



# General Assembly

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## Seventy-fifth session

Agenda item 141

### Proposed programme budget for 2021

## Revised estimates: effect of changes in rates of exchange and inflation

### Thirty-fourth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2021

#### I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the report of the Secretary-General on the effect of changes in rates of exchange and inflation ([A/75/638](#)). During its consideration of the report, the Committee requested, but did not receive, additional information and clarification from representatives of the Secretary-General (see paras. 2 and 3).

2. The Advisory Committee notes that the advance version of the report was not made available in sufficient time during the Committee's session to allow for a detailed examination of its content. The Committee further notes that it requested, but did not receive, information on any of its queries on the following elements:

(a) Detailed calculations of the proposed adjustment for inflation for: (i) section 22, Economic and social development in Western Asia, in the amount of \$18,999,400; (ii) section 34, Safety and security, in the amount of \$10,510,500; and (iii) section 32, Special expenses, in the amount of \$3,717,000;

(b) Detailed calculations of the additional requirements of \$6,190,700 for standard salary costs, representing the difference between the financial implications of the recommendations and decisions of the International Civil Service Commission, estimated for the programme budget at \$2,169,000, and the amount of \$8,359,700 referred to in Schedule 5 of the report;

(c) A disaggregation of the second column of schedule 5, entitled "Adjustments recommended by Advisory Committee", by individual revised estimates and programme budget implications.

3. **The Advisory Committee is concerned that the Secretariat has not provided any of the additional information requested. The Committee reiterates its recommendation that the General Assembly request the Secretary-General to**



ensure the submission of all future reports and related additional information requested in a timely manner. The Committee trusts that the requested information will be provided to the Assembly at the time of its consideration of the report.

## II. Effect of changes in rates of exchange and inflation

4. In the report, the Secretary-General indicates that, after taking into consideration the recommendations of the Advisory Committee, the cumulative effects of the updated rates on the expenditure sections would amount to a total of \$118.4 million, or an increase of \$69.2 million as compared with the preliminary estimate of \$49.2 million included in the proposed programme budget for 2021, owing to the effects of changes in inflation, rates of exchange and other recosting parameters (A/75/638, summary and para. 1).

5. **The Advisory Committee recalls its observation that, in the interests of clarity and to simplify the budget process, the proposed programme budget should be recosted only once, at the budget approval stage. The Committee reiterates its recommendation that the General Assembly request the Secretary-General to present recosting information once, in the context of the report of the Secretary-General entitled “Revised estimates: effect of changes in rates of exchange and inflation”, at the time of the consideration by the Assembly of the proposed programme budget (A/75/7, para. 30).**

6. **The Advisory Committee also reiterates its recommendation that the General Assembly request the Secretary-General to provide, in the context of the performance report, disaggregated information on the recosting of all grants and contributions, and the share of regular budget funding against each section’s total budget. The Committee further recommends that the Assembly request the Secretary-General to harmonize the recosting of grants and contributions (ibid., para. 31).**

7. In paragraph 11 of the report, the Secretary-General indicates that the revised estimates owing to changes in exchange rates amount to \$42.8 million, mainly reflecting the weakening of the United States dollar in relation to the Swiss franc (\$45 million) and the euro (\$10 million), offset in part by a stronger dollar in relation to the Ethiopian birr (\$9 million) and the Kenya shilling (\$5 million).

8. Revised estimates owing to changes in inflation amount to \$67.3 million, compared with the amount of \$49.2 million included in the proposed programme budget for 2021, representing an increase of \$18.0 million, predominantly reflecting higher projections for inflation in Lebanon (\$35 million) than those presented in the proposed programme budget for 2021 (A/75/638, paras. 13 and 17 and schedule 5).

9. With respect to changes in standard salary costs, the Secretary-General indicates that related revised estimates amount to \$8.4 million, mainly owing to updated payroll information, which reflects the latest payroll experience of October 2020, by location and grade, and takes into account the decisions and recommendations contained in the report of the International Civil Service Commission, primarily driven by higher average steps in the majority of the grades than in the preceding year (ibid., para. 19).

10. The Secretary-General proposes the normalization of vacancy rates, which have been kept high artificially to limit spending based on available liquidity and to avoid defaulting on legal obligations, including salaries and entitlements. He proposes the maintenance of vacancy rates at the level approved for the programme budget for 2020, namely, 9.1 per cent for Professional staff and 7.4 per cent for General Service staff, which would result in no resource changes under the revised estimates owing to

changes in vacancy rates. The application of the actual vacancy rates, the average of which currently stands at 11.7 per cent for Professional staff and 7.7 per cent for General Service staff, would amount to a reduction of approximately \$30 million (ibid., paras. 22–24).

**11. The Advisory Committee recalls that, in the context of the proposed programme budget for 2021, it was not convinced that the budgeted rates for continuing posts in the Professional and higher and General Service and related categories were justified and was of the view that an overall single vacancy rate by staff category for all sections was unrealistic and might have an impact on mandate delivery for some sections. The Committee reiterates its recommendation that the General Assembly request the Secretary-General, taking into account the actual vacancy rate, to propose specific vacancy rates for both Professional and higher and General Service and related categories for individual sections of the programme budget (A/75/7, paras. 33 and 34).**

12. Table 3 of the report contains a list of revised estimates and statements of programme budget implications issued to accommodate requirements not foreseen at the time of the preparation of the proposed programme budget for 2021. Schedule 5 of the report provides the amounts, by budget section, related to the effects of recosting.

13. The Secretary-General indicates that the effects of recosting on the income estimates would amount to a total of \$6.6 million, which represents an increase of \$4.2 million compared with the preliminary estimate of \$2.4 million included in the proposed programme budget for 2021 (A/75/638, summary).

**14. Taking into account its observations and recommendations above and those made in the context of the proposed programme budget for 2021, the Advisory Committee trusts that detailed clarifications will be provided to the General Assembly during its consideration of the present report.**