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Financing of the International Residual Mechanism for Criminal Tribunals

Revised estimates for the International Residual Mechanism for Criminal Tribunals: effect of changes in rates of exchange and inflation

Report of the Secretary-General

Summary

In accordance with established practice, the proposed budget is recosted prior to its adoption by the General Assembly. A preliminary recosting is included in the proposed budget for the International Residual Mechanism for Criminal Tribunals for 2020 ([A/74/355](#)).

The present report provides the updated projections for inflation and the effect of the evolution of rates of exchange in 2019, updated standard costs and vacancy rates on the proposed budget for 2020. The update takes into account General Assembly resolution [69/274](#), in which the Assembly requested the Secretary-General to ensure that the deployment of Umoja Extension 2 addresses the current shortcomings regarding the visibility of and the internal flow of information. Increased visibility on data relating to exchange rate and standard costs has been used to determine the revised projections.

After recosting, the resource requirements for 2020 as proposed by the Secretary-General would amount to \$102,566,500 gross for the International Residual Mechanism.

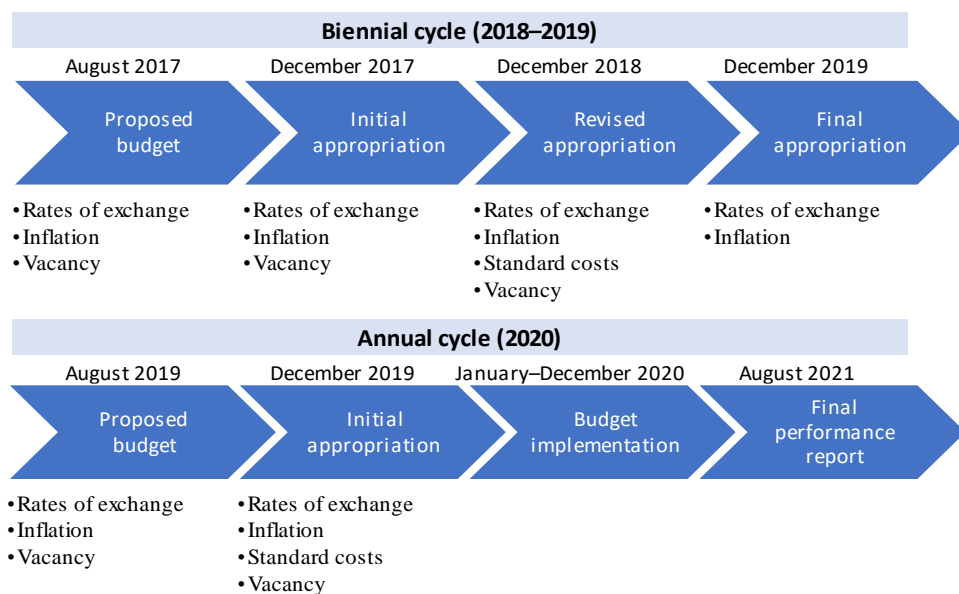


I. Introduction

1. In accordance with established practice, the proposed budget contained in [A/74/355](#) is presented at the same price levels and rates of exchange as the current budget. The impact of the changes in these parameters is isolated and presented in a separate column entitled “Recosting” in the proposed budget for the International Residual Mechanism for Criminal Tribunals for 2020 ([A/74/355](#), table 6). In a biennial cycle, the proposed budget would have been subsequently recosted three additional times; in the annual cycle, on the other hand, the proposed budget would be recosted once more, as outlined in the present report.

2. The Secretary-General, in his report entitled “Shifting the management paradigm in the United Nations: improving and streamlining the programme planning and budgeting process” ([A/72/492/Add.1](#)), proposed that the budget would include an initial recosting element that would be updated only once, immediately before the beginning of the budget period, allowing for greater certainty for the Member States in terms of their financial obligations. If final budget expenditures should exceed the annual budget as a result of overexpenditure under post resources, the Secretary-General, after taking into consideration the final overall programme expenditures and savings from the cancellation of prior-period obligations, would seek an additional appropriation, in accordance with the staffing table as approved by the General Assembly and the post-related actual expenditures. In its resolution [72/266 A](#), the General Assembly took note of the report of the Secretary-General ([A/72/492/Add.1](#)) and approved the proposed change from a biennial to an annual budget period on a trial basis, beginning with the programme budget for 2020.

Comparison of recosting adjustments between the biennial and the annual cycle



3. The present report is submitted to the General Assembly for the purpose of updating the resource requirements in the proposed budget before an initial appropriation is approved. The methodology takes into account the request of the General Assembly contained in section IX of its resolution [69/274](#), in which the Assembly requested the Secretary-General to ensure that the deployment of Umoja Extension 2 addresses the current shortcomings regarding the visibility of and the internal flow of information and to integrate the data requirements in the design of the budget formulation module. In the same resolution, the Assembly endorsed the

conclusions and recommendations contained in the report of the Advisory Committee on Administrative and Budgetary Questions on the study on recosting and options for the Organization in dealing with fluctuations in exchange rates and inflation (A/69/640). In paragraph 28 of that report, the Advisory Committee indicated its expectations that Umoja, once fully implemented, would properly satisfy the Secretariat's need for timely, detailed information concerning currency exposures.

