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Identification of additional resources for the Development Account

Report of the Secretary-General**

Summary

The present report has been prepared in compliance with paragraph 14 of General Assembly resolution 60/246, by which the Assembly requested the Secretary-General to provide recommendations on how additional resources in the region of $5 million could be added to the Development Account. The report provides background information on the inception of the Development Account and the measures pursued to establish its current level of funding.

It is noted in the report that “savings”, the proposed source of funding of the Development Account, are difficult to identify and have, in any case, been retained by programme managers to meet their own requirements, and that the availability of additional resources in the region of $5 million for the Development Account can only be considered in the light of all other activities for which funds are sought. Financial regulations 5.3 and 5.4 regarding regular budget surpluses to be returned to Member States have, on occasion, been suspended as a measure to deal with the Organization’s financial problems or in order to finance specific activities related to the reform of intergovernmental machinery or restructuring of the Secretariat.

The General Assembly is requested to take note of the present report and of the fact that any decision to increase funding for the Development Account would be taken in the light of competing priorities that exist for the use of the overall United Nations programme budget.

* A/61/150.

** The delay in submission was caused by the time taken to evaluate the implications of various methods under consideration for recommendation to the General Assembly, increased workload and unexpected staff separation.

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I. Introduction

1. The purpose of the Development Account is outlined in paragraphs 34.6 and 34.7 of the programme budget for the biennium 2006-2007 (A/60/6 (Sect. 34)). In paragraph 14 of its resolution 60/246, the General Assembly decided that the Development Account should be recosted for the biennium 2006-2007 and, in that context, requested the Secretary-General to pursue the relevant proposals contained in his report (A/59/397) and to provide to the Assembly at its sixty-first session recommendations on how additional resources in the region of 5 million dollars could be added to the Development Account. The present report addresses the issue of the identification of additional resources for the Development Account.

2. The proposals, contained in section VII of the aforementioned report of the Secretary-General, are as follows:

(a) A statement of objective was suggested:

"The objective of the Development Account is to fund medium-term technical cooperation projects (up to four years for implementation, following approval of the project document) in the priority areas of the implementing entities and that benefit multiple developing countries by encouraging cooperative efforts between various United Nations programmes in innovative cross-sectoral and regional or interregional activities and which are based mainly on the technical, human and other resources available in developing countries";

(b) It was recalled that the initial funding level for the Development Account was established in 1997 on the basis of savings from reductions in administration and other overhead costs identified in the Secretariat from the reform programme of the Secretary-General. The General Assembly also established the savings identified at that time as the base level of funding for future years, noting that future verifiable and sustainable savings could be added to the account. While the latter provision was well intentioned, its impact has been that no further savings have been identified for transfer to the Development Account. In fact, programme managers have invariably retained whatever savings have accrued within a programme to meet rising demands for service within their programmes. Accordingly, any future increase in funding levels for the Development Account should be considered in the light of competing priorities that exist for the use of the overall United Nations programme budget.

II. Background

3. It is recalled that the report of the Secretary-General, entitled "Renewing the United Nations: a programme for reform" (A/51/950), contained recommendations and actions (21 and 22) pertaining to the reduction of overhead costs and the Development Account. They were further elaborated on in the report of the Secretary-General entitled "Creating a dividend for development" (A/51/950/Add.5).

4. At that time, the underlying assumption for the creation of a Development Account was that any gains achieved as a result of productivity improvements, such as streamlining and simplification of processes and procedures, would become a

permanent component of the Account. Accordingly, once a productivity gain had been identified and achieved, approval by the General Assembly would be sought for the transfer of the associated resources into the budget section of the Account. It would thus reflect a redeployment of productivity gains in the administrative areas to the Account. Over time, additional funds would be transferred from productivity gains until the Account reaches a level of $200 million. Reductions in administrative costs would be sought without reducing the ability of the Organization to deliver its mandated programmes. Each proposed programme budget would therefore include the amount approved for the Account in the previous programme budget, supplemented by any additional productivity gains achieved during the prior biennium and any prospective productivity gains anticipated in the forthcoming biennium. Once the target level of transfer is attained, the Account will become sustainable through the existing budget appropriation process. This procedure was further elaborated on in detail in the reports of the Secretary-General on the Development Account (A/52/1009) and on the reduction and refocusing of non-programme costs (A/52/758).

5. The Development Account was established by the General Assembly in its resolution 52/12 B, section H, paragraph 24, in the programme budget for the biennium 1998-1999, to be funded from savings from possible reductions in administration and other overhead costs, without affecting full implementation of mandated programmes and activities. In that regard, the amounts of (a) $12,702,700, identified in the context of the report of the Secretary-General on United Nations reform: measures and proposals (A/52/303); and (b) $362,300 resulting from the abolition of the High-level Advisory Board on Sustainable Development (see Assembly resolution 52/220, part III, para. 106) have been transferred to the Account and the related appropriation of $13,065,000 was approved by the Assembly in its resolution 52/221.

