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**Seventieth session**

Agenda item 134

**Proposed programme budget for the biennium 2016-2017****Revised estimates: effect of changes in rates of exchange and inflation****Thirty-sixth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for the biennium 2016-2017****Introduction**

1. The Advisory Committee on Administrative and Budgetary Questions has considered advance versions of the reports of the Secretary-General on the effect of changes in rates of exchange and inflation on the proposed programme budget for the biennium 2016-2017 ([A/70/603](#)) and on the proposed budgets for the International Criminal Tribunal for Rwanda, the International Tribunal for the Former Yugoslavia and the International Residual Mechanism for Criminal Tribunals for the biennium 2016-2017 ([A/70/606](#)). During its consideration of the reports, the Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 11 December 2015.

**Effect of changes in rates of exchange and inflation on the proposed programme budget for the biennium 2016-2017 ([A/70/603](#))**

2. The Secretary-General indicates that the impact of the proposed recosting on the proposed programme budget for the biennium 2016-2017, including revised estimates and programme budget implications, is a decrease of \$241,730,400, under the expenditure sections, from \$5,701,729,900 (if the recommendations of the Advisory Committee were to be applied) to \$5,447,589,700, and a decrease of \$19,418,100, under income sections 1 to 3 of the proposed programme budget, from \$555,083,400 (if the recommendations of the Committee were to be applied) to \$535,665,300 (see [A/70/603](#), tables 1 and 4). Upon enquiry, the Committee was informed that all figures in the report of the Secretary-General were current as at 8 December 2015.



3. The revised requirements under the expenditure sections reflect the combined effect of the recommendations of the Advisory Committee in documents A/70/7 and Add.1, 3, 4, 6, 20-27, which would result in a reduction in requirements totalling \$61,466,900, and a reduction, as a result of recosting, in the amount of \$241,730,400, comprising a decrease of \$168,819,600 resulting from revised exchange-rate assumptions, a decrease of \$74,654,500 resulting from revised inflation assumptions and an increase of \$1,743,700 resulting from vacancy rate assumptions. The Secretary-General indicates that the aforementioned inflation-related decrease reflects updated projections, comprising lower requirements for the cost-of-living allowance for General Service staff (\$33.4 million); non-post objects of expenditure (\$34.6 million); and staff assessment (\$9.2 million), partially offset by increased projections for post adjustment for Professional staff (\$2.5 million) (A/70/603, para. 9).

4. The Secretary-General provides, in table 1 of his report, information pertaining to the recosting with respect to vacancy rates, and information pertaining to the adjustments recommended by the Advisory Committee with respect to vacancy rates.

5. In connection with the information provided under the heading "Vacancy" in table 1, the Advisory Committee was informed, upon enquiry, that the figures reflect the latest information available and the related impact in the resources proposed for the biennium 2016-2017, with the increase of \$1.7 million reflecting the lower-than-budgeted vacancy rate experienced between January 2015 and October 2015. The Committee notes that actual average vacancy rates in both the Professional and higher categories, and the General Service and related categories, from 2012 to 2015 indicate a reduction in the average budgeted vacancy rates for Professional staff from 8.9 per cent in 2014 to 8.1 per cent in 2015 and an increase from 5.2 per cent in 2014 to 6.3 per cent in 2015 for General Service staff (see A/70/619, para. 17). **The Advisory Committee trusts that the Secretary-General, upon consideration of the present report by the General Assembly, will provide updated recosting calculations using the most recent vacancy rates available for all categories of staff and in line with the standard regular budget recosting methodology.**

6. In connection with the information provided with respect to the adjustments recommended by the Advisory Committee pertaining to vacancy rates, the Committee notes that the Secretary-General's figures are based on the adjustments resulting from the Committee's recommendation, in the proposed programme budget for the biennium 2016-2017, that there be a return to the previous practice of applying a different budgetary treatment for new and continuing posts and therefore that the General Assembly apply the vacancy rate of 50 per cent for new Professional posts and 35 per cent for new General Service posts (see A/70/7, para. 57).

7. Table 4 of the report of the Secretary-General provides an overview of the requirements owing to inflation and exchange rate fluctuations by duty station. Upon enquiry, the Advisory Committee was provided with an expanded table, showing information on the proposed programme budget for 2016-2017, by duty station, after recosting, and the percentage change as a result of the effect of exchange rate fluctuations, as follows:

(Thousands of United States dollars)

