Results-based budgeting and performance management in the United Nations system
Tomiji Mizutani, BA, LLB, MBA

1. Introduction of results-based budgeting in the United Nations system

1.1 United Nations

1.1.1 Kofi Annan’s proposal for United Nations reform

In 1997, the Secretary-General of the United Nations, Kofi Annan launched a comprehensive reform initiative aimed at transforming the Organization into a more effective, modernized and relevant instrument in the service of the international community. In the management area, he proposed shifting from programme budgeting to results-based budgeting (RBB). This was a significant shift in budgeting techniques in the United Nations.

In the 1950s, some of the specialized agencies, such as the World Health Organization (WHO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), and the Food and Agriculture Organization of the United Nations (FAO), adopted the budgeting methodology by programme. The United Nations, conversely, moved from object-of-expenditure budgeting to programme budgeting and adopted four-year medium-term planning which provides an underpinning programme framework for biennial programme budgeting. (Bertrand, 1988). The Medium-Term Plan of the United Nations is structured by programmes, and defines objectives and strategies. The programme budget is structured in accordance with the programme structure of the Medium-Term Plan. Results-oriented features were latent in the programme budgeting, while RBB has made it much more explicit and has also clarified the linkage among objectives, expected results, outputs\(^1\) and inputs (financial and human resources).

RBB can be considered as a continuation of programme budgeting with an emphasis on results. But, RBB is also a far-reaching reform process which might fundamentally change the way of doing business in the United Nations. An expected result (or an “expected accomplishment” according to the term used in the United Nations) is defined as “direct and often tangible effect of consequence of the delivery of outputs. They identify the benefits or changes that are expected to accrue to the users or beneficiaries of outputs” (United Nations, 1999, page 21). The RBB concept based on this definition represents a leap from the programme-budgeting system to a much-more performance-oriented management philosophy involving accountability of both the Secretariat and the Member States. Under programme budgeting, the responsibility of the Secretariat was limited to delivery of outputs as approved by the Member States, although RBB requires performance measurement in terms of results, which leads to attribution of such results. The performance management deriving from RBB might therefore be able to transform the role of the main stakeholders of the global organization.

1.1.2 Characteristics of RBB debate at the United Nations

The initiative of Kofi Annan for the introduction of RBB was hailed in the Fifth Committee by the United States, Canada, the European Union, Australia, New Zealand, Bulgaria, the Czech Republic, Estonia, Hungary, Poland, Lithuania, Romania, Cyprus and South Korea. Their main argument was that RBB would improve performance management in the United Nations, namely, a

---

1 “Outputs are final products or services delivered by a programme or subprogramme to end-users, such as reports, publications, training, servicing of meetings, or advisory, editorial, translation or security services, which an activity is expected to produce in order to achieve its objectives.” (United Nations, 2000)
clearer formulation of objectives and expected results, a shift from detailed input review (ex ante control) to result review (ex post control), and better performance measurement and reporting.

Other countries, mainly developing countries, including Algeria, Cuba, Uganda, Indonesia, Mexico, Singapore, Chile, Iran, and the United Republic of Tanzania advocated a cautious approach. Japan and Russia joined those countries, asking for a thorough review of shortcomings and advantages of the old and new approach. Their main argument in favour of the cautious approach was that:

(a) RBB represented a radical departure from the old system;

(b) Transplantation of national practices would not work in the United Nations; and

(c) Misunderstanding of the results-based approach.

The delegate from Uganda stated: “If focus has been on the results aspect, a number of African countries ,..., might never have become independent.” This illustrates, however, the misunderstanding of RBB and resulting confusion about performance measures to be set for the biennial budgetary period: a high level objective, such as granting independence to a colony should not be considered as a result to be achieved within the biennial budgetary period.

