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Proposed programme budget for 2022

Financial performance report on the programme budget for 2020

Seventeenth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2022

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the financial performance report of the Secretary-General on the programme budget for 2020 (A/76/347; see para. 38 below). The Advisory Committee received additional information and clarification from the representatives of the Secretary-General, concluding with written responses dated 11 November 2021.

2. The Advisory Committee recalls that in the context of the management reform, the General Assembly, in its resolution 72/266 A, approved the proposed change from a biennial to an annual budget period on a trial basis, beginning with the programme budget for 2020. The Assembly also decided to review the budget cycle at its seventy-seventh session, with a view to taking a final decision. In the same resolution, the Assembly also endorsed the recommendation of the Committee that the Secretary-General issue a separate budget performance report following the completion of a budget period, so that the information on budget performance of the prior completed period would therefore be considered at the same time as proposals for the forthcoming budget period (A/72/7/Add.24, para. 58). The report of the Secretary-General (A/76/347) is therefore the first performance report since the change to an annual budget period on a trial basis (see paras. 10 and 29–37 below).

3. In his report, the Secretary-General indicates that the implementation of the programme budget for 2020 was affected by the coronavirus disease (COVID-19) pandemic and the liquidity constraints that the Organization faced, which affected the pattern of expenditure of the Organization (ibid., summary).

Impact of the pandemic on the implementation of the programme budget for 2020

4. In his report, the Secretary-General indicates that in 2020, as a result of the pandemic, the Organization incurred additional expenditure, comprising (a) an amount of $21.5 million under the regular budget (see para. 5 below), arising from expenditure

for medical evacuations, support through United Nations system clinics (first line of defence) and COVID-19 vaccinations, which was cost-shared with other United Nations system organizations, with the United Nations share amounting to $43.9 million apportioned across budget sections of the programme budget and peacekeeping missions on the basis of the number of personnel; and (b) an amount of $2.4 million for additional investments to secure software licences and upgrades to the enterprise network to support the communications infrastructure and to facilitate the uninterrupted operations of the Organization, including by supporting virtual or hybrid meetings of intergovernmental bodies and working remotely (ibid., summary and para. 4).

5. Upon enquiry, the Advisory Committee was informed that the United Nations share of $43.9 million represented a budgeted amount consistent with the system-wide modus operandi in all major undertakings for upfront funding. The apportionment of the costs of the Secretariat reflected the following: (a) for medical evacuations, 30 per cent was charged under regular budget entities and 70 per cent from peacekeeping missions; (b) for the support through United Nations system clinics, it was cost-shared among the regular budget entities only, as peacekeeping missions generally have existing medical capacity within a mission; and (c) for the COVID-19 vaccinations, the initial estimate had only been apportioned to the regular budget entities given the evolving nature of the programme, including uncertainty about the costs. Once the total costs of the vaccination programme became available, appropriate adjustments and charges would be made to share the costs across all Secretariat entities, including peacekeeping missions. The Committee was also provided with information on the initial budgeted amounts for evacuations ($59.6 million) and medical clinic support ($19.4 million) among the system entities, with the Secretariat share of $28.6 million and $9.3 million, respectively (or 47.9 per cent).

6. In his report, the Secretary-General further indicates that the global pandemic also caused an abnormally low level of expenditure under travel, experts, hospitality and supplies and materials owing to all the constraints affecting the normal functioning of the Organization across duty stations and locations (see also para. 13 below).

Impact of liquidity constraints on the implementation of the programme budget for 2020

7. In his report, the Secretary-General indicates that in order to manage liquidity, budget expenditure was aligned with forecasted collections of assessments, which forced the postponement of some non-post expenditure and the introduction of a hiring freeze from April 2020 onwards. Notwithstanding the significant cash conservation measures, the regular budget liquidity reserves were exhausted in December 2020, forcing borrowing from the closed peacekeeping missions (ibid., summary, paras. 5–7 and table 1). While the arrears reached a record high of $711 million in contributions at the end of 2019 (a 34 per cent increase over 2018), the Organization ended the year 2020 with new record arrears of $807.6 million. According to the report of the Secretary-General, the higher cash balances and the lower deficit in 2020, as shown in figure I of the report, reflected mainly the impact of spending restrictions, most notably the hiring restrictions.

