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Organisation de Coopération et de Développement Économiques  
Organisation for Economic Co-operation and Development

**C(2008)93/REV2**

**15-Jul-2008**

**English - Or. English**

**COUNCIL**

**Council**

**MANAGING ADJUSTMENTS IN THE PART I PROGRAMME OF WORK AND BUDGET**

*The revised text is shown in bold as per the Budget Committee meeting of 15 July 2008.*

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English - Or. English

1. In accordance with Regulation 6 of the Financial Regulations, the Secretariat has reviewed the current arrangements for making modifications to the agreed Programme of Work and Budget (PWB) and for monitoring and reporting on them.

2. While the Programme of Work has long been subject to routine adjustments, a more structured approach is now needed:

- Since 2003, the OECD has moved to a results-based approach to planning, budgeting and management, with consequent emphasis on accountability and outputs rather than inputs. This approach offers greater operational flexibility in managing resources but requires increased accountability as regards the delivery of Output Results.
- The PWB is increasingly dependent on voluntary contributions and grants (hereafter “voluntary contributions”) as a funding source. Voluntary contributions are now built into the Total Estimated Cost (TEC<sup>1</sup>) of Output Results and are therefore integrated into assumptions about the delivery of those Output Results for budget planning purposes. Yet voluntary contributions are less predictable than assessed contributions; hence the resources available from this source may fail to match estimates or may exceed them.
- Since the biennium 2005-06, Council has formally approved the Programme of Work as well as related Budgets, but some uncertainty remains as to the conditions under which the agreed Programme of Work and Budget may be modified.
- Since 2003, new Output Results, involving significant new funding, have been ‘scoped and budgeted’ using a standard format and have been referred to the Budget Committee before going to Council for approval. These New Output Proposals (NOPs) may have been presented to one, and in some cases both, of the other Standing Committees (ExCo or the ERC) as well. These proposals have generally been financed through additional voluntary contributions. Proposals to date have been submitted on an *ad hoc* basis.
- While acknowledging the importance of flexibility to meet new or changing priorities during a biennium, members also wish to ensure that modifications to previously agreed Programme of Work and new proposals involving significant additional funding be subject to ‘corporate’ review, so that the overall costs and benefits of the proposal are clear and that the implications for previously agreed outputs can be understood.

3. The procedures for modifying the PWB are set out below. They are linked directly to, and covered by, the terms of Regulation 6 of the revised Financial Regulations.

- **modifications to the content of the approved Programme of Work need to have prior Committee approval, and that of the Budget Committee where the modifications are more significant, and of Council for new Output Results with an annual TEC of KEUR 250 or higher;**
- improved transparency is key to establishing the confidence that adequate monitoring exists, and is a prerequisite for the operational flexibility mentioned above;
- modifications to the approved biennial PWB may occur and the need for operational flexibility is becoming increasingly important.

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<sup>1</sup> The TEC includes the Part I Budget, CPF, Voluntary Contributions in Hand and estimated New Voluntary Contributions.

4. The procedures set out below are intended to address on the one hand, modifications to the Programme of Work that concern content adjustments *within* resources indicated in the PWB and, on the other hand, *additional* resources that may or may not affect the content of the Programme of Work. The procedures deal with situations involving both Output Results with small TECs and Output Results with very large TECs (notably, in corporate services). They concentrate on significant additions or modifications to the approved PWB, not the accumulation of small one-time or incremental modifications which can occur with Output Results over the course of a biennium and will be picked up in subsequent reporting. The specific case of supplementary budgets financed through additional assessed contributions is dealt with in the Financial Regulations and is not addressed in the present rules.

## **I. Modifications Within Resources Indicated in the PWB**

5. Modifications within resources indicated in the PWB may affect the allocation of existing resources and/or existing Output Results and Intermediate Outputs. It may also lead to the creation of new Output Results.

6. It is expected that Directors need to adjust the resources allocated to one or more Output Results within the course of a biennium. Some products may cost less than anticipated while others may cost more. Variations in most cases will be minor.

7. Committees are best placed to determine their priorities and to change them in light of evolving circumstances. Output Results may therefore need to be modified during a biennium -- added to, subtracted from and substituted as the content of work changes.

8. Changes in the approved TEC of individual Output Results may be made, provided that these modifications stay within the approved annual TEC for that Output Group and that there is prior Committee approval<sup>2</sup>:

- for any modifications in the content or scope of an existing Output Result or creation of a new Output Result; and/or
- for a resource reallocation (increase or decrease) that exceeds 20%<sup>3</sup> of the approved annual TEC of the individual Output Result concerned.

## **9. In addition:**

- **Council approval, on the basis of a recommendation from the Budget Committee (and consultation with another standing Committee as appropriate), will be needed for new Output Results if their annual TEC is KEUR 250 or higher. Budget Committee approval will be needed for new Output Results with an annual TEC below KEUR 250;**
- **Budget Committee approval will be needed for modifications to Output Results of KEUR 250 or more in the annual TEC. For modifications to Output Results below**

<sup>2</sup> The ERC is the approving Committee for Output Group 5.2. The Budget Committee is the approving Committee for Output Groups 6.1 and 6.3. CPAC is the approving Committee for Output Group 6.4. Committees may delegate this authority to their subsidiary bodies, so long as the information is reported subsequently at Committee level. The approval process is left to individual Committees to determine, but in most cases they would be expected to follow a written process.

