



General Assembly

Distr.: General
16 December 2021

Original: English

Seventy-sixth session

Agenda item 138

Proposed programme budget for 2022

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

Thirty-third 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 an advance version of the report of the Secretary-General on the revised estimates: effect of changes in rates of exchange and inflation ([A/76/593](#)). During its consideration of the report, the Committee interacted with the representatives of the Secretary-General in a hybrid in-person and virtual hearing and received some additional information and clarification from the representatives of the Secretary-General (see paragraphs 2 and 3 below).

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 also notes that it had requested additional information but did not receive all the information requested or received insufficient information on the following queries:

(a) Regarding schedule 5 of [A/76/593](#), detailed calculations showing how the Secretariat arrived at \$2,969,900 requested for adjustment for inflation under section 36, Staff assessment;

(b) For section 12, Trade and development, section 13, International Trade Centre, and section 24, Human rights, tables were requested in the format of table 4 of report [A/76/594](#), titled "Inflation effect in various locations/zones in the proposed budget and the present revised estimates for 2022";

(c) Detailed calculations of the proposed adjustment for inflation for section 24, Human rights (\$4,055,000);

(d) Regarding table 1 of [A/76/593](#), titled "Effects of revised estimates for 2022 (expenditure sections)", detailed calculations were requested showing how the



\$50,474,700 reduction in the programme budget recommended by the Advisory Committee resulted in a \$72,500 increase under the column “Exchange rates”;

(e) Elaboration on measures taken to increase hiring after the lifting of the freeze and how successful they have been, and a presentation of a table with vacancy rates by budget section in 2021, as well as monthly vacancy rates of each budget section for 2021;

(f) Explanation of the benefits of the presentation of recosting twice for both the Secretariat and for Member States;

(g) With reference to paragraph 20 of [A/76/593](#), elaborate with more data and calculation methods, among others, to corroborate the paragraph.

3. The Advisory Committee notes that the Secretariat has not provided all the additional information requested or has provided insufficient information. The Committee reiterates its recommendation that the General Assembly request the Secretary-General to ensure the submission of all future reports 10 working days before the relevant scheduled hearing and related additional information requested in a timely manner, to enable the Committee to fulfil its responsibilities. 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. The Advisory Committee recalls that, in the context of the proposed programme budget for 2022, the Secretary-General provides information on the recosting methodology ([A/76/6 \(Introduction\)](#), paras. 57–65). It is stated that the proposed programme budget for 2022 is presented at the same price levels and rates of exchange as the programme budget for 2021 for comparability. The amount for 2022 is also presented after preliminary recosting to provide an indication of the resources for 2022 after adjustments for projected inflation. In December 2021, the budget proposals will be subject to a second instance of recosting, where adjustments will be made on the basis of updates to all four recosting parameters. In line with existing methodology, the first instance of recosting is calculated and presented in the context of the proposed programme budget. In this instance, recosting adjustments are made to account for projected inflation in 2022, while the other three parameters (vacancy rates, standard staff costs and rates of exchange) remain unchanged and as approved by the General Assembly in December of the previous year.

5. 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 \$24.0 million, or a reduction of \$32.3 million compared with the preliminary estimate of \$56.3 million already included in the proposed programme budget. The recosting effect on the income estimates would amount to a reduction of \$2.1 million, or \$2.4 million lower than the preliminary estimate of \$0.3 million already included in the proposed programme budget. According to the Secretary-General, the budgets of special political missions are not subject to recosting. Owing to time constraints, the amounts related to the recommendations of the Committee on the other supplementary budgets are not reflected in the report but would have been minimal ([A/76/593](#), summary and para. 5). **The Advisory Committee notes that the effect of recosting on the expenditure sections would result in an increase of \$24.0 million, while its effect on the income estimates would result in a reduction of \$2.1 million. The Committee trusts that an explanation will be provided to the General Assembly at the time of its consideration of the present report.**

6. It is stated in the report of the Secretary-General that the revised estimates due to changes in exchange rates resulted in a net decrease of \$27.8 million, due mainly to the strengthening of the United States dollar against other currencies, in particular the Swiss franc and euro. The exchange rates became more favourable than previously assumed for the Swiss franc (0.924 vs. 0.896 assumed in the proposed programme budget) and the euro (0.883 vs. 0.827 assumed in the proposed programme budget). Those decreases were offset in part by increases resulting from exchange rates for the new Israeli shekel less favourable than assumed (*ibid.*, paras. 10–11).