8. In his report, the Secretary-General indicates that programme delivery was constrained by both the liquidity crisis and the pandemic, as well as the high number of vacancies (ibid., para. 6). Upon enquiry, the Advisory Committee was informed that the existing systems are not configured to capture the impact of transitory events (such as the COVID-19 pandemic and the liquidity constraints) and that the attribution of the impact to one factor or the other would be difficult, as activities and related budget consumption are frequently affected by multiple factors. Furthermore, if the resources are not explicitly budgeted for a particular activity, then the tracking of the impact becomes even more difficult. The analysis required to isolate the

financial impact of the liquidity crisis and the pandemic by comparing the costs previously estimated and the actual costs incurred with the new, modified or replacement activities (e.g., costs of virtual training, which may entail consultancy fees, new information technology equipment and new software licences versus cost of venue, travel of participants, documentation costs and supplies and materials) adds further complexity to this process.

9. **The Advisory Committee recalls that the General Assembly, in its resolution 74/250 A, endorsed its recommendation that the Secretary-General include comprehensive information on the impact of all measures put in place to address the liquidity challenges of the biennium 2018–2019 in the next relevant report, including a disaggregation by budget section and object of expenditure (A/74/583, para. 8; see also para. 38 below). The Committee trusts that the related update will be provided in the next performance report.**

10. Furthermore, in its resolution 72/266 A, the General Assembly requested the Secretary-General to conduct a review of changes to the budgetary cycle in 2022, following the completion of the first full budgetary cycle for a decision of the Assembly at the seventy-seventh session (see para. 2 above). **The Advisory Committee trusts that the Secretary-General will consolidate information on lessons learned from the implementation of the annual budget on a trial basis, including the management of the liquidity constraints in an annual budget cycle compared with a biennial period.**

II. Expenditure sections

11. Final expenditure for 2020 amounted to $3,015,940,300 against the appropriation of $3,073,830,500 for the year. The expenditure included additional spending (totalling $15,022,600), without appropriation, authorized by the General Assembly (see para. 12 below). As reflected in table 2 of the report of the Secretary-General (A/76/347), the overall underexpenditure (appropriation surplus) amounted to $57,903,000 (or 1.9 per cent) for 2020 and excluding the additional spending without appropriation, the balance amounted to $75,252,600 (or 2.4 per cent) (see also para. 7 above). Variances by budget section and by object of expenditure are explained in paragraphs 28 to 37 and annex II, respectively, of the report of the Secretary-General (see also table 5 below).

12. The additional spending of $15,022,600 authorized by the General Assembly without appropriation includes expenditure approved in: (a) resolution 74/263, an amount of $9,410,100 for subventions to the Extraordinary Chambers in the Courts of Cambodia and to the Residual Special Court for Sierra Leone; and (b) resolution 74/265, an amount of $5,612,500 relating to unforeseen and extraordinary expenses concurred by the Advisory Committee and certified by the Secretary-General, respectively. Detailed information is provided in paragraphs 24 to 27 and tables 4 and 5 of the report of the Secretary-General (A/76/347). The Committee considered, in the context of its report on the use of the commitment authority and request for a subvention to the Extraordinary Chambers in the Courts of Cambodia, that the Secretary-General should only use the portion of the commitment authority required to supplement the voluntary contributions and recommended that the Assembly request the Secretary-General to credit the surplus for 2020 of $580,100 to Member States in January 2022 (see A/76/7/Add.12, para. 14, and A/75/7/Add.19, para. 15).

13. According to the Secretary-General, the overall underexpenditure (surplus) in the amount of $57.9 million is driven mainly by underexpenditure under travel of representatives, travel of staff, experts and hospitality, owing primarily to the COVID-19 pandemic, as travel restrictions were imposed globally, meetings were either postponed

or cancelled when they could not be held virtually and hospitality events were cancelled, as well as underexpenditure related to delays in the implementation of the flexible workplace project at United Nations Headquarters resulting from the pandemic in 2020 (expenditure of $0.5 million against the appropriation of $6.8 million for 2020) (A/76/347, para. 10). Information on appropriations and expenditure, by object of expenditure, is provided in table 5. The Advisory Committee notes the underexpenditure under post and other staff costs (see para. 33 below).