A discussion on RBB went on for more than three years at the General Assembly. Finally, on 23 December 2000, the Assembly adopted a lengthy resolution containing 28 operative paragraphs. While deciding the introduction of full results-based budgeting, the General Assembly adopted a cautious approach whereby RBB should be introduced without modifying the current regulatory framework for financial and performance management. The debate at the General Assembly and the resolution addressed the following key issues of performance management:

(a) Expected results and performance indicators should be directly and clearly linked to the objectives of the programme;

(b) Expected results, performance indicators and objectives should be defined, bearing in mind the direct link between inputs (resources) and outputs (services and products to be delivered by the Secretariat);

(c) Key concepts, such as objectives, expected results, performance indicators, external factors, measurement of performance, should be clearly defined;

(d) Flexibility in managing resources for results should be accompanied by increased accountability; and

(e) Performance management systems and business intelligence systems should be reviewed with a view to establish systems which could properly handle soft and hard performance data.

The characteristics of the debate over RBB at the General Assembly can be summarized as follows: first, the initiative of the Secretary-General for the introduction of RBB was strongly hailed and supported by those countries that had carried out major civil service reforms based on New Public Management (NPM), these included Australia, Canada, New Zealand, the Nordic countries, the United Kingdom and the United States. This was probably due to the doctrinal similarity of RBB to NPM.
Secondly, the debate on RBB at the General Assembly became highly politicized. Developing countries and Japan and Russia were cautious about such an approach. These countries might have considered that, by means of RBB as a tool for cutback management, their favourite programmes, such as development-related ones, would be eliminated from the programme of the United Nations. This consideration seemed to be due to an inadequate understanding of results-oriented performance measurement systems.

Finally, there was, however, a full discussion and a serious review of, the performance management system of the United Nations. Both developed and developing countries recognized the deficiencies in the United Nations current performance management, pointing out that RBB might considerably improve it. In the current system of programme budgeting, performance baseline data, e.g. programme objectives, are often not clear, nor are they time-based. Some programmes are perpetuated in spite of their irrelevancy. Performance is measured and reported in terms of expenditure against line items and quantitative assessment of output delivery. In sum, the quality of performance is currently not measured. Member States pay little attention to qualitative performance measurements, instead, they spend a considerable amount of time and energy for ex ante review of resource allocation. The focus on results was rightly believed to lead to an improvement of the current performance measurement system, in that the shift from ex ante budget review to ex post quality control, would enable the Organization to address the issue of qualitative performance measurement.

Member States also became aware of the requirements for the full introduction of RBB: mechanisms which empowered programme managers to manage by delegation of authority, addressing at the same time their accountability for achieving results. Many developing countries emphasized the necessity of reconciling the utilitarian philosophy underpinning RBB with the ethical fundamental values of the Organization that determined the mandate of the United Nations.

1.2 Specialized agencies of the United Nations system

1.2.1 United Nations system-wide trend for RBB

Since the 1990s, the major Specialized Agencies of the United Nations system such as WHO, UNESCO, the World Intellectual Property Organization (WIPO), the United Nations Development Programme (UNDP) have adopted results-based or performance-based budgeting systems. This trend has been overwhelming since the 1998-1999 biennium budgetary period. Other organizations, such as the International Labour Organization (ILO), the Universal Postal Union (UPU) and the World Meteorological Organization (WMO), have now also adopted RBB.

In general, the experience of the Specialized Agencies is somewhat different from that of the United Nations. In these organizations, the debate was less politicized, and a consensus on RBB was achieved with much less difficulty in favour of the policy stance of developed countries for improved management and enhanced technical efficiency, which also matched the interests of developing countries. Their underpinning policy for RBB is to place the expenditure and the programme activities of the Specialized Agencies under their control, and to hold the executive heads of these organizations accountable for value for money of the programmes.

