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Proposed programme budget for 2025

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

Twenty-third report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2025

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the report of the Secretary-General entitled "Revised estimates: effect of changes in rates of exchange and inflation" (A/79/375). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses dated 12 November 2024.

II. Background and presentation

2. The Advisory Committee recalls that it expressed the view 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 (A/75/7, para. 30, and A/75/7/Add.33, para. 5). The Committee further recalls that the General Assembly, in its resolution 78/252, decided to recost the proposed programme budget only once, no later than at the start of the main part of the session, including income sections.

3. It is indicated that the report of the Secretary-General was finalized in September 2024, in line with General Assembly resolution 78/252. Due to the earlier timing of the report, the scope of recosting is limited to the resources contained in the proposed programme budget for 2025 of the Secretary-General (A/79/6 (Introduction) and Sects. 1–36 and Income sects. 1–3). The additional requirements arising from supplementary budgets, including programme budget implications and revised estimates, will be recosted later in 2024, once all the supplementary budgets are known. The recosting exercise for the proposed programme budget excludes estimates of special political missions, in accordance with the established practice (A/79/375, paras. 3, 5 and 6; see also para. 38 below).

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Please recycle

Recosting of supplementary budgets and resources related to International Civil Service Commission recommendations

4. Upon enquiry on the timing and presentation of the recosting of the additional requirements arising from supplementary budgets, the Advisory Committee was informed that, while the Secretariat explored the option of including recosting calculations in each respective report, it became clear that it was not feasible under the current resources constraints. The additional requirements arising from supplementary budgets, including programme budget implications and revised estimates, would therefore continue to be recosted later in the year (in December, in accordance with the established practice), once all the supplementary budgets are known, except in the case of the International Residual Mechanism for Criminal Tribunals, for which the recosting of the requirements would be embedded directly in the report for more efficiency. Upon further clarification, the Committee was informed that the recosting in December would follow the established methodology for recosting and would be presented in the report of the Fifth Committee on the proposed programme budget and its annex I (summary of the recommendations of the Fifth Committee on the proposed programme budget, before and after recosting, by section).

5. In addition, the Advisory Committee was informed, upon enquiry, that the Secretariat had duly taken into account all decisions and recommendations of the International Civil Service Commission (ICSC) known at the time of the recosting exercise; however, any decisions of ICSC between September and November 2024 would not be captured in the exercise due to the earlier submission of the report of the Secretary-General.

6. **The Advisory Committee recalls General Assembly resolution 78/252 and notes that additional requirements arising from supplementary budgets, including programme budget implications and revised estimates, would be presented in December during the Fifth Committee deliberations on the proposed programme budget for 2025 (see para. 46 below).**

Presentation

7. The Secretary-General indicates that the report includes additional information to address the recommendations of the Advisory Committee contained in its previous report (A/78/7/Add.42), which were endorsed by the General Assembly in its resolution 78/253 (A/79/375, para. 7). **The Advisory Committee notes the inclusion in the report of the Secretary-General of information on general temporary assistance positions of a continuing nature (appendix VI) and information on vacancy rates expanded by entity within a budget section (appendix V). The Committee is of the view that the report should be further enhanced to include more comprehensive and detailed information for more transparency (see paras. 10, 19, 26 and 37 below).**

III. Recosting of post and non-post resources of the proposed programme budget for 2025

8. The cumulative effects of the recosting adjustments to the proposed programme budget for 2025 resulted in a net increase of $133.8 million, comprising an adjustment of $134.0 million to the expenditure sections, offset in part by an adjustment of $0.2 million under income section 2. Of the adjustments of $134.0 million for 2025 under the expenditure sections, an amount of $91.0 million is related to post resources

and $43.0 million to non-post resources (A/79/375, summary and tables 1 (a) and 1 (b)).