<i>Duty station/office</i>	<i>Proposed programme budget after preliminary recosting</i>	<i>Change in exchange rate</i>	<i>Percentage change</i>
Vienna	194 063.5	(27 877.2)	-14.4%
Santiago	124 316.2	(15 910.4)	-12.8%
Addis Ababa	229 283.7	(7 788.9)	-3.4%
United Nations Military Observer Group in India and Pakistan	25 531.3	(1 845.0)	-7.2%
Economic and Social Commission for Western Asia	115 120.5	437.3	0.4%
Gaza/United Nations Relief and Works Agency for Palestine Refugees in the Near East/United Nations Truce Supervision Organization	156 199.9	(5 594.0)	-3.6%
Nairobi	144 300.4	(20 200.1)	-14.0%
Mexico	18 038.3	(2 615.5)	-14.5%
The Hague	57 471.1	(6 374.7)	-11.1%
Bangkok	171 209.7	(14 105.7)	-8.2%
Port of Spain	11 500.7	(78.3)	-0.7%
New York	3 168 001.3	–	–
Security field offices	48 243.5	–	–
Geneva	1 173 685.0	(66 867.1)	-5.7%
Information centres	56 543.1	–	–
<b>Total</b>	<b>5 693 508.2</b>	<b>(168 819.6)</b>	<b>-3.0%</b>

8. The Secretary-General notes in paragraph 4 of his report that the inclusion of the effect of applying the recommendations of the Advisory Committee is provided without prejudice to decisions yet to be made by the General Assembly on those recommendations. In addition, in table 2 of the report, the Secretary-General provides details on the potential financial implications with respect to those reports that were under consideration by the Committee at the time of preparation of the present report of the Secretary-General and were therefore not included in the recosting estimate. In connection with table 2, the Committee notes, for example, that with respect to the administrative and financial implications of the decisions and recommendations contained in the report of the International Civil Service Commission for the year 2015, the Committee's recommendation did not result in further adjustments (see also [A/70/7/Add.4](#)).

9. In the report of the Secretary-General on the second performance report on the programme budget for the biennium 2014-2015 (see [A/70/557](#), paras. 18-26), the Secretary-General details the experience to date in respect of the utilization of forward purchasing to protect the United Nations against exchange rate fluctuations, in line with General Assembly resolution 67/246, section X, whereas the Secretariat has continued the practice of forward purchasing of Swiss francs during the biennium 2014-2015 and would continue this practice in the biennium 2016-2017. The Secretary-General also notes that, for the first time, the forward rates would be identical to the budget rate, which would contribute to reduced recosting resources resulting from fluctuation of exchange rates during the biennium 2016-2017.

Furthermore, according to the Secretary-General, in the present recosting exercise, forward exchange rates were used with respect to those currencies for which an active forward rate exists.<sup>1</sup> The Advisory Committee's comments with respect to the utilization of forward contracts are contained in its report on the second performance report on the programme budget for the biennium 2014-2015 (A/70/619 \_\_\_\_, paras. 10-13).

### **Effect of changes in rates of exchange and inflation on the proposed budgets of the International Criminal Tribunal for Rwanda, the International Tribunal for the Former Yugoslavia and the International Residual Mechanism for Criminal Tribunals for the biennium 2016-2017 (A/70/606)**

10. The recosting exhibited in the report of the Secretary-General reflects the updated projections for inflation and the effect of the evolution of operational rates of exchange in 2015 on the proposed budgets for the International Criminal Tribunal for Rwanda, the International Tribunal for the Former Yugoslavia and the International Residual Mechanism for Criminal Tribunals for the biennium 2016-2017.

11. After recosting, the resource requirements for the Tribunals for the biennium 2016-2017, as proposed by the Secretary-General and taking into account the recommendations of the Advisory Committee which would result in decreased requirements of \$788,100, would amount to: \$1,774,600 gross for the International Criminal Tribunal for Rwanda (a decrease of \$328,400); \$95,747,100 gross for the International Tribunal for the Former Yugoslavia (a decrease of \$26,600); and \$133,522,300 gross for the International Residual Mechanism (a decrease of \$433,100). The relative impact of the recosting parameters on each of the proposed budgets is indicated in the summary table in paragraph 4 of the report of the Secretary-General.

12. The Secretary-General indicates in paragraph 2 of his report that the proposed budgets are recosted in line with the standard regular budget recosting methodology and that, in line with General Assembly resolution 69/274 A, section IX, forward exchange rates have been used for the recosting for currencies for which an active forward rate exists. Furthermore, adjustments to the vacancy rates are based on the average realized vacancy rates from January to October 2015.

### **Conclusion**

13. Taking into account its comments and observations presented above, the **Advisory Committee has no objection to the revised estimates of the Secretary-General arising from the recosting of the effect of changes in rates of exchange and inflation, as reflected in his reports (A/70/603 and A/70/606) and, accordingly, transmits them to the General Assembly for consideration.**

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<sup>1</sup> For the Ethiopian birr, the Lebanese pound and the Trinidad and Tobago dollar, the latest operational rate of exchange was utilized, as no active market with forward rates exists (see A/70/603, para. 2).