1.2.2 WMO experience with RBB

Let us examine an illustrative example of WMO. In May 2000, the WMO Executive Council favourably responded to the proposals of the Secretary-General for results-based budgeting, but
adopted a cautious approach. First, the Council requested the Secretariat to try out results-based budgeting in three phases:

(a) To make available to all the Members of the Organization a comprehensive description of the concept of results-based budgeting as applied to WMO, with a view to clarifying the concept of RBB;

(b) To prepare budget proposals in a results-based budgeting format, i.e. justification of resources by results for activities of the whole Organization; and

(c) To simulate full implementation of results-based budgeting, in a programme area, i.e. the World Climate Programme.

There were pros and cons in the Secretariat and among the Member States. But the momentum was created primarily by some of those which had experienced RBB at the national level, including the United States and the United Kingdom. The Secretariat also played a leading role in promoting the implementation of RBB. It issued a concept paper on RBB in November 2000 and forwarded it to all the Member States of WMO. It also prepared programme and budget proposals for the 2002-2003 biennium in a full RBB format, i.e. containing objectives, justifications of resources by results, performance indicators, significant external factors and descriptions of project activities. The simulation study was provided, pointing out limitations of the current programme planning and budgeting process for full implementation of RBB.

At the following session held in June 2001, the Executive Council decided to adopt RBB for the 2002-2003 biennium, and also approved a fully-fledged RBB methodology for the next financial period 2004-2007, by linking the budgeting process with the long-term and medium-term planning process, as well as with a performance measurement and reporting system. Unlike in the United Nations, a consensus for RBB was rapidly achieved at the Council session. Absence of a political hidden agenda surrounding RBB and the convergence of the interests of both developed and developing countries on enhancement of management and technical efficiency of the Organization seem to have greatly facilitated the consensus building on RBB.

While generally satisfied with the progress made in implementation of RBB, the Executive Council candidly indicated the inadequacy of some of the performance indicators contained in the programme and budget proposals for the 2002-2003 biennium. It also stressed the importance of high-level performance measurement and reporting, and established a Task Force composed of Executive Council members from Germany, the United Kingdom, New Zealand and the United Republic of Tanzania.

2. Performance management system in the United Nations system

2.1 Performance management framework of the United Nations

The Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation provide a performance management framework for the United Nations, and cover all activities undertaken by the United Nations, irrespective of their source of funding. These Regulations were first adopted by the General Assembly in 1982, and were revised in 1987 and 1998. The comprehensive and coherent performance management framework described in the regulation is a remarkable achievement. This
framework is unique in that it takes into account the environment of intergovernmental and multilateral diplomacy.

The performance management framework of the United Nations is composed of medium-term planning for a period of four years, biennial programme budgeting, monitoring of programme implementation with biennial reporting (“programme performance report”), and various types of evaluations (self-evaluation, in-depth evaluation, internal/external evaluation). The programme performance report and the evaluation reports are mechanisms addressing the accountability of the Secretary-General in terms of output delivery and of achievement of objectives respectively.

The Regulations and rules also define in detail:

(a) Key performance management terms, such as delivery, outputs, inputs, effectiveness, efficiency, evaluation, monitoring, external factors, priority, programme managers, programmes, monitoring and indicators;

(b) Roles and obligations of legislative organs, subsidiary expert bodies on programmatic and financial matters, the Secretariat, in terms of priority setting, reporting requirements, performance reviews, feedback to planning;

(c) Links among medium-term planning, biennial programme budgeting, monitoring and evaluation, as different phases in a single planning cycle; and

(d) Formats of the medium-term plans, the biennial programme budgets, programme performance reports (monitoring reports) and evaluation reports.

Notwithstanding its conceptual excellence, the system did not work as well as expected. The link between four-year medium-term planning and biennial programme budgeting was weak, and the performance measurement system was deficient. The Secretariat of the United Nations candidly recognized that there were internal weaknesses in the current programme planning process which rendered the qualitative assessment of programme outputs nearly impossible. The Member States also pointed out that the present programme performance monitoring process was mainly a quantitative exercise of accounting outputs delivered, which did not provide adequate information on quality and usefulness of the delivered outputs (United Nations, 1999b). The desired improvement of the monitoring system required, in effect, not only a review and improvements of the whole performance management system, but also the establishment of linkages between outputs and results (or impact) in programme planning and budgeting.