9. Upon enquiry, the Advisory Committee was informed that the recosting adjustments of $133.8 million represented 5.2 per cent of the amount of $2,596.7 million in the proposed programme budget for 2025, compared with the net increase of $163.2 million, or 7.2 per cent, in recosting adjustments to the proposed programme budget for 2024 (excluding estimates for special political missions and staff assessment for both 2024 and 2025). The Committee also requested a breakdown of recosting under post and non-post resources for the proposed programme budget since 2020 (see table 1). It was indicated to the Committee that such information was not available for 2020, 2021 and 2022, as the recosting reports of the Secretary-General did not have such breakdowns and that information for 2025 was added for ease of reference.

Table 1
Recosting of the proposed programme budget
(Thousands of United States dollars)

	2020	*2021*	*2022*	*2023*	*2024*	*2025*
Salaries	n/a	n/a	n/a	8.8	39.3	56.3
Post adjustment	n/a	n/a	n/a	27.2	9.3	14.9
Common staff costs	n/a	n/a	n/a	12.6	34.3	24.8
Vacancy rates	(4.9)	n/a	n/a	(16.3)	26.2	(5.0)
Non-post resources	n/a	n/a	n/a	58.6	54.1	43.0
Total recosting	**4.6**[a]	**115.5**[a]	**23.1**[a]	**90.8**[a]	**163.2**[a]	**134.0**
Estimates before recosting	2 868.3	2 987.3	3 120.0	3 224.1	3 340.5	3 626.5

[a] Including revised estimates and statements of programme budget implications; amounts after adjustments recommended by the Advisory Committee.

10. **The Advisory Committee notes the net increase of $133.8 million due to the cumulative effects of the recosting adjustments to the proposed programme budget for 2025, comprising $91.0 million related to post resources and $43.0 million related to non-post resources. The Committee further notes that the increase of $133.8 million would represent the second highest recosting amount, at this stage, of the annual proposed programme budget since 2020 and would increase with more recosting in December 2024 for the additional requirements arising from supplementary budgets, including programme budget implications and revised estimates (see para. 4 above). The Committee trusts that the information contained in table 1 will be included in future reports of the Secretary-General on revised estimates: effect of changes in rates of exchange and inflation (see para. 46 below).**

A. Post resources

11. The total recosting adjustments for the posts and general temporary assistance positions of a continuing nature amount to $91.0 million for 2025, adjusted under the following elements: salaries, post adjustment multiplier, common staff costs and vacancy rates, which are discussed below (A/79/375, paras. 13–38).

1. Salaries

12. For the salaries of Professional and General Service staff, the recosting reflects adjustments in salary scales (proposed by ICSC) and the average step of staff within budget grades. The total recosting amounts to $56.3 million for 2025, comprising: (a) $32.6 million for Professional posts and positions (an increase of $40.6 million due to the changes in the salary scales, offset in part by a decrease of $8.0 million due to the decrease in average step across most budget grades; and (b) $23.7 million for General Service posts and positions (attributed mainly to inflation and the fluctuation of exchange rates, while the changes in average step across budget grades were not material) (ibid., paras. 15–22). Table 2 of the report provides a summary of the effects of recosting of salaries, by category of staff and location.

13. As for how inflation was considered by ICSC, the Advisory Committee was informed that inflation (based on the consumer price index (CPI)) is used in two cases: (a) for the Professional and higher categories, inflation is considered only in post adjustment; and (b) for the General Service category, inflation may be used as one of the options for interim adjustments of local salary scales where the movement of CPI has been determined to correlate with the historical movement of salaries at any given duty station (in essence, the adjusted inflation measure is used as a proxy for the actual salary movements implemented by comparators in the local market). It was indicated to the Committee that inflation adjustments are applied once and that there is no overlap between the inflation estimated in the recosting report and other adjustments proposed by ICSC. For example, the salaries of Professional staff for 2025 were estimated on the basis of the salary scales proposed by ICSC, which propose an increase of 9.5 per cent; consequently, the post adjustment multiplier in New York was adjusted downward to 79.8 per cent (from the current 88.4 per cent), so that there were no overlapping adjustments of inflation and the principle of no gain/no loss was preserved.