Commitments

14. In his report, the Secretary-General indicates that the total expenditure of $3,015.9 million for 2020 includes unliquidated commitments amounting to $222.3 million, or 7.2 per cent of the appropriation, at the end of 2020 (ibid., para. 17). Table 3 of the report contains information on the level of commitments at the end of each budget period since the biennium 2012–2013. **The Advisory Committee notes from the table that the commitment of 7.2 per cent for 2020 is substantially higher, even compared with 2.9 per cent, 2.4 per cent, 2.8 per cent and 2.7 per cent for the prior four biennial financial periods. The Committee recommends that the General Assembly request the Secretary-General to provide updates on unliquidated commitments in the context of future regular budget submissions.**

15. In his report, the Secretary-General further indicates that, as collection patterns were unpredictable, the Organization adapted commitments on the basis of collections. About $330 million of the $434 million paid in December was received only in the last 10 days of that month, including $104 million on the last day of 2020 (ibid., paras. 6 and 18). The Advisory Committee was informed, upon enquiry, that the higher level of commitments at the end of 2020 reflected the combination of the commitments established during the normal course of business that were not liquidated before the end of the year, and the special fund commitments established in December, related to the late receipt of the contributions. Of the $222.3 million total commitments at the end of 2020, special funds commitments amounted to $116.7 million (see para. 16 below). The Committee was also informed that total commitments at the end of 2019 amounted to $172.4 million, of which special commitments accounted for $54.7 million (the lower percentage of 2.9 per cent was due to the biennial budget of 2018–2019).

Special commitments

16. Concerning the special commitments in an amount of $116.7 million, the Advisory Committee recalls that the Board of Auditors noted that those 23 fund commitments had been established in December 2020 without supporting documents or certifying officers (A/76/5 (Vol. I), chap. II, para. 59). Upon enquiry, the Committee was informed that, according to the Secretariat, as there was very little time for a detailed analysis of the mandated activities that could still be reasonably completed with some additional time, the Organization opted to block the funds centrally as special commitments to reduce the negative impact on mandate implementation and allow managers time to spend the budget for their intended purposes. If programme managers are unable to execute the mandated activities within the following budget period, the financial regulations require the liquidation of such commitments and the return of the funds in the following budget period, as cancellations of prior period commitments. The Committee was also informed that those commitments, which were authorized exceptionally by the Controller, were executed centrally to support the programmatic activities for which they were approved. The special funds commitments were created with significant restrictions, for better oversight, and they could only be created or amended at Headquarters by a few individuals and could not be used for any third-party contractual arrangements.

17. The Advisory Committee requested and received information on the allocation of the special commitments by budget section (see table 1).

Table 1
Special funds commitments, by budget section
(United States dollars)

Budget section		*Amount*
1.	Overall policymaking, direction and coordination	100 000
2.	General Assembly and Economic and Social Council affairs and conference management	27 553 370
3.	Political affairs	42 273 301
4.	Disarmament	1 200 000
5.	Peacekeeping operations	1 300 000
6.	Peaceful uses of outer space	200 000
8.	Legal affairs	4 875 000
9.	Economic and social affairs	1 599 500
12.	Trade and development	600 000
13.	International Trade Centre	692 219
15	Human settlements	295 000
18.	Economic and social development in Africa	5 631 116
19.	Economic and social development in Asia and the Pacific	434 000
20.	Economic development in Europe	315 000
23.	Regular programme of technical cooperation	3 650 000
24.	Human rights	4 885 000
27.	Humanitarian assistance	1 840 000
28.	Global communications	2 299 500
29A.	Department of Management Strategy, Policy and Compliance	560 000
29B.	Department of Operational Support	3 240 000
29C.	Office of Information and Communications Technology	7 689 500
29G.	Administration, Nairobi	373 720
30.	Internal oversight	340 000
33.	Construction, alteration, improvement and major maintenance	4 041 101
34.	Safety and security	677 100
	Total	**116 664 427**

18. Upon enquiry, the Advisory Committee received more detailed information about special commitments number 3100026738 for $27,553,370 and number 3100026739 for $43,573,301 (see A/76/554, table). The Committee was informed that for section 2, an amount of $27,553,370 was established based on the estimated requirements by the Department for General Assembly and Conference Management to address the backlog of deliverables prompted by the delayed release of allotments owing to the liquidity situation, and for the servicing of meetings that were planned for 2020 but postponed to 2021, for which no provision was made. For example, between January and August 2021, in New York alone, over 570 backlog documents were translated that were carried over from the 2020 period, including documents related to treaty agreements and verbatim reporting services. The Committee was informed that regarding document number 3100026739 for $43,573,301 pertaining to section 3, primarily for special political missions, the commitment was established to

allow programme managers to undertake an assessment of the feasibility of executing the programmatic activities initially postponed and that could not be managed within the budget of the following period. Moreover, the Committee was informed that the implementation of those activities was still ongoing, subject to the availability of cash. Considering that commitments from 2020 draw on the same regular budget cash pool as the 2021 programme budget, the release of those commitments for utilization needs to be carefully balanced in 2021.

