



General Assembly

Distr.: General
12 December 2013

Original: English

Sixty-eighth session

Agenda item 133

Programme budget for the biennium 2012-2013

Second performance report on the programme budget for the biennium 2012-2013

Report of the Advisory Committee on Administrative and Budgetary Questions

Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the second performance report of the Secretary-General on the programme budget of the United Nations for the biennium 2012-2013 ([A/68/628](#)). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification concluding with written responses received on 10 December 2013.
2. The anticipated final level of expenditures and income for the biennium 2012-2013 is based on actual expenditures for the first 21 months of the biennium, projected requirements for the last 3 months, changes in inflation and exchange rates and cost-of-living adjustments.
3. The Advisory Committee notes that the anticipated final level of expenditures and income for the biennium represents a net increase of \$173.2 million compared with the revised appropriation and estimate of income approved by the General Assembly in its resolutions [67/247](#) A to C and [67/269](#). The projected expenditure for the biennium 2012-2013 is estimated at \$5,603.7 million, representing an increase of \$204.3 million compared with the revised appropriation of \$5,399.4 million. Projected income is estimated at \$543.0 million, an increase of \$31.1 million over the revised income estimates of \$511.9 million. Details are provided in table 1 of the report of the Secretary-General.
4. The net increase of \$173.2 million reflects the combined effects of: (a) projected additional requirements of \$204.3 million owing to changes in exchange rates (\$43.8 million) and changes in inflation rates (\$67.3 million); commitments entered into under the provisions of General Assembly resolution [66/249](#) on unforeseen and extraordinary expenses for the biennium 2012-2013 and in respect of policymaking organs (\$43.3 million); and variations in post costs and



adjustments to other objects of expenditure based on actual and anticipated requirements (\$49.9 million); and (b) an increase in income (\$31.1 million). Schedules 1, 2 and 3 in the report of the Secretary-General provide a breakdown of the projected expenditures for 2012-2013 by budget section, category of expenditure and main determining factor (rate of exchange, inflation, unforeseen and extraordinary expenses and decisions of policymaking organs, post incumbency and other changes).

Changes in exchange rates and inflation

5. Explanations concerning the requirements relating to changes in exchange rates and inflation are provided in section A of the report of the Secretary-General. Table 4 of the performance report shows the distribution of the increases and decreases in estimates owing to changes in exchange rates and inflation by duty station. Details of the budgeted and realized rates of exchange for all duty stations are contained in schedules 4 and 5 of the report.

6. In paragraph 3 of his report, the Secretary-General indicates that the revised appropriation for the biennium 2012-2013 reflects the deferral of post-related recosting for payroll, common staff costs and vacancy rates for 2012 and deferral of overall post-related recosting for 2013, reflecting the decision of the General Assembly in paragraph 6 of section X of its resolution [67/246](#) on questions relating to the programme budget for the biennium 2012-2013.

7. Paragraph 9 of the report of the Secretary-General indicates that, in terms of inflation and exchange rates, adjustments for post resources for the year 2013 are based on actual experience in 2013 as compared with the rates approved in the revised appropriation for 2010-2011. For 2012, the adjustments are based on the actual experience for 2012 as compared with those rates of exchange and inflation approved in the revised appropriation for 2012-2013, which includes projections for the last two months of 2012.

8. The Secretary-General indicates further in paragraph 10 of his report that adjustments for the non-post requirements are based on actual experience thus far in the biennium as compared with those approved in the revised appropriation for 2012-2013. Consistent with the approved methodology, calculations at the time of the revised appropriation for 2012-2013 applied the October 2012 rates of exchange for Addis Ababa, Beirut, Gaza, Nairobi and Geneva and the average rate for the rest of the duty stations, so as to allow for the lowest estimate for each duty station.

9. As indicated in paragraph 12 of the report of the Secretary-General, the increase in requirements arises from unfavourable rates of exchange of the United States dollar in relation to a number of currencies, including the Swiss franc (\$49.5 million), the Thai baht (\$2.8 million), the Chilean peso (\$1.6 million) and the euro (\$1.4 million), offset by reduced requirements for Addis Ababa (\$6.1 million) and Nairobi (\$2.4 million) as a result of exchange rate movements in a favourable direction. The distribution of the resulting changes in the estimates for 2012-2013 by duty station, are shown in table 4 of the report.

10. With regard to the Swiss franc in particular, which accounts for most of the increase, the Advisory Committee notes that a rate of 0.939 Swiss francs to the dollar was assumed for non-posts in the revised appropriations for 2012-2013. A rate of 1.046 Swiss francs to the dollar for posts in 2013 was used in the revised

appropriation for 2010-2011. The average rate calculated for 2013, based on actual experience through October 2013, with the October rate applied to November and December, was, in fact, 0.926 Swiss francs to the dollar. The Secretary-General indicates that these movements exclude the positive difference of \$3.5 million from forward purchasing of Swiss francs between May and December 2013 (see paras. 12-14 below for further comments on the Secretariat's recent experience in the purchase of forwards).