2. Post adjustment multiplier

14. Post adjustment multiplier is a variable component that is adjusted periodically to reflect changes in the cost of living in a duty station (ibid., paras. 23–27 and appendix I, sects. A and B). The recosting adjustments represent an increase of $14.9 million for 2025, due mainly to the higher-than-estimated post adjustment indices for most locations in August 2024, as well as projected inflation and changes in rates of exchange of local currencies relative to the United States dollar. Due to the increase in salary scales proposed by ICSC (see also para. 13 above), the post adjustment multiplier was lowered commensurably to preserve the principle of no gain/no loss. Table 3 of the report presents a comparison of the post adjustment multiplier for 2024 and 2025 by location.

3. Common staff costs

15. Common staff costs aggregate expenditures of the Organization related to staff entitlements, such as contributions to pension schemes, health insurance plans, dependency allowance, education grant and home leave (A/79/375, paras. 28–32 and tables 4 (a)–4 (d)). It is indicated that the recosting adjustments under common staff costs for 2025 reflect an increase of $24.8 million, due mainly to an increase in the contributions to the pension schemes as a result of higher pensionable remunerations, inflation and the anticipated weakening of the United States dollar against various currencies. While the estimates for 2025 were calculated on the basis of recent expenditure covering at least 1 year (i.e. from July 2023 to June 2024), the expenditure review covered a longer period of 3.5 years (i.e. from January 2021 to June 2024) in certain cases. In the context of recosting, the provisions for the staff

entitlements were further adjusted on the basis of the combined effects of anticipated inflation and exchange rates for 2025.

16. Upon enquiry, the Advisory Committee was informed that it is important to use recent expenditure covering at least a complete 12-month period to estimate common staff costs, as the expenditure pattern is not linear, with higher incidences in summer months, while the longer period of 3.5 years is intended to reduce the volatility of infrequent expenditures such as indemnities decided by the tribunals and termination costs. It was indicated to the Committee that the amounts for common staff costs are not directly affected by the liquidity situation, as they are estimated on a per-person basis, and that the impact of the liquidity situation is limited to the reduced number of posts encumbered, which results in a smaller data set used for the calculations.

17. It is also indicated in the report that 2024 expenditure related to staff entitlements for the posts and positions located in Nairobi was underestimated, therefore requiring a more significant increase for 2025 given the lower 2024 baseline (ibid., para. 31). Upon enquiry, the Advisory Committee was informed that the 2024 staff salaries were estimated taking into consideration the latest information available in 2023; while the rate of inflation in 2024 was not significantly different from the original estimate (5.0 per cent, compared with the projected 5.8 per cent), the rate of exchange between the United States dollar and the Kenya shilling became significantly less favourable in dollar terms (approximately 1:130, instead of the assumed 1:163.66) and the post adjustments were also underestimated (estimated at 30.1 per cent, compared with the actual 53.1 per cent in September 2024). It was therefore estimated that there would be approximately a $2.0 million shortfall under post resources for the United Nations Office at Nairobi for 2024. As a result, the recent recosting exercise recommended an increase of $3.3 million in the Office's post budget, along with an additional $0.5 million for non-post resources, for a total of $3.8 million in recosting.