19. The Advisory Committee has discussed the special commitments in its related report on the financial reports and audited financial statements, and report of the Board of Auditors for the period ended 31 December 2020 (see A/76/554). **The Advisory Committee notes that the report of the Secretary-General on the performance of the programme budget for 2020 does not disclose information on the special commitments authorized at the end of 2020. While acknowledging the liquidity constraint experienced by the Organization and the impact on its mandate delivery during the period, the Committee notes that the authorization of the special commitments, which were centrally blocked at the end of 2020, was not based on a detailed needs assessment against clear criteria. The Committee recommends that the General Assembly request the Secretary-General to ensure that the approval of fund commitments be in full compliance with the relevant Financial Regulations and Rules (see para. 16 above) and be reported with detailed justifications in both the financial statements and the performance report, to improve transparency.**

Down payments

20. The Advisory Committee notes the differences in the amount of reported unliquidated commitments at the end of 2020 in the report of the Secretary-General ($222.3 million, see A/76/347, table 3), compared with the report of the Board of Auditors ($219.53 million, A/76/5 (Vol. I), chap. II, table II.10). The Committee enquired and was informed that the information provided to the Board excluded down payments and that for the purposes of budget reporting, which uses a modified cash basis of accounting, down payments are included as part of commitments. Upon further clarification, the Committee was informed that the request from the Board was to provide information in a prescribed format on commitments based on an extract of commitments from Umoja in the amount of $219.63 million, which excluded down payments. The Committee requested and received information on the level of commitments and down payments since 2014–2015 (see table 2), which shows that down payments ranged from 1.2 per cent to 3.1 per cent of the commitments since the 2014–2015 financial period.

Table 2
Level of commitments and down payment at the end of each budget period
(Thousands of United States dollars)

		Down payment at the end of the period	
	Commitments	*Down payment*	*Percentage*
Budget period	*(a)*	*(b)*	*(c)=(b)/(a)*
2014–2015	164 856.5	2 843.5	1.7
2016–2017	135 944.9	4 246.5	3.1
2018–2019	172 421.2	2 088.9	1.2
2020	222 260.3	2 625.6	1.2

21. **The Advisory Committee notes the discrepancy in the reported unliquidated commitments at the end of 2020, as down payment information was included in the performance report of the Secretary-General, but not provided to the Board of Auditors. The Committee trusts that further information and clarification will be provided to the General Assembly at the time of its consideration of the present report. The Committee trusts that information on down payments will be provided to the Board of Auditors, as appropriate.**

Expenditure pattern

22. According to the Secretary-General, the pattern of expenditure experienced in 2020 is not expected to persist and is not to be construed as a predictor of future expenditure (A/76/347, para. 10). The Advisory Committee requested comparative information on expenditure for the first nine months of 2020 and 2021, by object of expenditure (see table 3). **The Advisory Committee notes from the information received that the overall expenditure incurred during the first nine months of 2021 showed a similar pattern to that of 2020.**

Table 3
Comparative expenditure information, January to September, 2020 and 2021
(Thousands of United States dollars)

	2020			*2021*		
	Appropriation	*Expenditure January–September 2020*	*Percentage*	*Appropriation*[a]	*Expenditure January–September 2021*	*Percentage*
Posts	1 324 138.3	986 246.1	74	1 401 098.7	980 360.2	70
Other staff costs	619 080.7	442 196.7	71	660 383.6	441 308.3	67
Non-staff compensation	10 469.0	7 064.6	67	10 977.5	7 221.6	66
Hospitality	1 055.9	63.2	6	703.8	15.1	2
Consultants	21 706.5	16 112.8	74	18 860.1	17 845.5	95
Experts	19 584.5	8 085.3	41	17 106.7	8 755.5	51
Travel of representatives	23 116.3	3 333.2	14	25 213.6	5 817.5	23
Travel of staff	41 611.9	8 714.6	21	30 551.9	12 708.8	42
Contractual services	91 830.7	58 821.3	64	102 179.9	75 700.2	74
General operating expenses	314 521.0	164 714.2	52	308 401.4	206 048.0	67
Supplies and materials	25 179.4	5 553.7	22	23 728.5	4 456.1	19
Furniture and equipment	35 160.2	8 811.5	25	30 202.4	18 572.7	61
Improvement of premises	9 826.4	1 159.5	12	7 068.4	1 120.2	16
Grants and contributions	249 207.4	196 028.2	79	286 775.8	252 625.7	88
Other	287 342.3	202 551.2	70	301 471.8	218 727.4	73
Total	**3 073 830.5**	**2 109 456.0**	**69**	**3 224 724.1**	**2 251 282.8**	**70**