7. With respect to inflation, the Secretary-General indicates that updated inflation projections reflect the combined effect of three elements: post adjustment for staff in the Professional and higher categories; cost-of-living adjustments for staff in the General Service and related categories; and updated consumer price indices for non-post objects of expenditure. Revised estimates owing to changes in inflation resulted in a net increase of \$55.1 million, reflecting mainly higher projections for inflation in the United States of America than those assumed in the proposed programme budget for 2021 and 2022 (4.4 per cent vs. an estimated 1.5 per cent in 2021, and 3.2 per cent vs. 2.0 per cent for 2022). The higher projected inflation for the United States notwithstanding, the revised estimates reflect a downward adjustment compared with the overall inflation presented in the proposed programme budget (\$56.3 million), owing in part to the downward adjustments to the post adjustment multiplier in Lebanon (*ibid.*, paras. 13 and 17).

8. Revised estimates due to changes in standard salary costs resulted in a net decrease of \$3.4 million, owing mainly to the updated net base salary, which is based on expenditure in October 2021, with the decrease driven mainly by the application of the current salary scales for General Service staff in Lebanon, given that it is expected that the salary scales for General Staff in 2022 will remain unchanged, compared with the scales used in 2021. As a result, the increased provisions for General Service staff in Lebanon, which previously reflected increases based on the estimated consumer price index for 2021 (93.6 per cent) and 2022 (43.5 per cent), were discontinued (*ibid.*, para. 19).

9. Upon enquiry, the Advisory Committee was informed that, with respect to the Economic and Social Commission for Western Asia, the provisions for utilities and Internet connectivity were adjusted manually by comparing the cost of the provisions in the proposed programme budget with the revised projections as known in November 2021, resulting in an increase of some \$3.5 million. All other non-post objects of expenditure were adjusted on the basis of the traditional recosting approach (see para. 4 above). The recosting of the posts under the General Service and related categories was subject to an adjustment to align recosting with the reality of salary scales for local staff not being revised in line with local inflation, in the light of the actual currency of payments to staff. The adjustment was justified by the significant underexpenditure experienced/projected in 2021, which, for General Service posts, is estimated to be approximately \$8.5 million.

10. The Secretary-General also indicates that the Secretariat reviewed the existing calculation approach for the budgeting of common staff cost provisions. The review concluded that the calculation approach could be improved to reach a higher level of accuracy. In particular, given that actual expenditure under common staff costs does not always correlate with the remuneration level, the Secretariat tested a mixed approach whereby one of the common staff benefits (pension contribution) continued to be calculated on the basis of a percentage of staff remuneration, while the calculation of provisions for all other benefits was based on a per-person cost. The refined approach also applied location-specific per-person costs in the cases of health insurance and hardship and residence allowances. According to the Secretary-General, the test resulted in a slight increase in accuracy, and the Secretariat has

therefore applied the refined calculation approach to estimate common staff cost provisions for 2022 (ibid., para. 20). **The Advisory Committee notes the mixed approach and trusts that the Secretary-General will provide further clarification on the costing methodology for common staff costs to the General Assembly at the time of its consideration of the present report and in the context of the proposed programme budget for 2023, including on the net change to related cost estimates.**

11. Revised estimates owing to changes in vacancy rates resulted in no resource change. The Secretary-General proposes that the vacancy rates for Professional staff and for General Service staff be kept at 9.1 and 7.4 per cent, respectively, as approved by the General Assembly in its resolution [75/252](#). The Secretary-General indicates that vacancy rates have been kept high artificially to limit spending based on available liquidity and to avoid defaulting on legal obligations, including salaries and entitlements. According to the Secretary-General, for 2022, it is expected that the liquidity situation will improve, which would allow a further relaxation of the hiring freeze, contributing to lower vacancy rates. Using the actual average vacancy rates experienced by individual departments during 2021 as the vacancy rates for recosting for 2022 would have entailed a reduction of approximately \$60 million (ibid., paras. 22–24). **The Advisory Committee notes that the statement regarding the improving liquidity situation differs from the information provided in the context of the report on improving the financial situation of the United Nations ([A/76/7/Add.29](#)).**

12. Upon enquiry, the Advisory Committee was informed that, in May 2021, the Secretary-General had relaxed the recruitment freeze and that further steps had been taken more recently to remove restrictions that were limiting recruitment, resulting in a reduction in the vacancy rates as of August.

13. **Taking into account its observations and recommendations above, the Advisory Committee recommends that the General Assembly request the Secretary-General to provide detailed and disaggregated information on recosting in a tabular format as separate supplementary information in the next proposed programme budget, showing how each recosting figure is derived. The Committee expects that future reports on the revised estimates: effect of changes in rates of exchange and inflation will provide justifications for the proposed recosting of the programme budget and include detailed figures before and after recosting.**
