



General Assembly

Distr.
GENERAL

A/39/7/Add.15
14 December 1984

ORIGINAL: ENGLISH

Thirty-ninth session
Agenda item 109

PROGRAMME BUDGET FOR THE BIENNIUM 1984-1985

First performance report on the programme budget for the biennium 1984-1985

Sixteenth report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the first performance report of the Secretary-General on the programme budget for the biennium 1984-1985 (A/C.5/39/88).
2. As noted in paragraph 1 of the report of the Secretary-General, the revised net requirements for the biennium 1984-1985 are estimated at \$1,277,647,300, which is \$25,619,700, or 1.97 per cent, less than the net requirements of \$1,303,267,000 approved by the General Assembly in its resolution 38/236 of 20 December 1983. Expenditure estimates are reduced by \$9,158,700, while estimates of income are increased by \$16,461,000.
3. As noted in paragraph 2 of the report, "the changes primarily reflect variations in the rates of exchange and in the impact of inflation, changes in standard costs and decisions of policy-making organs the implementation of which could not be deferred to the 1986-1987 biennium". The Advisory Committee notes that, while the report contains the same elements as before, its format has been changed to segregate adjustments in standard costs from the effects of unanticipated inflation. The Committee considers this to be an improvement in the form of presentation of the report.
4. The elements comprising the reduction in expenditure estimates are summarized in paragraph 19 of the Secretary-General's report as follows:

	\$
Decisions of policy-making organs	1 920 700
Other changes	1 198 800
Adjustments to standard costs	36 061 600
Savings from more favourable rates of exchange	(45 697 900)
Savings from lower than anticipated inflation rates	<u>(2 641 900)</u>
Net reduction in expenditure	(9,158,700)

5. The estimated increase in income is described in paragraphs 15 to 18 of the report, and may be summarized as follows:

	\$
Increase in income from staff assessment	18 511 200
Decrease in general income	(685 700)
Decrease in revenue-producing activities	<u>(1 364 500)</u>
Net increase in income	16,461,000

6. Annexes I and II to document A/C.5/39/88 provide a breakdown of these figures by section; additional information on rates of exchange and inflation is given in schedules 1 to 5 of the report.

7. The additional requirements attributable to decisions of policy-making organs and other changes (amounting in total to \$3,119,500) are outlined in paragraphs 5 and 6 of the report. The total includes \$2,803,100, which has been incurred under the terms of General Assembly resolution 38/237 of 20 December 1983 on unforeseen and extraordinary expenses for the biennium 1984-1985, and \$316,400 in other commitments. Approximately two thirds of the amount under "other commitments" refers to expenditures projected for the International Court of Justice in 1985, as indicated in paragraph 6, section 25 (b) of the report. The Advisory Committee was informed that, had an appropriation not been requested for these amounts, they could have been incurred in 1985, on the certification of the President of the International Court, in accordance with paragraph 1 (b) of General Assembly resolution 38/237 on unforeseen and extraordinary expenses.

8. The additional amount required as a result of adjustments to standard costs (\$36,061,600) is discussed in paragraphs 7 to 10 of the report. ^{1/} The heading "adjustments to standard costs" covers three components, which, in previous performance reports, were included under the heading of inflationary adjustments, namely: (a) the consolidation of 20 points of post adjustment into base pay, as approved by the General Assembly in resolution 39/27 of 30 November 1984; (b) an adjustment in vacancy rates, reflecting higher than foreseen vacancy situations among both Professional and General Service staff in New York and Geneva; and (c) changes in the percentage rate of common staff costs. The Advisory Committee notes that two of these elements are offset, in whole or in part, by credits to staff assessment in income section 1 of the report (para. 15). The net effect of these adjustments, after application of staff assessment, amounts to \$14,580,000, as follows:

(Thousands of U.S. dollars)

	<u>Gross</u>	<u>Staff assessment</u>	<u>Net</u>
Consolidation of 20 points of post adjustment (para. 7 (a))	23 452.0	23 452.0	-
Adjustment in vacancy rates (paras. 7 (b) and 9)	(9 790.9)	(1 970.4)	(7 820.5)
Changes in the percentage rate of common staff costs (para. 7 (c))	<u>22 400.5</u>	<u>-</u>	<u>22 400.5</u>
	<u>36 061.6</u>	<u>21 481.6</u>	<u>14 580.0</u>

9. The components of the additional amounts required for common staff costs in New York, Geneva and Vienna are listed in the table following paragraph 13 of the Secretary-General's report. The Advisory Committee was informed that increases in amounts required under this heading could arise either as a result of action by legislative organs to increase amounts payable (as occurred at the thirty-eighth session of the General Assembly in respect of medical insurance at Headquarters, education grants and pension contributions), or because more staff members become eligible for existing entitlements under the staff rules and regulations. A summary of recent experience with regard to common staff costs (which are expressed for budgeting purposes as a percentage of net salary), appears in schedule 5 of the report.