[a] The appropriation for 2021 includes amounts approved in General Assembly resolutions 75/254 A and 75/253 B.

Effect of forward purchasing of currencies

23. The Advisory Committee recalls that, in section IX of its resolution 69/274 A, the General Assembly decided to use forward exchange rates in preparing future budget estimates, commencing with the proposed programme budget for the biennium 2016–2017. It is indicated that currently, forward purchasing of foreign currencies involves the Swiss franc and the euro only (A/76/347, para. 12).

24. The Secretary-General reports that during 2020, the Organization purchased at predefined rates of exchange against the United States dollar under forward contract arrangements 296.2 million Swiss francs (77 per cent) and 88.5 million euros (23 per cent). The weakening of the United States dollar against the Swiss franc and the euro in 2020 resulted in a positive difference between the contracted forward rates and the United Nations operational rates of exchange, with total positive differences of $13.2 million ($11.5 million for the Swiss franc and $1.7 million for the euro) from the forward purchasing of Swiss francs and euros for 2020 (see ibid., paras. 14 and 15, figures II and III).

25. **While noting that gains and losses may arise from the practice of forward purchases, the Advisory Committee recalls that the main benefit to be derived from using forward rates is the predictability that they provide in the budget process (see A/74/583, para. 24, A/72/647, para. 16, and A/70/619, para. 11).**

III. Income sections

26. Table 6 of the report of the Secretary-General provides a summary of the approved estimates and actual income under income sections, with the actual income totalling $282.2 million for 2020, reflecting $13.4 million (or 4.5 per cent) less than the approved estimates (A/76/347, paras. 39–43). The lower-than-projected income is attributable to decreases in income from staff assessment ($9.5 million, as a result of lower post expenditure mainly due to the hiring freeze) and services to the public ($8.8 million, due to the combined effect of a net decrease in gross revenue and in total expenditure, owing mainly to disruptions imposed by the COVID-19 pandemic); offset in part by an increase in income from general income ($4.9 million, including higher-than-projected bank interest).

27. It is indicated that bank interest amounted to $6.1 million for 2020 and that no income from bank interest was projected (A/76/347, para. 40). Upon enquiry, the Advisory Committee was informed that the regular budget cash is managed in an internally managed cash pool and invested by the Treasury, with an annualized interest rate of 1.57 per cent in the first half of 2020 versus 0.69 per cent in the second half of 2020. Furthermore, it was indicated to the Committee that, while bank interest earned on balances in respect of the general fund through 30 September 2021 amounted to $2.1 million,[1] the Secretariat assumes no projected interest income for the remainder of 2021 owing to the very low interest rate environment and also because of the tendency for balances in the general fund to be lower in the later months of the year. Upon further enquiry, the Committee was informed that the calculation and distribution of investment revenue (includes interest income) in the cash pool is performed twice a year, in June and December. For the general fund, its share of the distribution was as follows: $4.9 million in June 2020, $1.2 million in December 2020 and $2.1 million in June 2021.

28. The proposed programme budget for 2022 reflects no interest income based on the very low interest rate environment (see A/76/6 (Income sect. 2), para. IS2.4). **The Advisory Committee notes the bank interest income earned during 2020 and 2021, while no such income was projected for the programme budget for the two financial periods. The Committee is of the view that projections for bank interest income should be reflected in future budget proposals.**

[1] In the proposed programme budget for 2021, it was projected that no interest income would be earned on United Nations bank account balances in respect of the general fund during 2021, owing to the regular budget liquidity situation (A/75/6 (Income sect. 2), para. IS2.4).