11. Information on the impact of inflation is provided in paragraphs 17 to 20 of the report of the Secretary-General. As indicated, adjustments owing to inflation are based on the latest information available on consumer price indices as well as adjustments resulting from differences in actual post adjustment indices for staff in the Professional and higher categories and actual cost-of-living adjustments of salary scales for staff in the General Service and related categories. The increase of \$67.3 million is attributable to the adjustments in respect of salaries for staff in the Professional and higher categories (\$26.0 million), General Service staff salaries (\$27.0 million), related staff assessment (\$13.0 million) and non-post objects of expenditure (\$1.3 million). Table 6 of the report contains a breakdown of the post-related increases and decreases in expenditure due to inflation by duty station. The most significant change relates to inflation in New York reflected in an upward adjustment of salaries for staff in the Professional and higher categories (\$16.4 million), in the General Service and related categories (\$7.3 million) and in income from staff assessment (\$6.4 million).

Recent experience of forward purchasing

12. In paragraph 22 of his report, the Secretary-General also provides details on the experience to date of forward purchasing and related presentation practices, which were authorized by the General Assembly in paragraph 8 of section X of its resolution [67/246](#). The Secretary-General explains that, as the Swiss franc transactions and price movement exerted the greatest impact on the budget, forward purchase agreements for that currency were made for the period from May to December 2013 in the amount of SwF 150.0 million. Owing to the weakening of the United States dollar against the Swiss franc in 2013, a net positive difference between the contracted forward rates and the United Nations operational rates of exchange amounting to \$3.5 million was noted.

13. Upon enquiry, the Advisory Committee was informed that this experience has demonstrated the capacity of the Organization to implement forward purchasing. The Committee was further informed that, during the first half of January 2014, the Secretariat plans to carry out a foreign exchange forward purchasing operation in the amount of SwF 20 million for every month of 2014 to cover a portion of the regular budget staff costs. This will, in the view of the Secretariat, provide the Organization with certainty on the day these transactions are agreed of the amounts that will ultimately be paid. In this connection, the Committee notes that figure VI in the report of the Secretary-General depicts the rates of the Swiss franc and the euro against the United States dollar over the decade from 2002 to 2013, reflecting considerable volatility over that period.

14. The Advisory Committee agrees that the initial experience of forward purchasing would appear to provide the Organization with greater budgetary certainty and could potentially serve as an important tool for the Secretary-

General to better manage the budgetary implications of currency movements. The Committee recommends that the General Assembly request the Secretary-General to provide a more comprehensive assessment on the experience of forward purchasing in its first performance report on the programme budget for the biennium 2014-2015.

Unforeseen and extraordinary expenses and decisions of policymaking organs

15. Details concerning the additional requirements relating to commitments entered into in accordance with the provisions of General Assembly resolution 66/249 are provided in paragraphs 23 to 25 and table 7 of the report of the Secretary-General. The additional requirements total \$23.28 million and comprise commitments under section 2, General Assembly and Economic and Social Council affairs and conference management (\$0.15 million); section 3, Political affairs (\$19.16 million); section 7, International Court of Justice (\$0.04 million); section 24, Human rights (\$3.70 million); and section 34, Construction, alteration, improvement and major maintenance (\$0.23 million).

16. In paragraphs 26 to 30 of his report, the Secretary-General indicates that commitments involving decisions of policymaking organs totalling \$20.1 million were made. These involved a subvention to the Special Court for Sierra Leone (\$14.0 million) and revised estimates in respect of remediation work at United Nations Headquarters in the aftermath of Storm Sandy (\$6.1 million).

17. With respect to the amounts required for the remediation work, the Advisory Committee notes that, as at 31 October 2013, only half of the amount committed for that purpose had been spent, with an expectation that the balance would be utilized by 31 December 2013. Upon enquiry, the Committee was informed that new purchase orders for the related work were expected to be in place and that change orders for Storm Sandy-related activities were being submitted by existing vendors who had been already selected through a competitive process administered by the Office of the Capital Master Plan and overseen by the Procurement Division. **The Committee notes that remedial works are ongoing more than 12 months after the occurrence of Storm Sandy, with a significant proportion of the related amounts still to be spent before the end of 2013.**

Post incumbency and other changes

18. A net increase in requirements of \$49.9 million is reflected in the report of the Secretary-General consisting of \$66.8 million for post-related expenditure and \$8.0 million for staff assessment, partially offset by the net decrease of \$24.9 million for non-post objects of expenditure. Schedule 2 of the report provides details of post incumbency and other changes by object of expenditure.