Based on this experience and concomitant with the introduction of RBB, a review of the performance management system is on-going in the United Nations. The main outcome of this review seems to be: (i) enhancement of feedback from performance measurement to the planning process by the timely provision of performance information to legislative bodies; (ii) improvements in the formulation of pre-determined performance information, namely clearer and more time-based objectives, and specific expected results. All these three issues are at the heart of RBB. The future challenge of the United Nations relates to the extent to which such a results-based approach can effectively be implemented.

2.2 Performance management at the programme/project level

Over the past three decades, United Nations organizations providing development aid, such as UNDP, have elaborated sophisticated performance measurement and evaluation systems. These
systems vary from monitoring and evaluation of a single project to larger performance measurement in scope (monitoring and evaluation of a programme containing several projects, thematic evaluation, and programme evaluation). UNDP also developed a “programme approach” in which technical assistance was provided through a cohesive national programme framework specifically designed for individual developing countries, and evaluation was carried out to measure the implementation of the programme approach. Furthermore, UNDP advocated a participatory approach involving the active participation of target groups, funding agencies, executing agencies, and beneficiary governments in the performance management process. At the project level, sophisticated conceptual and technical instruments for monitoring and evaluation were applied, which allowed stakeholders, including executing and funding organizations, to learn from lessons identified through the performance measurement.

In general, the higher the level of performance management, the more difficult the performance management become, since the higher level (programme level or policy level) performance measurement involved the issue of accountability of the Government, and of the executing and funding organizations as a whole. The effectiveness of the current performance management system of UNDP seems to be debatable precisely at this level. It is also questionable whether accountability of stakeholders, including Governments, was fully addressed under the UNDP system. It is noteworthy that UNDP does not receive audit certificates of national project activities implemented by Governments. The Board of Auditors qualified the UNDP financial statements for the 1996-1997 biennium, given that the Board had insufficient audit assurance in relation to USD 520 million of national execution expenditure due to the absence of audit reports from Governments (UNDP, 1998). The amount increased to USD 723 million for the 1998-1999 biennium, while the proportion of national execution expenditure covered by audit reports increased from 73 per cent in 1996-1997 to 75 per cent in 1998-1999 (UNDP, 2000). This indicates a deficiency of the current performance management system, which seems to derive from the fact that the current monitoring and evaluation system is excessively focused on programmatic aspects, and neglects to some extent the linkage between programmatic performance and financial accountability.

In addition to the provision of development aid, the United Nations system also implemented other types of activities mandated by their governing bodies. These activities included normative functions (such as standard setting), servicing of international and regional meetings (such as General Assembly session meetings, global conferences and expert group meetings), issuance of publications and the provision of policy advisory services to Governments. Unlike development aid activities which were funded from voluntary contributions, these types of activities were funded by the regular budgets that were funded from assessed contributions (not voluntary contributions). While results-based programming and budgeting have been applied to development aid activities, it was only recently that results-based programming and budgeting were applied to these activities. Elaborate performance management methodologies have not yet been developed for regular budget-funded activities, unlike the methodologies used for performance management of development aid-related technical cooperation activities.

2.3 Results-based management

The Development Aid Committee of OECD is currently developing a concept of results-based management (RBM) (OECD, 1999). A key component of RBM is performance management defined as the process of objectively measuring how well an organization was meeting its stated goals or objectives. Key elements of RBM include:

(a) Identifying clear and measurable objectives (results), with the aid of conceptual frameworks;
(b) Selecting indicators that would be used to measure progress towards each objective;

(c) Setting explicit targets for each indicator, used to judge performance;

(d) Developing performance monitoring systems to collect data on actual results on a regular basis;

(e) Analysing and reporting actual results vis-à-vis the targets;

(f) Integrating evaluations to provide complementary performance information not readily available from performance monitoring systems; and

(g) Using performance information for internal management learning and decision-making and for external performance reporting to stakeholders.