6. In its resolution 54/15, the General Assembly decided to establish a special multi-year account for supplementary development activities based on the priority objectives of the programmes of the approved medium-term plan. Guidelines for the operation of the account were provided, as follows:

(a) Efficiency measures and the resultant transfer of savings should not lead to a process of budgetary reduction and should not result in the involuntary separation of staff;

(b) Efficiency measures and the redeployment of savings to the Development Account should not adversely affect the full implementation of the programme;

(c) Savings to be achieved as a result of efficiency measures could be identified in the context of budget performance reports and should be transferred to the Development Account section with the prior approval of the General Assembly;

(d) Savings transferred to the Development Account section should form the maintenance base for that section in future proposed programme budgets;

(e) The Development Account should be operated strictly in accordance with the Financial Regulations and Rules of the United Nations and the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation.

7. As recalled in paragraph 4 above, the indicative target of cumulative savings of some $200 million was mentioned in a subsequent note of the Secretary-General on the utilization of the Development Account (A/52/848). It is a figure that the Advisory Committee on Administrative and Budgetary Questions considered to be overambitious (A/52/894, para. 7), noting that “the current financial situation of the Organization also presents a serious problem for this exercise, especially when the Secretariat is being called upon increasingly to absorb the costs of new mandates that arise during the course of the biennium”. In paragraph 11 of the report of the Secretary-General on the Development Account (A/52/1009), submitted in response to General Assembly resolution 52/235, and in the subsequent report of the Secretary-General on the modalities for operating the Account (A/53/945, annex Ib), the more precise figure of $40 million was provided. The Advisory Committee, in paragraph 10 of its related report (A/53/7/Add.12), noted that “the amount of $40 million should instead read $53 million — to include the $13 million already appropriated for the biennium 2000-2001” and recommended to the Assembly to approve the proposals of the Secretary-General on the procedures for transfer of resources released as a result of productivity gains to the Development Account budget section.

8. According to the introduction to the proposed programme budget for the biennium 2000-2001 (A/54/6, para. 43), once the General Assembly had completed its consideration of the Development Account, the Secretary-General would be in a position to report to the Assembly on the specific measures which he would intend to apply in the context of implementing the budget for the biennium 2001-2002. Those measures would be aimed at securing further efficiencies, largely in the administrative areas, so as to ensure better overall resource utilization and thereby facilitate the identification of resources that might be transferred to the Development Account.

9. As stated in the introduction to the proposed programme budgets for the biennium 2002-2003 (A/56/6, para. 57) and for the biennium 2004-2005 (A/58/6, para. 14), efficiency measures and performance measurement do not yield immediate savings in dollar terms, but they do enable programme managers to be better organized and more results-oriented. In many cases, where there have been savings in dollar terms, programme managers have redirected those resources to priority areas within their budget sections or towards the implementation of new mandates instead of proposing additional funding. To date, however, no efficiency savings have been identified and proposed to be transferred to the Development Account.

III. Established procedure for the identification and transfer of savings to the Development Account

10. In its first report on the proposed programme budget for the biennium 1998-1999 (A/52/7/Rev.1), the Advisory Committee on Administrative and Budgetary Questions, after examining the report of the Management Reform Group entitled “United Nations 21 — Accelerating Managerial Reform for Results” (see A/51/873), pointed out that there was a difference between demonstrated true savings as against actual past or current appropriation and expenditures and the notional value of what might have been spent if something had or had not been done. Moreover, true

savings were achieved by reducing costs while continuing to produce the same or better results, but an economy that resulted in an unacceptable inferior product or lower standard or service was a false economy.

11. In the opinion of the Advisory Committee (A/52/7/Add.10 and A/53/7/Add.1), it is important to bear in mind that, consistent with paragraph 24 of General Assembly resolution 52/12 B, the identification and transfer of savings to the Development Account is not a budget reduction exercise but one of redeployment. The total budgetary amount and related assessments would remain the same both before and after the redeployment. Proposals related to efficiency measures should form a distinct part of the performance report and be treated separately from information on changes related to currency fluctuation and actual inflation rates that are lower than the budgetary assumptions. Consequently, gains from currency fluctuation and inflation rate variances would not be available for transfer to the Development Account, nor would savings that are due to underexpenditure as a result of the postponement of activities or the inability to carry out approved mandates and programmes. The latter category of savings should be separately identified in performance reports.

