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Advisory Committee
On Administrative and Budgetary
Questions

04 June 2007

Dear Ms. Akiko Yuge,

Enclosed herewith please find the report of the Advisory Committee on Administrative and Budgetary Questions on the Results-Based Budgeting for the biennial support budgets of the United Nations Children's Fund, the United Nations Development Programme and the United Nations Population Fund.

I should be grateful if you would make the Advisory Committee's report available for the Executive Boards of the agencies concerned.

Yours sincerely,


Rajat Saha
Chairman

Ms. Akiko Yuge
Assistant Administrator
Director of Bureau of Management
UNDP

**Results-based budgeting for the biennial support
budgets of the United Nations Children's Fund,
the United Nations Development Programme
and the United Nations Population Fund**

Report of the Advisory Committee on Administrative
and Budgetary Questions

1. The Advisory Committee has considered the report on the proposed results-based budgeting (RBB) approach to be implemented for the Biennial Support Budgets (BSB) of the United Nations Children's Fund (UNICEF), United Nations Development Programme (UNDP) and United Nations Population Fund (UNFPA). The report also contains a mock up budget in the revised format using the actual data of UNDP's biennial support budget for the 2006-2007 biennium. The RBB proposal was prepared based on recommendations of the Advisory Committee made in the context of its review of the 2006-2007 biennial support budgets of the three agencies.

2. The Advisory Committee acknowledges that the efforts of the three agencies to move to results-based budgeting represent a work-in-progress, aimed at developing budgeting techniques whereby resources are requested and allocated based on the results to be achieved rather than by input category or by broad strategic objectives. As indicated in the report, the move to RBB will be progressive; the agencies are planning to prepare and present their BSBs for the 2008-2009 biennium to their Executive Boards, based to the extent possible on RBB principles. As lessons are learned from the first biennium, continued improvements will be made in results-based budgeting and management. Moreover, as stated in the report, the need to align the process in 2010 with the

implementation of International Public Sector Accounting Standards (IPSAS), makes it clear that adjustments to the RBB approach will continue over several biennia.

3. While stressing the importance of a harmonized approach towards the International Public Sector Accounting Standards (IPSAS), the Committee points out that IPSAS should not be seen as a hindrance to the implementation of RBB. The Advisory Committee was informed, upon enquiry, that upgrading the current version of Atlas enterprise resource planning (ERP) system used at UNDP, UNFPA, UNOPS, UNIFEM and UNCDF will both make their ERP IPSAS compatible and will further address the needs arising from RBB. The Committee was provided, upon request, with detailed information on the upgrade and its relationship with IPSAS (see annex).

4. The Committee shares the view, stated in para.7 of the report, that the keys to an effective results-based management and budgeting system are strong performance management and accountability frameworks, as well as information systems (enterprise resource planning (ERP)) that can capture the data needed for managing performance. The Committee trusts that performance management and accountability systems will clearly identify the ways in which managers are to be held responsible for achieving success. Managers should also be given sufficient flexibility in using resources authorized by governing bodies for achieving planned results. The Committee stresses in this connection that the United Nations common system of salaries and allowances and conditions of service (referred to as ICSC rules – see para.23 of the report), as well as financial regulations and rules and staff regulations and rules, should be strictly adhered to.

5. While encouraging training and orientation of staff in RBB principles and techniques, the Committee cautions that this should not lead to substantial expenditures but should rather form part of the regular training programmes of the agencies. The Committee agrees that people, not posts,

create results and that budgeting for results can best be based on the number of people who work on an activity over a period of time rather than on the number of posts allocated to an organization or an activity (see para.23 of the report). In this connection, the Committee points out that it is essential to scrutinize whether the results are indeed being attained at a reasonable level of staff and other costs.

6. The Committee notes that the agencies have agreed that the structure of the new BSB will be based on functions; core BSB functions and activities provide a basis on which country, regional and global programmes are planned and delivered. In the Committee' view, the relationship in the RBB frameworks between the country, regional and global programmes needs to be demonstrated and developed clearly. In this respect, the Advisory Committee underlines the need for clear linkages between the BSB and programme activities, including resource allocation.

7. The Advisory Committee encourages the Funds and Programmes to use the expertise of and lessons learned by the UN Secretariat and other UN entities, e.g. WFP, to the extent possible. Among these is that the direct and continuous involvement of senior managers from the earliest stage of programme and budget preparation is crucial; indicators of achievement should permit measurement of the results achieved; and requests for financial resources should be directly linked with the results-based presentation.

8. The Advisory Committee notes that in para.25 of the report it is proposed to provide detailed information on posts at the D-2 level and above in the BSB. It also notes that, for UNICEF and UNFPA, this would mean a change from the current approval requirement for posts at the D-1 level and above. The Advisory Committee recommends that consideration be given to applying the reporting parameters currently used by UNICEF and UNFPA and providing information on D-1

posts and above. The reporting parameters, if necessary, could be reviewed at a later stage in the light of progress in the RBB frameworks and taking into account the needs for further budget harmonization.

9. Taking into account its comments and observations above, the Advisory Committee has no objection to the proposed frameworks of results-based budgeting to be implemented for the Biennial Support Budgets of UNICEF, UNDP and UNFPA. The Committee will comment further on the mock-up budget in the context of its review of the next budget submissions.

Annex

Details on the planned ATLAS upgrade – relevant to UNDP and UNFPA:

Atlas (ERP)

The Atlas partner agencies (UNDP, UNFPA, UNOPS, UNIFEM and UNCDF) currently operate on version 8.4 of PeopleSoft. Software developers release new versions of software every two years and the support for any version is provided for periods of 4 to 6 years. Support for PeopleSoft 8.4, on the basis of the release schedule is discontinued in 2007. Therefore, the Atlas partner agencies are required to upgrade their ERP to a more recent version (i.e. 8.9 or 9.0). Oracle (the new owner of PeopleSoft), as expected, has its own software development strategy which aims at unification of their various lines of software they own. This unification strategy is code-named as “Fusion”. The newer versions of PeopleSoft and Oracle Financial lines are now coming with codes that bring them closer to “Fusion”. The partner agencies will use the upgrade to make their ERP both IPSAS compliant and to further address needs arising from RBB.

IPSAS

The current version of Atlas had to undergo extensive customization in order to make it compliant with United Nations System Accounting Standards (UNSAS). For instance, encumbrance accounting is a feature that was introduced to satisfy the requirements of UNSAS. The standard version of PeopleSoft is delivered to be IPSAS compliant. Hence, the Atlas agencies believe that

the upgrade to version 8.9 or 9.0 would not any more require the extensive level of customization that was necessary to implement version 8.4 in compliance with UNSAS.

RBB

UNDP and UNFPA have in the past months worked to ensure that the 'Enterprise Performance Management (EPM) - Planning and Budgeting module', (one of the delivered PeopleSoft modules), was configured to support the Results-Based Budgeting methodology. The Planning and Budgeting module will be integrated in UNDP and UNFPA management processes, in order to ensure that planning, budgeting, performance management and reporting within the Atlas system are aligned with key RBB elements.