19. The increase of \$66.8 million under posts reflects the increased requirements under salaries and common staff costs, with lower-than-budgeted actual vacancy rates for staff in the Professional and higher categories for both 2012 and 2013. Details of the actual average vacancy rates in both the Professional and higher categories and the General Service category from 2010 to 2013 are contained in Schedule 8 of the report of the Secretary-General.

Other staff costs

20. The Advisory Committee notes that paragraph 36 (c) of the report of the Secretary-General indicates an underexpenditure of \$10.8 million under section 2, General Assembly and Economic and Social Council affairs and conference management, relating primarily to the reduced use of temporary assistance for meetings in Geneva. Concerning the discontinuation of translations of written replies to the lists of issues arising from the human rights treaty bodies, the Committee was informed, upon enquiry, that this change was communicated in a note verbale in 2012 which advised that the Secretariat had dispensed with the practice. **In the absence of a specific instruction from the relevant intergovernmental bodies in this connection, the Committee recommends that the General Assembly instruct the Secretary-General to reinstate the practice of translating written replies to the lists of issues arising from the human rights treaty bodies, with immediate effect.**

Travel-related charges

21. Objects of expenditure for both the travel of representatives and the travel of staff showed projected net decreases of \$4.6 million and \$1.3 million, respectively, according to paragraphs 41 and 42 of the report of the Secretary-General. Upon request, the Advisory Committee was provided with written explanations concerning the variations in actual travel patterns over the biennium 2012-2013, which were attributable to a range of different substantive developments and situational circumstances within individual budget sections.

22. The Advisory Committee also enquired as to the impact of measures introduced to contain travel costs, such as efforts to reduce short-notice travel and to ensure that trips are booked as much in advance of the travel date as possible (see General Assembly resolutions [65/268](#), annex, para. 2 (e) and [67/254](#) A, sect. VI, para. 8); however, it was informed that the effect of the policy changes could not be estimated for the biennium 2012-2013. **The Committee notes with regret that the Secretary-General, once again, has not provided information on the impact on resource requirements of travel-related measures mandated by successive General Assembly resolutions (see also [A/68/7](#), para. 118). In this regard, the Committee recommends that the Assembly request the Secretary-General to include clear and detailed information of this nature in his first performance report for the biennium 2014-2015.**

Furniture and equipment and improvements in premises

23. The report of the Secretary-General discloses several instances in which increased requirements are not covered under the resources provided for the capital master plan or the associated costs under the Facilities Management Service. The report indicated in paragraph 47, for example, that \$0.7 million was spent on the installation of the Internet Protocol Television system as part of the implementation of a permanent broadcast facility and media asset management system. A further increase of \$4.8 million represents an investment in conference-room technology for the renovated General Assembly and Conference Buildings, as indicated in paragraph 48 (a). The Advisory Committee was informed, upon enquiry, that expenditure on this technology was an exceptional, one-off investment relating to the installation of an electronic nameplate system in the related conference rooms

that will improve the efficiency of conference operations. The Committee's observations and recommendations made concerning estimates for the associated costs are contained in its successive reports on the capital master plan (most recently in section V of its report of 25 October 2013 ([A/68/551](#))).

24. The Advisory Committee believes that such ad hoc expenditures could have been avoided if the budgets for the capital master plan and associated costs had been properly prepared. The Committee also stresses that all such costs, including those cited in paragraph 23 above, be included in any complete accounting of associated costs that might be submitted for review by the General Assembly, in the context of its consideration of the related financing decisions.

Unliquidated obligations

25. In paragraph 54 of his report, the Secretary-General indicates that the amount of unliquidated obligations as at the end of October 2013 stood at \$199.5 million. The Advisory Committee notes that this balance compares favourably with the \$299.6 million worth of unliquidated obligations disclosed in the second performance report for the biennium 2010-2011 for the comparable period. **The Committee commends the Secretary-General in the efforts made to limit the level of unliquidated obligations at the end of the reporting period. The Committee also trusts that the introduction of the International Public Sector Accounting Standards, the effects of which will be reflected in future performance reports, will lead to further improvements in this regard in the management of expenditures.**

Income sections

26. Information on income sections (1, Income from staff assessment; 2, General income; and 3, Services to the public) is provided in paragraphs 55 to 60 of the report of the Secretary-General. Table 8 of the report provides a summary of changes under the income sections. As indicated, the total increase under income sections amounts to \$31.1 million, reflecting increases in income from staff assessment (\$25.9 million) and from general income (\$5.3 million), offset by a decrease in net revenues (\$0.1 million) in income from services to the public.

Conclusion

27. The action to be taken by the General Assembly is set out in paragraph 62 of the report of the Secretary-General. **The Advisory Committee recommends that the Assembly take note of the report and approve the revised estimates under the expenditure sections for the biennium 2012-2013, as set out in table 3 of the report, and the related income estimates, as set out in table 8 of the same report.**