RBM is believed to address more effectively accountability, decentralization, client focus, participation, reformed policies and procedures, supportive mechanisms and cultural change.

RBM seems to be gaining favour in the United Nations system organizations that provide development aid. The World Bank and UNDP have already shifted to RBM, replacing their previous performance management tools, and the United Nations Population Fund (UNFPA) and the United Nations Children’s Fund (UNICEF) have also adapted RBM methodologies for their performance management.

In the performance management systems that have already been implemented, holistic performance measurement at the corporate level has been considered as most difficult. However, since the RBM approach facilitates performance measurement and management at all levels, namely the project, programme and organizational levels, holistic performance measurement and management are made realistic and viable through RBM. A results-oriented annual report (ROAR) of UNDP analyses programme performance of activities worth USD 2.2 billion annually by six high level goals and three sub-goals in terms of results. This illustrates that, unlike the previous performance management system, RBM might be able to address critical issues related to measurement of upstream policy level performance, and corporate level performance, as well as lower level performance at project or programme level.

While these recent developments in the development aid organizations are encouraging, in-depth review and reflection on application of the RBM methodology to non-technical assistance activities (regular budget activities) seems to be insufficiently carried out. In spite of the general trend for results-based programming and budgeting, the application of the RBM concept for the whole planning cycle (the long-term or medium-term planning, biennial programming and budgeting, monitoring and evaluation cycle) is still embryonic in the context of the regular budget. It seems crucial for the United Nations system organizations to apply the RBM concept to their performance management regardless of funding sources for their activities, and to elaborate a common performance management approach based on the RBM concept for both their regular budget funded and technical cooperation activities. In this connection, the Inter-Agency Working Group (IAWG) on Evaluation is currently reviewing methodological issues related to evaluation. IAWG would offer an ideal forum for the elaboration of RBM-based performance management concepts workable in both regular budget and technical cooperation activities.
3. **RBB: Work in progress**

3.1 **RBB and NPM**

There is a similarity in the doctrinal stance between RBB and NPM. Hood identified seven doctrinal components of NPM (Hood, 1991). RBB seems to be explicitly and implicitly supported by several of these seven doctrinal components, such as: (i) hands-on professional management; (ii) explicit standards and measures of performance; (iii) greater emphasis on output (results) control; (iv) stress on private sector styles of management practice; and (v) stress on greater discipline and parsimony in resource use (do more with less).

Hood (1991) further described NPM to be primarily an expression of sigma-type values whereby the standard and currency of success is frugality, and money and time, as compared to theta-type and lambda-type values. Here, the fundamental question to be asked in the case of the United Nations and other international organizations is to know to what extent such sigma-type values could effectively be implemented within the current governance framework of the United Nations system.

3.2 **Flexibility in the bureaucracy of the United Nations system**

The United Nations and similar international organizations have adopted the traditional, Weberian bureaucracy. Their Secretariat structures composed of posts, and their governance framework is organized in a top-down hierarchical way. In the programme planning and budgeting process, means are often tightly linked with the end of activities to be implemented with specific modalities of action. Member States and governing bodies have the formal highest hierarchical prerogative to decide what the organizations should do. Within this environment, the sigma-type value approach, e.g. RBB or NPM, does not seem capable of being easily introduced without changing the existing governance framework of the United Nations.

In this connection, the legal framework of the United Nations system does not provide a detailed administrative legal structure unlike national administrations which are regulated by a detailed and well-structured system of national administrative law. In spite of the complexity of administrative legislation governing the United Nations system, the bureaucracy seems to be much more flexible than the national bureaucracy, precisely because of the lack of detail and the strict nature of the legal framework of their administration.

