, so as to ensure a meaningful decision-making process.



## 2023-2024 JIU Reports

**JIU/REP/2024/2**, Review of consideration of and action taken on the reports and recommendations of the Joint Inspection Unit by United Nations system organizations

**JIU/REP/2024/1**, Review of management and administration in the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)

**JIU/REP/2023/9**, Review of the quality, effectiveness, efficiency and sustainability of health insurance schemes in the United Nations system organizations

**JIU/REP/2023/8**, Review of the use of non-staff personnel and related contractual modalities in the United Nations system organizations

**JIU/REP/2023/7**, Review of governance and oversight of the Executive Boards of UNDP/UNFPA/UNOPS, UNICEF and UN-Women

**JIU/REP/2023/6**, Review of flexible working arrangements in United Nations system organizations

**JIU/REP/2023/5**, Review of management and administration in the Food and Agriculture Organization of the United Nations

**JIU/REP/2023/4**, Review of mental health and well-being policies and practices in United Nations system organizations

**JIU/REP/2023/3**, Review of accountability frameworks in the United Nations system organizations

**JIU/REP/2023/2**, Review of the internal pre-tribunal stage appeal mechanisms available to staff members in the United Nations system organizations

**JIU/ML/2023/1**, Findings, conclusions and recommendations relevant to the work of the High-level Committee on Management on mental health and well-being policies and practices in United Nations system organizations

**JIU/REP/2023/1**, Review of management and administration in the United Nations Population Fund (UNFPA)

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The Joint Inspection Unit is the only independent external oversight body of the United Nations system mandated to conduct evaluations, inspections and investigations system-wide.  
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