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PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1988-1989

REVISED ESTIMATES: EFFECT OF CHANGES IN RATES OF EXCHANGE  
AND INFLATION

Report of the Secretary-General

1. In paragraph 33 of the introduction to the proposed programme budget for the biennium 1988-1989 (A/42/6 (Introduction)), it was indicated that developments in exchange rates will be reviewed in order to ensure that the final appropriations will be based on the latest available rates. These have been reviewed in conjunction with inflation rates. In paragraph 28 of the statement of administrative and financial implications (A/C.5/42/23) submitted to the Fifth Committee in respect of the report of the International Civil Service Commission (ICSC) (A/42/30) and of the United Nations Joint Staff Pension Board (A/42/9) it was also indicated that for 1988-1989 the revised estimates arising would be presented in the context of the recosting of the 1988-1989 programme budget.
2. The normal format of this document has been adjusted to present an additional annex by duty station to better reflect the source of additional requirements for currency and inflation.
3. Rates of exchange and projected rates of inflation. Revised rates for the following duty stations are proposed, based on United Nations operational rates effective 1 December 1987, and with respect to inflation rates experienced to date and projected:

Duty station	Rates of exchange		Rates of inflation, % p.a.	
	Initial proposal	Revised proposal	Initial proposal	Revised proposal
New York (US dollars)	-	-	3.0	4.5
Geneva (francs)	1.68	1.36	1.7	1.7
Vienna (schillings)	14.20	11.50	1.0	1.0
The Hague (guilders)	2.30	1.87	1.0	1.0
Bangkok (baht)	25.95	25.65	2.5	4.6
Addis Ababa (birr)	2.07	2.07	3.0	3.0
Nairobi (shillings)	16.10	17.00	9.0	8.5
Baghdad (dinars)	0.31	0.31	8.0	8.0
Rome (lire)	1 410.00	1 225.00	5.0	6.0
Kingston (dollars)	5.46	5.46	10.0	5.4
Santiago (pesos) <u>a/</u>	-	-	7.4	6.5
Mexico (pesos) <u>a/</u>	-	-	10.0	10.0
Port of Spain (\$TT)	3.60	3.60	4.5	12.0
UNRWA/UNICs/UNHCR and Namibia field duty stations <u>a/</u>	-	-	5.0	4.5
UNTSO/UNMOGIP/FOS <u>a/</u>	-	-	3.0	4.5

a/ Net effect of currency and inflation.

4. The proposed inflation rates have been applied to the levels of salary costs based on experience in 1987 as reported in the final performance report for the 1986-1987 biennium (A/C.5/42/40). This provides a more accurate derivation of projected costs for 1988 and 1989 than would be the case if the revised rates were applied to the 1987 rates which were used in calculating the resource base.

5. The new rates have been applied to the proposed programme budget as approved by the Fifth Committee in its first reading, and to all revised estimates and statements of programme budget implications approved to date. The effect of the recosting is shown in Annex I to the present report. A duty station summary is provided in annex II to the present report.

6. The overall effect of the recosting of the amounts referred to in paragraph 4 above and shown in Annex I can be summarized as follows:

	<u>\$'000s</u>
A. Amounts approved for expenditure sections .....	1 632 145.0
Difference resulting from recosting .....	<u>139 491.3</u>
Total	<u><u>1 771 636.3</u></u>
B. Estimates approved for income sections .....	332 861.0
Difference resulting from recosting .....	<u>4 469.2</u>
Total	<u><u>337 330.2</u></u>

7. The change of \$139,491,300 is attributable to increased requirements in respect of currency fluctuations (\$108,690,400) as well as to increased requirements in respect of inflation (\$30,800,900). The increased requirements for inflation are attributable to three main influences. The recommendations and decisions of ICSC and of the Pension Board, the movement in average salary levels reflecting the aging of the Secretariat and the adjustment in 1987 actual inflation rates and projected 1988 and 1989 rates have all contributed to an upward revision of requirements in respect of inflation. Inflationary factors may be analysed as follows:

	<u>\$'000s</u>
ICSC and Pension Board recommendations .....	5 922.8
Changes in average levels .....	19 691.9
Inflation rate changes .....	<u>12 358.3</u>
Subtotal	37 973.0
Staff assessment changes .....	<u>(7 172.1)</u>
Total	<u><u>30 800.9</u></u>

The change in average levels is a side-effect of a prolonged period of recruitment freeze which, as a result of the absence of new staff joining at entry level steps, has caused the average step in grade of the Secretariat as a whole to increase.