Sigma-type management styles are being introduced on a piecemeal, and sometimes “fait accompli” basis in the United Nations system. For example, results-based budgeting (RBB) has been introduced without a thorough review of the accountability mechanisms required for full implementation of the results-based approach. The apparent coexistence of the sigma-type values of RBB and the traditional Weberian bureaucratic nature of the United Nations seems to be due to the flexible legal framework of the international administration in spite of the obvious contradiction between the sigma-type values of RBB and the Weberian bureaucracy of the United Nations. This loose administrative nature, in effect, offers an opportunity in which the international institutions can embark on a major reform of their governance framework.

---

2 The standards and currencies of success are rectitude, trust and entitlements for the theta-type values, and resilience, security and survival for the lambda-type values (Hood, 1991, page 11).

3 An exception to this rule is the Secretary-General’s authority to bring to the Security Council any matter which may threaten the maintenance of peace and security (Article 99 of the Charter of the United Nations).
The status of the progress in implementation of the sigma-type values in the United Nations system remains embryonic as a whole, while the future direction in favour of sigma-type value seems to be determined. In order to ensure the success of sigma-type reform initiatives within the administration structure of the United Nations system, political, technical and theoretical discussions are needed with a view to determining the contribution and limitation of the sigma-type value approach in implementing their major mandates, such as international peace and security, human rights and socio-economic issues, such as development, education, health, meteorology and intellectual property. For the time being, it is not clear how the sigma-type value could be institutionalized in the governance framework of the United Nations system.

4. Conclusion: need for conceptual clarification of international public administration

We have explained that in the United Nations system RBB with its sigma-type values is being introduced within a traditional, Weberian type bureaucracy. The current discussions on the results-based concepts, such as RBB and RBM, will help the United Nations system to further implement these approaches: the main stakeholders such as governing bodies, Member States and the Secretariats are learning performance management from their experience with the results-based approaches such as RBB and RBM. The external auditors of these organizations who are national oversight bodies (e.g. the National Audit Office of the United Kingdom) would be further able to introduce their own experience with national civil service reforms. In reality, the role of external auditors of those countries who have introduced sigma-type reforms is critical, since they have practical knowledge of implementing results-based reform initiatives: the external auditors will translate best practice in the national administration into the United Nations system.

However, the United Nations system organizations would certainly be faced with difficulties in fully implementing the sigma-type value reforms, on the assumption that the current momentum for reform is maintained. The problem would not only be relevant to the practice, but mainly of conceptual nature. The sigma-type value reform initiatives were first designed within the context of national administration. Importing such initiatives into the international context requires a thorough review of the nature of international administrations which are different from those of national administrations. A practical question that would be asked in this context is to what extent can national practices be benchmarked to the international organizations. Budgeting, performance reporting, or outsourcing, for example, might have incomparable dimensions in the international context which could only be addressed once the nature of international administrations is clarified. It seems important to note that in spite of the considerable efforts made to date, the United Nations system has not yet elaborated clear conceptual tools or instruments to fully implement the sigma-type value approaches.

In this context, the role of academia seems to be critical. Very little research seems to have been carried out on the nature of international public administration: international administration is a missing chapter in the discipline of public administration (Nishio, 1993, page 67). Since the creation of international administration in the middle of the 19th century, the role of international organizations has diversified and developed considerably. International administration has become indispensable for delivery of national administrative services in a number of areas. Enhancement of the delivery capacities of the United Nations system through RBB, RBM or similar approaches is in the interest of national administrations. It seems that the time has now arrived for academia in public administration to take United Nations reform seriously.
Reference:


NISHIO, Masaru 1993 *Gyoseigaku (Public Administration)*, Tokyo, Yuhikaku


United Nations, 1999b. *Ways in which the full implementation and the quality of mandated programmes and activities could be ensured and could be better assessed by and reported to Member States, Report of the Secretary-General*, New York: United Nations, (A/54/117), paragraph 2.