18. The Secretary-General indicates that the calculation approach for certain common staff cost provisions has been enhanced for 2025 to reflect adjustments specific to certain entities (ibid., para. 9). Upon enquiry, the Advisory Committee was informed that, in 2021, the Secretariat conducted a review of the calculation approach for the budgeting of common staff cost provisions, which concluded that the approach could be improved to reach a higher level of accuracy. Subsequently, the Secretariat explored refined ways of calculating common staff cost provisions and identified an approach whereby projected common staff costs were not calculated solely on the basis of a percentage of staff salaries; instead, it tested the calculation of common staff cost provisions on the basis of a mixed approach. The refined calculation approach is applied to three different groups of common staff costs, as follows: (a) contributions to the United Nations pension schemes: these continued to be calculated based on a percentage of staff remuneration, given that this benefit is directly linked to the remuneration of staff; (b) frequent location-specific per-person costs: these include health insurance and hardship and residence allowances; and (c) infrequent per-person costs: mostly for judgments of the tribunals and termination indemnities, these are distributed in most cases in a more even manner to ensure a smoother distribution of high-value costs that are non-recurrent and infrequent.

19. Upon enquiry, the Advisory Committee was provided with information on the proposed resources, recosting amounts and approved provisions for common staff costs for 2023 and 2024. **The Advisory Committee notes that the indicated enhancement to the calculation approach for certain common staff cost provisions in use since the review in 2021 should have been clearly specified in the report of the Secretary-General, along with financial information on the impact of such a refined approach, to improve the presentation and transparency of the report. The Committee remains of the view that a greater level of detail is**

necessary in future reports, including a breakdown of the elements included and the impact of the common staff costs by budget section and by the three groups under the mixed calculation approach (see para. 18 above). The Committee trusts once more that additional information regarding the methodology for the calculation of common staff costs and the historical evolution of estimates and related expenditures will be provided in future reports (A/78/7/Add.42, para. 16).

4. Vacancy rates

20. The Secretary-General indicates that, historically, vacancy rates for Professional staff were relatively stable, averaging 8.9 per cent between 2014 and 2018, compared with an average of 12.7 per cent between 2019 and August 2024, as a result of hiring restrictions due to the liquidity situation experienced by the Organization. A similar pattern has been observed for General Service staff (an average of 7 per cent between 2014 and 2018, compared with an average of approximately 10 per cent between 2019 and 2024 (A/79/375, paras. 34 and 36).

21. The Secretary-General recalls that, in paragraph 77 of its resolution 78/252, the General Assembly approved a vacancy rate of 11.1 per cent for Professional staff and 9.1 per cent for General Service staff. Given that actual vacancy rates are artificially high due to the impact of the liquidity management measures and considering that an increase in the vacancy rates would adversely affect the full, effective and efficient implementation of mandates, it is proposed to maintain the overall vacancy rates for Professional and General Service staff at 11.1 per cent and 9.1 per cent, respectively (ibid., para. 37).

22. The Advisory Committee notes from appendix V to the report of the Secretary-General that, compared with the approved vacancy rate of 11.1 per cent for Professional staff and 9.1 per cent for General Service staff for 2024, actual vacancy rates were 16.6 per cent and 12.8 per cent, respectively, as at August 2024. Upon enquiry, the Committee was informed that spending ceilings had to be put in place due to the liquidity situation, which indirectly affected hiring; as a result, vacancy rates increased and became artificially high. According to the Secretariat, proposing a vacancy rate based on recent actual vacancy rates would therefore adversely affect the ability of the Secretariat to implement the mandates in a full, efficient and effective manner. The Committee was further informed that, to avoid a situation in which the impact of liquidity affects the recosting estimates, the Secretary-General proposed the maintenance of overall vacancy rates at 11.1 per cent for Professional staff and 9.1 per cent for General Service staff. The Committee also requested information on the vacancy rates proposed and approved since 2020 (see table 2).