## Annex I

## RECASTING - BIENNIUM 1988-1989

(Thousands of US dollars)

Section	Approved by Fifth Committee	Recosting		Total estimates
		Currency	Inflation	
<b>A. Estimates of expenditure</b>				
1. Overall policy-making, direction and co-ordination .....	42 634.5	1 497.8	820.3	44 952.6
2A. Political and Security Council affairs; peace-keeping activities ..	75 731.8	1 890.1	2 840.2	80 462.1
2B. Department for Disarmament Affairs .	8 925.2	318.4	196.9	9 440.5
3. Political affairs, trusteeship and decolonization .....	30 503.7	3.0	1 317.8	31 824.5
4. Policy-making organs (Economic and social activities) .....	1 818.3	134.5	87.8	2 040.6
5A. Office of the Director-General for Development and International Economic Co-operation .....	3 783.0	-	57.1	3 840.1
5B. Regional Commissions Liaison Office	628.9	-	12.1	641.0
6A. Department of International Economic and Social Affairs .....	39 083.0	261.6	945.1	40 289.7
6B. Activities on global social development issues .....	9 378.0	2 087.2	541.9	12 007.1
7. Department of Technical Co-operation for Development .....	19 042.5	402.0	492.6	19 937.1
8. Office of Secretariat Services for Economic and Social Matters ....	-	-	-	-
9. Transnational Corporations .....	9 210.3	96.8	224.8	9 531.9

Section	Approved by Fifth Committee	Recosting		Total estimates
		Currency	Inflation	
10. Economic Commission for Europe ....	28 926.1	6 725.1	352.4	36 003.6
11. Economic and Social Commission for Asia and the Pacific .....	32 135.9	369.9	977.2	33 483.0
12. Economic Commission for Latin America and the Caribbean .....	39 458.4	-	3 611.5	43 069.9
13. Economic Commission for Africa ....	42 556.0	-	1 678.6	44 234.6
14. Economic and Social Commission for Western Asia .....	31 944.5	-	655.4	32 599.9
15. United Nations Conference on Trade and Development .....	64 157.8	14 556.9	625.4	79 340.1
16. International Trade Centre .....	12 242.8	-	-	12 242.8
17. Centre for Science and Technology .	3 887.2	-	84.1	3 971.3
18. United Nations Environment Programme .....	10 286.5	(94.6)	463.0	10 654.9
19. United Nations Centre for Human Settlements (HABITAT) .....	8 100.0	(333.2)	589.3	8 356.1
20. International Drug Control .....	6 698.6	1 548.0	503.6	8 750.2
21. Office of the United Nations High Commissioner for Refugees ....	35 339.0	3 920.0	297.5	39 556.5
22. Office of the United Nations Disaster Relief Co-ordinator .....	6 082.5	1 194.3	47.1	7 323.9
23. Human Rights .....	13 798.9	3 116.2	163.6	17 078.7
24. Regular Programme of Technical Co-operation .....	31 147.1	457.6	741.4	32 346.1
25. International Court of Justice ....	11 012.1	1 631.2	115.6	12 527.7

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Section	Approved by Fifth Committee	Recosting		Total estimates
		Currency	Inflation	
26. Legal activities .....	15 390.4	712.1	603.5	16 706.0
27. Public information .....	73 486.10	1 285.6	2 260.4	77 032.1
28. Administration and management .....	344 424.7	24 926.6	7 712.5	377 063.8
29. Conference and library services ...	296 564.4	29 753.2	8 171.3	334 488.9
30. United Nations bond issue .....	3 520.8	-	-	3 520.8
31. Staff assessment .....	262 371.2	11 406.8	(7 171.2)	266 605.9
32. Construction, alteration, improvement and major maintenance of premises .....	<u>17 874.8</u>	<u>823.3</u>	<u>504.4</u>	<u>19 202.5</u>
Total, expenditure sections	<u>1 632 145.0</u>	<u>108 690.4</u>	<u>30 800.9</u>	<u>1 771 636.3</u>

Section	Approved by Fifth Committee	Recosting	Total estimates
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B. Estimates of income

Income section 1 .....	265 886.1	5 133.8	271 019.9
Income section 2 .....	52 886.9	1 655.4	54 542.3
Income section 3 .....	<u>14 088.0</u>	<u>(2 320.0)</u>	<u>11 768.0</u>
Total, income sections	<u>332 861.0</u>	<u>4 469.2</u>	<u>337 330.2</u>

Total, net requirements

1 299 284.0

135 022.1

1 434 306.1

...

Annex II

SUMMARY OF REVISED ESTIMATES FOR THE BIENNIUM 1988-1989  
BY DUTY STATION (NET AND GROSS OF STAFF ASSESSMENT)

(Thousands of US dollars)

Duty stations	Approved by Fifth Committee	Recosting		Total estimates
		Currency	Inflation	
New York	643 701.0	-	16 825.9	660 526.9
Geneva	362 303.9	80 398.9	5 702.8	448 405.6
Vienna	64 321.8	14 998.9	4 050.6	83 371.3
Santiago	34 926.8	-	2 518.1	37 444.9
Addis Ababa	49 028.5	-	1 707.4	50 735.9
Baghdad	36 038.5	-	672.6	36 711.1
Nairobi	20 306.6	(972.2)	897.1	20 231.5
Bangkok	36 448.9	418.2	1 129.4	37 996.5
Other duty stations	<u>122 697.8</u>	<u>2 439.8</u>	<u>4 469.1</u>	<u>129 606.7</u>
Subtotal net of staff assessment	1 369 773.8	97 283.6	37 973.0	1 505 030.4
Staff assessment	<u>262 371.2</u>	<u>11 406.8</u>	<u>(7 172.1)</u>	<u>266 605.9</u>
Total	<u>1 632 145.0</u>	<u>108 690.4</u>	<u>30 800.9</u>	<u>1 771 636.3</u>