12. In summary, in order to be transferred to the Development Account, resources identified as savings should meet a number of conditions as defined in various General Assembly resolutions and recommendations of the Advisory Committee on Administrative and Budgetary Questions. The transfer of such savings:

(a) Should not affect the full implementation of mandated programmes and activities;

(b) Should not lead to a process of budgetary reduction and should not result in the involuntary separation of staff;

(c) Should be achieved if costs are reduced while the level and quality of services are maintained or further improved;

(d) Should be indicated as the actual results of efficiency initiatives to the satisfaction of the General Assembly before approval for redeployment;

(e) Should only include productivity gains that have been verified and deemed to be sustainable.

IV. Possibility of identifying and transferring savings

13. According to an independent review, efficiency in the public sector involves making the best use of the resources available for the provision of public services.[1] The review defines as "efficiencies" those reforms of the delivery process and resource (including workforce) utilization that achieve:

(a) Reduced numbers of inputs (e.g. people or assets), while maintaining the same level of service provision; or

(b) Lower prices for the resources needed to provide public services; or

[1] Sir Peter Gershon, *Independent review of public sector efficiency: Releasing resources to the front line*, July 2004.

(c) Additional outputs, such as enhanced quality or quantity of services, for the same level of inputs; or

(d) Improved ratios of outputs per unit cost of input; or

(e) Changing the balance between different outputs aimed at delivering a similar overall objective in a way which achieves a greater overall output for the same input ("allocative efficiency").

14. In practice, efficiency savings could be identified in two possible ways as:

(a) The difference between the actual past or current appropriation and the related expenditures, provided that the relevant programme of work is fully implemented as budgeted and the content, volume and quality of outputs as well as the level and quality of services are maintained or further improved; and/or

(b) An improved ratio of output per standard or budgeted unit cost, resulting in financial gains, which could sum up to an identifiable part of the uncommitted appropriation.

15. The application of the method indicated in paragraph 14 (a) above seems doubtful because it is difficult to distinguish between savings generated by improved productivity, on the one hand, and budget reductions resulting from cost avoidance and changes in programme implementation, such as downsizing or postponements, on the other. Moreover, while the General Assembly, in its budget resolutions, continues to emphasize that the resources proposed by the Secretary-General should be commensurate with all mandated programmes and activities in order to ensure their full, efficient and effective implementation, the indication in other resolutions and decisions is that additional mandates must be funded "within existing resources", therefore gradually increasing the Organization's workload without increasing its funding. As a result, resources released from the discontinuation of some outputs and from efficiency savings, if any, had been redirected to priority programmes of work and thus were not available for transfer to the Development Account. Moreover, savings from efficiency measures should be treated separately from those attained by either currency fluctuations or the effects of inflation rate variances.

16. The second method, indicated in paragraph 14 (b), consists of costing each output during preparation of the budget and comparing it with the actual implementation cost of delivery of related products and services. While that method is more accurate than the first one, it requires an established cost-accounting system in place, which, through comparison of the budgeted and actual cost of outputs (products and services), would make it possible to identify efficiency savings. As indicated in the note of the Secretary-General on the introduction of a cost-accounting system (A/60/714, para. 6), the report on the feasibility of introducing a cost-accounting system for the United Nations will be submitted to the General Assembly at its sixty-first session. Moreover, since, in accordance with rule 105.1 of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation, the level of financial resources is established at the subprogramme level, costs at the output level have not been determined. In essence, even if a cost-accounting system were in place, as indicated above, the tendency of programme managers, presented with indicative efficiency savings, would be to retain them to meet additional mandates and workloads rather than to surrender them to the Development Account.

Effectively, therefore, the question of transferring $5 million to the Development Account becomes a question of the priority assigned to the need for such in light of all other demands for funds.

17. The possibility remains open of suspending the provisions of financial regulations 5.3 and 5.4 in respect of any surpluses (unencumbered balances) under the regular budget arising at the end of a financial period for the purpose of transferring a share of such funds to the Development Account. However, any decision to do so would be based on the priority assigned to such action and not the specific identification of efficiency savings.

V. Experience in the identification of savings

18. Since the issuance of the report of the Secretary-General entitled "Creating a dividend for development" (A/51/950/Add.5) in October 1997, a number of reports of the Secretary-General on enhancing cost-effectiveness and management improvement measures have been issued, including on enhancing cost-effectiveness in implementing legislative mandates (A/52/685), reduction and refocusing of non-programme costs (A/52/758), efficient and effective measures for management improvement (E/AC.51/2002/2), progress and impact assessment of management improvement measures (A/58/70) and contribution made by the Department of Management to the improvement of management practices, and time-bound plan for the reduction of duplication, complexity and bureaucracy in the United Nations administrative processes and procedures (A/60/342). While the foregoing reports include information on the implementation of measures designed to increase efficiency and productivity in the Secretariat, no efficiency savings have been identified as a part of the unencumbered balance of the approved budget appropriation to be transferred to the Development Account. That is attributed to the difficulty of identifying such savings with a reliable degree of precision in the absence of dependable methods, such as a cost-accounting system.