4. The recosting in the present report was prepared in the budget formulation module using expenditure experience to improve the assumptions applied to the recosting parameters, notably, currency exchange rates and inflation, adjustments to standard costs (payroll and common staff costs) and vacancy rates. The recosting is based on the initial budget proposal for the International Residual Mechanism (A/74/355).

5. The recommendations of the Advisory Committee on Administrative and Budgetary Questions had not yet been finalized at the time of reporting. In the meantime, the proposed budget has been recosted to provide Member States with a more comprehensive picture of the overall level of estimates when determining the appropriations for 2020. This is, however, without prejudice to decisions yet to be made further to any future recommendations of the Advisory Committee.

6. A summary of the results of the recosting based on the parameters described herein is provided in the table below.

Summary of recosting of the proposed budget for 2020

(Thousands of United States dollars)

<i>Proposed programme budget before preliminary recosting</i>		<i>Proposed programme budget after preliminary recosting</i>		<i>Adjustments recommended by the Advisory Committee on Administrative and Budgetary Questions</i>	<i>Recosting</i>					<i>Proposed programme budget plus Advisory Committee adjustments^a</i>	<i>Exchange rate</i>	<i>Inflation</i>	<i>Standards</i>	<i>Vacancy</i>	<i>Total</i>	<i>Proposed estimates</i>
(1)	(2)	(3)=(1+2)	(4)	(5)=(3+4)	(6)	(7)	(8)	(9)	(10)=(6+7+8+9)	(11)=(5+10)						
103 690.8	2 364.1	106 054.9	To be determined	106 054.9	(2 402.2)	(469.0)	(1 947.6)	1 330.4	(3 488.4)	102 566.5						

^a The amount may change depending on the adjustments recommended by the Advisory Committee.

7. An explanation of the variations in the costing parameters assumed in the calculation of the initial appropriation is provided in section II, parts A to D, below. The following schedules provide the costing parameters used in the proposed budget and their effect on duty stations (see annex):

- (a) Schedule I: rates of exchange relative to the United States dollar;
- (b) Schedule II: annual rates of inflation by duty station for the International Residual Mechanism for Criminal Tribunals;
- (c) Schedule III: post adjustment multipliers by duty station;
- (d) Schedule IV: annual cost-of-living adjustments by duty station (General Service and related);
- (e) Schedule V: Vacancy rates.

II. Explanation of variations in recosting parameters

A. Changes in exchange rates (decrease of \$2,402,200)

8. The implementation of Umoja since 2015 has provided improved visibility of currency requirements. In line with section IX of General Assembly resolution [69/274](#), the previous assumptions and currency of expenditures in the relevant duty stations have been refined to take into account actual experience of currency use from January 2016 to September 2019. The percentage of currency distribution has accordingly been refined on the basis of expenditure experience, which has resulted in lower exposure to exchange rate fluctuations for non-post objects of expenditure.

9. In line with section IX of General Assembly resolution [69/274](#), a forward rate of exchange as of December 2019 has been used as the basis for recosting for the euro, while the United Nations rate of exchange for December 2019 has been used for the Tanzanian shilling.

10. Exchange rate fluctuations reflect a net decrease in requirements of \$2,402,200 for the International Residual Mechanism, resulting from the strengthening of the United States dollar against the euro (0.890 vs. 0.835 assumed in the proposed budget), offset in part by the weakening of the United States dollar against the Tanzanian shilling (2,342.900 vs. 2,344.550 assumed in the proposed budget).

B. Inflation rates (decrease of \$469,000)

11. Updated inflation projections consist of three components: (a) post adjustment for staff in the Professional and higher categories; (b) cost-of-living adjustments for staff in the General Service and related categories; and (c) updated consumer price indices for non-post objects of expenditure.

12. For staff in the Professional and higher categories, there are changes in both inflation and exchange rates relating to the post adjustment component. Updated projections for post adjustment have been provided on the basis of the post adjustment rates for November 2019 adjusted with the consolidation of point, in line with the recommendations of the International Civil Service Commission contained in paragraph 63 and annex IV its report for 2019 ([A/74/30](#)), and the application of the 2020 inflation rate, as reflected in Schedule III (see annex).

13. Changes in salaries to the General Service and related categories and non-post resources are attributable to updated projected rates of inflation relative to those originally estimated, as reflected in Schedules II and IV (see annex).