IV. Other matters

Annual budgetary process

29. 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, para. 29), the Secretary-General indicated that as a result of the proposed annualization, the proposed programme budget would include an initial recosting element that would be updated just once, immediately before the beginning of the budget period, allowing greater certainty for the Member States in terms of their financial obligations. The Advisory Committee was informed, upon enquiry, that with the annual budget, the instances of recosting have been reduced from four[2] to two (in the proposed annual programme budget and immediately before the General Assembly approves the budget in December). In addition, as the performance report is provided after the end of the budget period (compared with the first and second performance reports submitted during a biennial budget cycle), it does not involve estimation of expenditure or requests for the Assembly to adjust the appropriation based on various factors, including changes in rates of exchange. As a result, the budget is no longer recosted in the context of the annual performance report.

30. Concerning the recosting parameters, the Advisory Committee was informed that to the extent material variances are driven by changes in recosting parameters, the respective parameters are reflected in the justifications provided in the performance report. For example, frequent references are made to changes between the assumed and the actual post adjustment multiplier during 2020. Moreover, it was indicated to the Committee that the same applies to vacancy rates and other recosting parameters, as applicable. The Committee also requested and received information on budgeted and actual post expenditure (see table 4), and budgeted and actual vacancy rates experienced during 2020.

Table 4
Budgeted and actual post expenditure

(Thousands of United States dollars)

	Appropriation	*Expenditure*	*Variance*	*Percentage*
2018–2019	2 568 835.2	2 578 177.3	(9 342.1)	(0.4)
2020	1 329 441.2	1 309 887.0	19 554.2	1.5

Transfers between budget sections and final annual budget

31. In its resolution 74/264 A on the programme budget for 2020, the General Assembly resolved that the Secretary-General shall be authorized to transfer credits between sections of the budget, with the concurrence of the Advisory Committee on Administrative and Budgetary Questions. After considering the report of the Secretary-General on budget performance in respect of the 2020 budget period: proposed transfers between sections of the programme budget, dated 23 April 2021, the Advisory Committee concurred with the proposed transfers based on information made available to it, which focused on variances for the sections with budget deficits. At that time, the Committee requested but did not receive information on surpluses

[2] Under the biennial programme budget, the four instances of recosting included (a) estimates in the proposed biennial programme budget; (b) in the “initial budget” prior to the start of a budget cycle; (c) in the “revised budget” in the context of the first performance report during the first year of the budget cycle; and (d) in the “final budget”, in the second performance report during the second year of the budget period.

and/or deficits under the main objects of expenditure and it was informed that the information would be provided in the context of the performance report for 2020.

32. Annex II to the report of the Secretary-General (A/76/347) contains information on 2020 appropriation and expenditure, by object of expenditure, which reflects the appropriation approved in resolution 74/264 A–C, and the appropriation after transfers between sections with the concurrence of the Advisory Committee (see table 5).

Table 5
2020 appropriation, expenditure and surplus and/or deficit by object of expenditure
(Thousands of United States dollars)

Object of expenditure	*Appropriation approved in resolution (74/264 A–C)* (a)	*Appropriation after transfers between sections* (b)	*Expenditure* (c)	*Surplus/(deficit)* *Amount* (d)=(b)-(c)	*Surplus/(deficit)* *Percentage* (e)=(d)/(b)
Posts	1 324 138.3	1 329 441.2	1 309 887.0	19 554.2	1.5
Other staff costs	619 080.7	623 951.7	600 817.4	23 134.2	3.7
Non-staff compensation	10 469.0	10 329.5	9 591.9	737.6	7.1
Hospitality	1 055.9	1 041.2	86.5	954.7	91.7
Consultants	21 706.5	22 673.3	27 472.1	(4 798.8)	(21.2)
Experts	19 584.5	19 544.2	11 744.9	7 799.3	39.9
Travel of representatives	23 116.3	23 116.3	5 056.7	18 059.6	78.1
Travel of staff	41 611.9	34 018.8	9 997.6	24 021.2	70.6
Contractual services	91 830.7	91 210.7	123 273.7	(32 063.0)	(35.2)
General operating expenses	314 521.0	315 718.9	309 334.1	6 384.8	2.0
Supplies and materials	25 179.4	24 936.8	19 904.3	5 032.5	20.2
Furniture and equipment	35 160.2	36 737.9	48 697.0	(11 959.1)	(32.6)
Grants and contributions	249 207.4	246 774.5	250 418.6	(3 644.0)	(1.5)
Improvement of premises	9 826.4	6 332.3	6 060.1	272.2	4.3
Other	287 342.3	288 003.0	283 598.4	4 404.7	1.5
Total	**3 073 830.5**	**3 073 830.5**	**3 015 940.3**	**57 890.2**	**1.9**