19. In its decision 52/462, the General Assembly took note of the overall unspent balance of $9,326,600 from the regular budget for the biennium 1996-1997, decided to allocate an amount of $2.5 million for the ongoing development of the Integrated Management Information System for 1998 and an amount of $1.3 million for improving and refurbishing conference facilities and also decided to retain the balance of $5,526,600 with a view to financing the activities of the United Nations Conference on Trade and Development (UNCTAD), as requested by the Assembly in paragraph 52 of its resolution 52/220. In his report on the subject of savings achieved pursuant to the ninth session of UNCTAD (A/52/898), the Secretary-General indicated, however, that the Secretariat was not in a position to characterize the reduced level of resources proposed for UNCTAD as "savings" attributable to the ninth session of the Conference or a response to resolution 50/215, in which the Assembly requested the identification of economies. Accordingly, in its resolution 53/3, the Assembly regretted the lack of clear information concerning the savings achieved pursuant to the ninth session of the Conference, including the restructuring of the intergovernmental machinery and the reform of the secretariat.

20. In the report of the Secretary-General on the activities of the Office of Internal Oversight Services: report of the Office of Internal Oversight Services (A/60/346), the Office identified the sum of $18 million as "saved and recovered", including

$0.7 million relating to recoveries and $17 million relating to reduced expenditures, as shown in table 1 of the report. Given the nature of the reported “savings”, they should not be considered to be available for transfer to the Development Account. The total amount of $17.7 million may be broken down as follows:

(a) $13,800,000 relates to savings under peacekeeping missions — the United Nations Mission in Sierra Leone, the United Nations Organization Mission in the Democratic Republic of the Congo and the United Nations Mission in Liberia — which were to be surrendered in accordance with financial regulation 5.5 and further set off against Member States’ apportionment of future assessments in accordance with financial regulation 3.2 (d) and with the provision of the related General Assembly resolutions for the financing of each peacekeeping mission;

(b) $1,890,000 relates to extrabudgetary resources, which, in accordance with related agreements and memorandums of understanding, should be reprogrammed or returned to donors;

(c) $1,564,800 represents parts of unencumbered balances of the 2004-2005 appropriations of the International Tribunal for the Former Yugoslavia ($21,962,900 net) and of the International Criminal Tribunal for Rwanda ($3,875,900 net), for which the provisions for application of credits under financial regulations 3.2 (d), 5.3 and 5.4 were suspended by the General Assembly in its resolutions 60/243 and 60/241, respectively;

(d) $730,000 relates to a total of 51 recommendations, consolidated in the report, that do not identify the source of funds to which they are associated. In some cases, they refer to previous audit recommendations for earlier financial periods which had already been closed.

VI. Conclusion

21. **In accordance with the provisions of General Assembly resolutions 52/12 B, section H, and 54/15, surpluses from efficiency gains should be identified in the context of budget performance reports and credited to the Development Account. However, in the absence of a reliable method to determine the cost of outputs and services, efficiency savings could not be identified with the desirable extent of precision. Therefore, the Secretary-General is not in a position, at this stage, to make recommendations on how additional resources in the region of $5 million could be added to the Development Account. It will be recalled, however, that the Assembly, in its resolution 60/246, decided that the Development Account shall be recosted for the biennium 2006-2007. The results of that exercise have led to an initial appropriation of $13,954,100 as compared with $13,065,000, in previous bienniums, an increase of $889,100.**

22. **Under financial regulations 5.3 and 5.4, surpluses arising from regular budget operations at the end of the financial period are to be returned to Member States. Those financial regulations have been suspended on a number of occasions as a measure to deal with the Organization’s financial problems or to finance specific activities related to the reform of intergovernmental machinery and the restructuring of the Secretariat. However, any decisions in that regard relate exclusively to the role of the Assembly in carrying out a**

thorough analysis and approval of human and financial resources. Therefore, any future increase in funding levels for the Development Account is subject to the Assembly's consideration of competing priorities that exist for the use of the overall United Nations programme budget.

VII. Recommendation

23. **In taking note of the present report, the General Assembly may wish to decide whether the recosting of the Development Account should be continued beyond the current biennium. At the same time, the Assembly may wish, in the light of competing priorities, to revert, at its sixty-second session, to consideration of the use of budget surpluses at the end of the current financial period as a means of increasing the funding level of the Development Account.**