Table 2
Proposed and approved vacancy rates, 2020–2024
(Percentage)

	Proposed						*Approved*				
Category	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*	*2020*	*2021*	*2022*	*2023*	*2024*
Professional and higher	8.6	9.1	9.1	11.0	11.1	11.1	9.1	9.1	10.0	12.4	11.1
General service and related	7.1	7.4	7.4	10.2	9.1	9.1	7.4	7.4	9.2	10.2	9.1

23. **The Advisory Committee notes the proposed vacancy rates for 2025 of 11.1 per cent and 9.1 per cent for the Professional and higher categories and the General Service and related categories, respectively, while the actual vacancy rates were 16.6 per cent and 12.8 per cent, respectively, as at August 2024 (see**

also para. 26 below). The Committee reiterates its view that budgeted vacancy rates should be realistic and based on the actual vacancy rates experienced (A/78/7/Add.42, para. 20). The Committee therefore considers that there is possibility for further refinement of the proposed vacancy rates for 2025 and trusts that an updated appendix V (see paras. 24–26 below), with information on the latest actual vacancy rates, will be provided to the General Assembly during its consideration of the present report.

Adjustment of entity-specific vacancy rates

24. The Secretary-General further proposes to adjust entity-specific vacancy rates to align with recent vacancy experience and reduce variability across entities (A/79/375, paras. 10 and 37). The Secretariat revisited the calculation approach used to determine the vacancy factor, which now includes additional factors such as the number of posts and positions of an entity, historical vacancy over a three-year period, upper limits to the vacancy rates and any recent changes in the composition of the staffing table, leading to more homogeneous vacancy rates proposed for entities. As a result of the adjustment of entity-specific vacancy rates, the provisions for posts and positions would decrease by $5.0 million for 2025.

25. Upon enquiry, the Advisory Committee was informed that the average cost of posts is different across locations; for example, post costs in Geneva are higher than those in most other locations. With the overall vacancy rate proposed at 11.1 per cent and 9.1 per cent for Professional and General Service staff, respectively, the budget for 2025 would provide for the same number of posts expected to be encumbered after vacancy adjustments. However, due to some increases in vacancy rates for entities with higher post costs (such as the Office of the United Nations High Commissioner for Human Rights and the United Nations Conference on Trade and Development) and decreases in vacancy rates for posts with lower post costs, the average amount per post decreased, resulting in an overall decrease of $5.0 million. The entity-specific adjustments took into consideration the following: (a) the average vacancy rate in August 2024; (b) for entities with 20 or fewer posts per category of staff, the average vacancy rate between September 2021 and August 2024 was used; (c) for entities with less than three years of vacancy history (i.e. recently established), the overall vacancy rate of 11.1 per cent and 9.1 per cent was used; and (d) entities with a calculated vacancy rate above 25 per cent were adjusted downward to ensure that no entity is subject to a vacancy rate above 25 per cent.

26. The Advisory Committee discussed the temporary measures taken by the Secretariat to address the liquidity situation, namely, prioritizing programmes and remaining within the lower level of allotments on the basis of the most recent expenditure, and the impact on mandate delivery at the overall and section levels (A/79/7, para. 21). **The Advisory Committee notes the lack of detailed information on the adjustments of entity-specific vacancy rates in the report and their potential impact on mandate implementation for different entities in the context of the liquidity management measures. The Committee trusts that more information and clarification will be provided to the General Assembly during its consideration of the present report and in the next report of the Secretary-General on revised estimates: effect of changes in rates of exchange and inflation.**

B. Non-post resources

27. The Secretary-General indicates that the non-post resources are adjusted on the basis of inflation and currency fluctuations. The total recosting adjustments for non-post resources for 2025 are estimated at $43.0 million, attributable to inflation ($28.2 million) and currency fluctuations ($14.8 million) (A/79/375, paras. 39–42).

Table 6 of the report presents the combined effects of inflation and currency fluctuations, inclusive of tailored adjustments applied to non-post provisions, by main currency.