10. The savings resulting from more favourable rates of exchange are estimated at \$45,697,900. Actual rates of exchange experienced in 1984 are outlined in schedule 2 of the report. In accordance with past practice, and as noted in paragraph 14 of the report, the operational rate of exchange for December 1984 has been used as a basis for projecting exchange rates, at a constant level, to the end of 1985. The Secretary-General notes that "should the present foreign exchange value of the United States dollar change during 1985, the necessary upward or downward adjustments in the 1984-1985 appropriation would be reflected in the final performance report". The Advisory Committee concurs in this approach.

11. Savings resulting from lower than anticipated inflation rates are estimated at \$2,641,900. Estimated inflation rates in 1984 and 1985, as compared with the initial appropriations for the biennium, are shown in schedule 1. As noted in paragraph 12 of the report, downward adjustments appear to be warranted in Geneva, Vienna, The Hague and Rome, whereas, in the case of Baghdad, an upward adjustment has been required in respect of 1984 only. No change is indicated in respect of inflation at Headquarters, which continues to be estimated at the rate of 5 per cent per annum.

12. In view of the foregoing, the Advisory Committee sought additional information on the breakdown of inflation, by duty station, in table 2 of annex II. According to that table, savings arising from reduced inflation may be expected at every duty

/...

station except New York, where additional requirements attributed to inflation are estimated at some \$25 million. Representatives of the Secretary-General explained that certain increases had arisen in the biennium 1984-1985 that exceeded the standard rate of inflation experienced during the biennium. These increases amounted to \$25,078,600, of which \$5,036,200 related to staff assessment, and was offset in income section 1. The resulting net increase of \$20,042,400 could be summarized as follows:

	\$
(a) General Service staff. Increase resulting from the survey conducted by the International Civil Service Commission (ICSC) on best prevailing conditions in New York	7 982 700
(b) Professional staff. Increase resulting from an additional class of post adjustment in New York, in August 1984, as a result of a decision by ICSC	4 148 700
(c) Common staff costs. Increased budgetary provision at standard rates consequent to (a) and (b) above	3 578 000
(d) Requirements of the Office of General Services (see A/C.5/39/88, para. 13)	3 108 300
(e) Requirements of other offices, similar to (d) above	411 400
(f) Additional requirements in respect of the after-service medical insurance scheme for retired staff members	<u>813 300</u>
Total	<u>20 042 400</u>

13. The Advisory Committee recommends that the foregoing breakdown be included, as appropriate, in the body of future performance reports. As regards the increases attributable to the decisions of ICSC, the Advisory Committee recalls that it has already reported to the General Assembly, at its current session, on the administrative and financial implications of those decisions (see A/39/7/Add.4).

14. As noted in paragraph 5 above, increases in income are estimated at \$16,461,000, reflecting an increase in income section 1 (income from staff assessment) of \$18,511,200, offset by decreases in income sections 2 and 3. The increase in income section 1 corresponds mainly to the increase in respect of staff assessment in expenditure section 31, the elements of which may be found in table 1 of annex I to the report of the Secretary-General (A/C.5/39/88). The main reason for the increase is the consolidation into base pay of 20 points of post adjustment, as noted in paragraph 8 above.

15. In response to its enquiries, the Advisory Committee was informed that the estimated reduction of \$1,364,500 in income from revenue-producing activities, as noted in the Secretary-General's report (para. 18), is due to declining economic conditions and a decrease in the number of visitors to the United Nations.

According to information provided to the Advisory Committee, expenditures, particularly those relating to salaries in the gift and souvenir shops, are being reduced in approximate proportion to the loss in revenue, and it is still anticipated that net revenue from the two operations will exceed \$1 million for the biennium 1984-1985.

16. The Advisory Committee recommends approval of the revisions to the appropriation and estimates of income for the programme budget for 1984-1985 as contained in annexes I and II of document A/C.5/39/88.

Notes

1/ The Advisory Committee was informed that the table following paragraph 13 should have been inserted after paragraph 10.