33. From its analysis of the overexpenditures and underexpenditures reflected in table 5 above, the Advisory Committee notes the lack of clarity and justification concerning the transfers when actual expenditure was lower than the appropriation approved by the General Assembly. For example under other staff costs, while the appropriation ($619,080,700) approved by the Assembly was sufficient to cover the actual expenditure ($600,817,400), a transfer was requested which led to a surplus of $23,134,200. The Committee requested clarification and was informed that the request was due to a transfer to other staff costs for after-service health insurance under section 32, which had an overexpenditure. In transferring credits to section 32, the same object of expenditure was used, hence the transfer to other staff costs. The Committee was not convinced by the information provided to it. In addition, the transfer to post resources led to an appropriation surplus of $19,554,200, when expenditure was also lower than the appropriation approved by the Assembly. **The Advisory Committee trusts that more clarification and justification will be provided to the General Assembly during its consideration of the present report. Furthermore, the Committee recommends that the Assembly request the Secretary-General to provide comprehensive information and clarification in his**

future reports on proposed transfers between sections of the programme budget. The Committee has made comments and recommendations concerning the trend of increasing transfers between sections in recent years in its first report on the proposed programme budget for 2022 (see A/76/7, chap. I, paras. 16 and 17).

34. The Advisory Committee also sought clarification on the budgetary process during the annual budget on a trial basis. It was informed that under the biennial budget, the second performance report would present the estimated final expenditures based on the experience of 21 months of the 24-month budget period. Subsequently, after the close of the budget period, the final actual expenditures would be presented to the Committee through the report on the transfers between budget sections. However, it was indicated to the Committee that, with the annual budget, the report on the proposed transfers between section focuses on variance explanations for the sections with budget deficits. The performance report of the Secretary-General (A/76/347) takes into account the concurrence of the Committee for any transfer between sections and considers the amount after transfers to be the final budget of the period. **The Advisory Committee notes that under the current arrangement made by the Secretariat, what is contained in the budget following the concurrence by the Advisory Committee for the proposed transfers is considered as the final budget, which is not approved by the General Assembly.**

35. **The Advisory Committee is of the view that the performance report of the Secretary-General should continue to reflect expenditure and variances against appropriations approved by the General Assembly, which should form the basis for the report of the Secretary-General on the proposed transfers between budget sections, as well as any post-related overexpenditure and additional appropriation, if so required (see para. 37 below). The Advisory Committee recalls that, in its resolution 72/266 A, the General Assembly reaffirmed that no changes to the budget methodology, established budgetary procedures and practices or the financial regulations may be implemented without prior review and approval by the General Assembly in accordance with established budgetary procedures.**

36. The Advisory Committee further recalls that during its consideration of the proposed transfers between budget sections for 2020, it enquired as to the possibility of considering the report of the Secretary-General report on the proposed transfers in the context of the performance report for 2020. The Committee was informed at that time that the simultaneous consideration of the two reports would require either pushing the report on proposed transfer between sections to a later date or bringing the performance report to an earlier date. Owing to the timing and the implications for the financial statements, the presentation of the report on proposed transfers between sections could not be postponed until September. It was indicated to the Committee that the option of preparing the performance report in May is not feasible given that, during the period from February to July, all existing capacity in the Office of Programme Planning, Finance and Budget needs to focus on the preparation of the proposed programme budget reports and the related supplementary information, and subsequently on servicing the Advisory Committee and the Committee for Programme and Coordination. The Advisory Committee notes that the report of the Secretary-General on the proposed transfers between sections was dated 23 April 2021, while the financial statements were officially submitted to the Board of Auditors on 31 March 2021. **The Advisory Committee trusts that further clarifications on the potential sequencing of the performance report and the report on the transfers between budget sections will be provided to the General Assembly during the consideration of the present report.**

37. On a related matter, the Advisory Committee recalls that in his report on the management reform (A/72/492/Add.1, para. 29), the Secretary-General indicated that