<sup>3</sup> The TEC of 2008 Output Results range from KEUR 10 to KEUR 8 270. With a limit of 20%, the amounts that would need prior Committee approval would range from KEUR 2 to KEUR 1 654. (The average TEC for Output Results in Strategic Objectives 1 to 5 is KEUR 680; and KEUR 1 415 for those in Strategic Objective 6. The average TEC for Output Group 6.3 is MEUR 3.4.)

**KEUR 250 in the annual TEC, the Budget Committee should be informed at least once a year where these modifications to Output Results exceed 35% of the annual TEC (above a minimum of KEUR 100).**

10. Committees are to be informed where cumulative modifications to an Output Result in a given year exceed 20% of the approved TEC for that year. Committees will also be informed on a regular basis (see below) of all modifications. These will also be reported in the Programme Implementation Reporting at the end of each biennium.

## **II. Additional Resources**

11. Receipt of resources additional to those indicated in the PWB (usually voluntary contributions) may leave Output Results unchanged; lead to modifications in the content and scope of Output Results; or fund New Output Results.

### **a) Unmodified Content/Scope of Output Results**

12. Additional resources that do not modify the content or scope of Output Results should have approval by the relevant Committee if the additional resources exceed the threshold of 20% of the approved TEC.

### **b) Modified Content/Scope of Output Results**

13. Additional resources that lead to modifications in the content or scope of Output Results should have:

- approval of the relevant Committee(s); and
- **Budget Committee approval will be needed for modifications of Output Results of KEUR 250 or more in the annual TEC. For modifications to Output Results below KEUR 250 in the annual TEC, the Budget Committee should be informed at least once a year where these modifications exceed 35% of the annual TEC (above a minimum of KEUR 100);**
- where relevant, consultation with another Standing Committee (e.g. the External Relations Committee for global relations issues).

### **c) New Output Results**

14. All New Output Results need to be scoped and budgeted as a New Output Proposal (NOP). Such proposals should have:

- approval of the relevant Committee(s);
- **approval of Council, on the basis of a recommendation from the Budget Committee (and consultation with another standing Committee as appropriate), if the annual TEC of the Output Result is KEUR 250 or higher, or approval of the Budget Committee if the annual TEC is below KEUR 250.**

15. For exceptional, 'top-down' corporate initiatives, the prior approval of the relevant Committee(s) is not required, unless the Budget Committee decides otherwise. Since, however, such initiatives would need to be developed ('scoped and budgeted') before final approval, Committees which may be impacted

by such initiatives will be consulted during this process. Council approval is necessary for such initiatives even those under the threshold of KEUR 250.

### **III. Improved Transparency and Information**

16. The procedures identified above will improve transparency, accountability and information flows for members, both before and after modifications are made to the approved PWB. Committees will have clearer rules under which they should be more routinely informed and involved in decisions about proposed changes to the Output Results that they want delivered to meet their policy priorities.

17. Information explaining proposed modifications to the approved PWB as set out above, as well as the impact, if any, on existing outputs will be made available to members in standard formats across the Organisation.

18. Regular, standard progress reports to Committees every six months will be introduced. They will summarise Output Result/Intermediate Output implementation; identify associated expenditures at the Output Result level and note any modifications to the approved PWB since the previous report. This standard reporting will not preclude submission to Committees of different or more detailed information about individual Output Results, nor more frequent summary reporting if so desired. It is proposed to implement this reform progressively, since the budget aspect is new and dependent on both the application of the revised Financial Regulations and the implementation of the BFMP. Hence the first Committee reports would be provided from Q3 2009.

19. This reporting will cover all Output Groups, including corporate areas reporting to the Budget Committee. Moreover, the Budget Committee will be involved in modifications as identified above. The Budget Committee will also see all variations in the PIR. Standardised, formal reporting across Committees would provide the Budget Committee members with access to detailed information should they wish to have access to it.

20. These procedures are intended to ensure a balance between the objectives of operational flexibility, transparency, effective controls in support of the approved PWB, and administrative efficiency in the Part I PWB. In particular, they clarify and strengthen consultation and reporting responsibilities. They establish an information hierarchy with more detailed information available at the Committee level and more consolidated information at the corporate level. They fill a gap that exists today.

21. The threshold of KEUR 250 was chosen to be consistent with the voluntary contributions acceptance procedures in the Financial Regulations (*i.e.* closer attention is warranted for offers in excess of KEUR 250).

### **Proposed Action**

22. In the light of the preceding, and as recommended by the Budget Committee, Council is invited to adopt the following draft conclusions:

#### **THE COUNCIL**

- a) noted document **C(2008)93/REV2**;
- b) agreed to the proposals set out in **C(2008)93/REV2**;
- c) **invited the Secretary-General to convey the agreed reforms as set out in C(2008)93/REV2 to Committee Chairs.**