14. For the International Residual Mechanism, the estimated reduced requirements of \$469,000 attributable to inflation reflect the net effect of reductions under non-post objects of expenditure, offset in part by an increase in requirements under posts due to applicable post adjustment rates projected for 2020.

C. Adjustments to standard costs (decrease of \$1,947,600)

15. Adjustments to standard costs reflect the net effect of changes in standard salary costs, staff assessment and common staff costs, which relate to allowances and benefits, appointments, transfers and separation of staff.

16. Revisions to standard salary costs for 2020, including staff assessment, are based on the latest payroll experience of October 2019, by location and post category.

17. Common staff costs are budgeted as a percentage of net salaries for each location. On the basis of the improved visibility of data in Umoja, the percentage of common staff costs are now separated for the Professional and higher and General Service and related categories for each location, based on actual expenditure experience from January 2018 to October 2019.

18. The decrease of \$1,947,600 reflects the net effect of (a) a decrease resulting from adjustments in salaries and common staff costs of 38 Security Service posts in Arusha, United Republic of Tanzania, based on actual expenditure experience in 2018–2019; and (b) increased requirements for common staff costs due to higher common staff percentages that result mainly from the increase in staff pensions as a result of the increase in the scale of pensionable remuneration for staff in the Professional and higher categories effective 1 January 2019, as approved by the General Assembly in its resolution [73/273](#).

D. Vacancy rates (increase of \$1,330,400)

19. In its resolution [73/277](#), the General Assembly approved the following vacancy rates for continuing temporary posts, which were used in the assumptions of the proposed budget for the International Residual Mechanism: (a) The Hague branch: 0.9 per cent for the Professional and higher categories and 2.3 per cent for the General Service and related categories; and (b) Arusha branch: 19.3 per cent for the Professional and higher categories and 11.7 per cent for the General Service and related categories. The average realized vacancy rates for continuing posts from January to October 2019 are: (a) The Hague branch: 0.6 per cent for the Professional and higher categories and 0.6 per cent for the General Service and related categories; and (b) Arusha branch: 11.5 per cent for the Professional and higher categories and 4.9 per cent for the General Service and related categories. A revision of the vacancy rates for continuing posts is proposed in line with the average realized vacancy rates for 2019, as reflected in Schedule V (see annex). The impact of vacancy rate adjustments for continuing posts would result in an increase of \$1,330,400 owing to the lower vacancy rates for both the Professional and higher categories and the General Service and related categories.

Annex

Schedules

Schedule I

Rates of exchange relative to the United States dollar

Duty station	Currency	Rates of exchange, 2020	
		Proposed budget	Present report ^a
The Hague	Euro	0.835	0.890
Arusha	Tanzanian shilling	2 344.550	2 342.900
New York	United States dollar	1.000	1.000

^a Based on the forward rate of exchange for The Hague and the rate of exchange of December 2019 for Arusha.

Schedule II

Annual rates of inflation by duty station for the International Residual Mechanism for Criminal Tribunals

Duty station	Currency	Rates of inflation applicable to non-post objects of expenditure			
		Proposed budget		Present report	
		2019 ^a	2020 ^b	2019 ^c	2020 ^b
The Hague	Euro	2.3	1.9	2.7	1.5
Arusha	Tanzanian shilling	4.8	4.9	3.5	3.8
New York	United States dollar	2.4	1.6	1.8	1.6

^a 2018–2019 revised rates.

^b Projected.

^c Final 2019 estimates.

Schedule III

Post adjustment multipliers by duty station

Duty station	Proposed budget		Present report	
	2019 ^a	2020 ^b	2019 ^c	2020 ^b
The Hague	39.9	41.8	34.6	40.3
Arusha	36.2	38.0	35.9	39.5
New York	67.4	71.2	67.2	68.1

^a 2018–2019 revised rates.

^b Projected.

^c Final 2019 estimates.

Schedule IV

Annual cost-of-living adjustments by duty station (General Service and related)

(Percentage)

<i>Duty station</i>	<i>Proposed budget</i>		<i>Present report</i>	
	<i>2019^a</i>	<i>2020^b</i>	<i>2019^c</i>	<i>2020^b</i>
The Hague	2.3	1.9	4.4	1.5
Arusha	4.8	4.9	1.7	3.8
New York	—	1.6	1.7	1.6

^a 2018–2019 revised rates.^b Projected.^c Final 2019 estimates.

Schedule V

Vacancy rates

<i>Duty station</i>	<i>Proposed budget for 2020</i>		<i>Present report^a</i>	
	<i>Professional and higher</i>	<i>General Service and related</i>	<i>Professional and higher</i>	<i>General Service and related</i>
The Hague	0.9	2.3	0.6	0.6
Arusha	19.3	11.7	11.5	4.9
New York	—	—	—	—

^a Based on average vacancy rates from January to October 2019.