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. **The Advisory Committee notes that in cases of overexpenditure and the need for additional appropriation, the General Assembly will be requested to approve what would constitute the final budget of an annual programme budget, rather than the budget reflecting the transfers between budget sections concurred by the Advisory Committee.**

Presentation of the report of the Secretary-General

38. The Advisory Committee recalls that the General Assembly, in its resolution 74/250 A, endorsed the recommendations of the Committee contained in the report on the second performance report on the programme budget for the biennium 2018–2019 (A/74/583, paras. 35, 36 and 39). Noting the absence of the requested information in the performance report of the Secretary-General, the Committee requested and received information on budgeted and actual expenditure relating to after-service health insurance, security operations and services, and the budgetary and accounting treatment for expenditures under improvement of premises, along with the related authorization for such treatment. **The Advisory Committee reiterates its recommendation that the General Assembly request the Secretary-General to include the related information in future performance reports of the Secretary-General (ibid., paras. 8, 35, 36 and 39).**

39. During its consideration of the performance report of the Secretary-General (A/76/347), the Advisory Committee notes that, while the advance version of the report was entitled "budget performance report", the published report is entitled "financial performance report". The Committee notes that the report of the Secretary-General on the proposed transfer between budget sections is entitled budget performance in respect of the 2020 budget period (see para. 31 above). In addition, the Committee is of the view that the report of the Secretary-General should contain comprehensive information on the budget performance, without limiting its scope to financial information only. **The Advisory Committee recalls that the General Assembly, in resolution 72/266 A, endorsed its recommendation that the General Assembly request the Secretary-General to issue a separate budget performance report following the completion of a budget period (A/72/7/Add.24, para. 58).**

Development Account

40. Upon enquiry on the implementation of relevant General Assembly resolutions, including 54/15 on the transfer of savings from efficiency measures identified in the context of the budget performance reports to the Development Account, the Advisory Committee was informed that, as indicated in the budget fascicle for section 35 (A/76/6 (Sect. 35), annex III), realized savings, or underexpenditure, had been tracked and reported in the context of the performance reports for a decision by the Assembly. However, the Secretariat was not in a position to attribute such savings to "efficiency measures" since multiple factors play a role when final expenditures are below the appropriation level. Ultimately, the decision on the transfer of savings to the Development Account rests with the Assembly which, at its discretion, had provided additional resources for the Development Account although those amounts were not identified as efficiency gains. For example, in its resolutions 62/235 A and 64/242 A, the Assembly decided to increase the provision under the Development Account by the amounts of $5 million and $7.5 million, respectively. It was indicated to the Advisory Committee that the budget performance report for 2020 presents another

opportunity to increase the level of the Development Account if the General Assembly so wishes. **The Advisory Committee reiterates its concern that the Secretary-General has not responded to the requests of the General Assembly in its previous resolutions, including resolutions 52/12 B, 54/15, 56/237, 62/238, 70/247 and 75/254 A–C, and that, to date, no savings from efficiencies have been identified and transferred to the Development Account (see A/76/7, para. XIII.10, A/75/7 and A/75/7/Corr.1, para. XIII.3, and A/74/7, para. XIII.12).**

41. **The Advisory Committee notes that an increase in the level of the Development Account in the context of the 2020 performance report is a matter within the purview of the General Assembly**.

V. Conclusions

42. Actions to be taken by the General Assembly are set out in paragraphs 47 and 48 of the report of the Secretary-General (A/76/347).

43. In the report, the Secretary-General indicates that the current regulatory framework is predicated on the budget being consumed within the year for which it was approved and unspent funds being returned to Member States as credits against future assessments even if a Member State has not paid its assessment in full (ibid., para. 20; see also para. 7 above). Upon enquiry, the Advisory Committee was provided with information on credits returned to Member States in arrears since 2018–2019 and on the top 10 Member States in arrears as at 31 December 2020 (the top 3 represented 79 per cent, 6.3 per cent and 2.7 per cent of the total arrears). The Committee was informed that the proposed return of surplus as credit against assessments is based on financial regulations 3.2, 5.3 and 5.4.

44. **Subject to its comments and recommendations above, the Advisory Committee recommends that the General Assembly: (a) take note of the report of the Secretary-General, including the final expenditure for 2020 in the amount of $3,015,940,300 and the actual income for 2020 in the amount of $282,197,200; and (b) approve the return of a net surplus of $77,094,200 in 2020 as a credit against assessments to Member States for 2022.**