1. Inflation

28. For inflation, the increase of $28.2 million after recosting is due mainly to the estimated inflation adjustment for the United States (3.2 per cent), reflecting the combined effect of higher-than-anticipated inflation in 2024 (3.0 per cent estimated in September 2024, compared with 2.5 per cent assumed in November 2023) and projected inflation for 2025 of 2.7 per cent. The inflation adjustment was applied to 83.9 per cent of the non-post provisions (ibid., paras. 39 and 42 and appendix I, sect. A). Upon enquiry, the Advisory Committee was provided with information on the estimated and actual inflation rates from 2020 to 2023 and estimates for 2024 and 2025 (see annex to the present report). **The Advisory Committee trusts that an update will be provided to the General Assembly during its consideration of the present report.**

2. Currency fluctuations

29. For currency fluctuations, an increase of $14.8 million under recosting reflects the less favourable exchange rate between the United States dollar and other currencies. Projected currency use is based on expenditure experience over the past 12 months, and currency adjustments are based on United Nations operational rates of exchange, except the Swiss franc and euro, which are based on forward exchange rates. The Swiss franc and euro are the currencies with the highest projected use (9.0 per cent and 2.3 per cent, respectively), other than the United States dollar (83.9 per cent). It is indicated that, as per the established practice, the Organization purchased Swiss francs at an exchange rate of 0.8220 Swiss francs per United States dollar, and euros at an exchange rate of 0.8920 euros per United States dollar (A/79/375, paras. 39 and 42, table 6 and appendix I, sect. B).

30. Upon enquiry, the Advisory Committee was provided with information on the budgeted and actual exchange rates of various currencies in relation to the United States dollar for 2023 and 2024 (see table 3). The Committee was informed that the rates used for recosting for the proposed programme budget for 2025 reflected the most competitive rates offered by the market on 5 September 2024, as provided by various financial institutions (e.g. Citibank, Barclays Bank and Standard Chartered Bank).

Table 3
Budgeted and actual exchange rates of various currencies in relation to the United States dollar

	2024		*2023*	
Currency	*Budgeted*	*Average actual (up to 15 October 2024)*	*Budgeted*	*Average actual*
Swiss franc	0.9272	0.8801	0.9235	0.8968
Euro	0.9490	0.9197	0.8830	0.9233
Lebanese pound	30 300.0000	89 289.5000	1 507.5000	78 016.7000
Thai baht	35.0400	35.5221	33.0200	34.7796
Kenya shilling	126.4200	135.4953	116.7300	140.1954
New Israeli shekel	3.4000	3.7008	3.0700	3.6898
Chilean peso	954.2600	936.3684	830.2100	841.2500
Ethiopian birr	52.9170	71.7202	46.5050	54.5948

Currency	2024 Budgeted	2024 Average actual (up to 15 October 2024)	2023 Budgeted	2023 Average actual
Jordanian dinar	0.7080	0.7080	0.7080	0.7080
Pakistan rupee	239.1700	278.5694	181.6700	280.6501
Sudanese pound	578.5000	1 453.3684	448.0000	632.9238

Tailored adjustments

31. The Advisory Committee recalls that, in the context of the proposed programme budget for 2024, tailored recosting was proposed for three specific cases.[1] The Secretary-General indicated at that time that the adjustment of the baseline over which recosting adjustments were applied continued to be necessary to preserve the purchasing power of the regular budget of the United Nations and that such tailored adjustments continued to be on an exceptional basis and would be limited to situations where the lack of such a tailored approach would result in a budget level that was materially different from the required level of resources (A/78/614, annex II, paras. 31 and 32, and A/78/7/Add.42, para. 24).

32. It is indicated in the report of the Secretary-General that tailored adjustments to non-post provisions for 2025 were applied to reflect the prevailing and anticipated market conditions. For example, for section 29E, Administration, Geneva, a negative adjustment of $2.1 million was applied, taking into consideration the projected lower price of electricity per kilowatt-hour for 2025 in Geneva. Conversely, the provisions for after-service health insurance were adjusted on the basis of projected medical inflation for 2025, which is estimated at 7.56 per cent (A/79/375, para. 43).

33. Upon enquiry, the Advisory Committee was informed that the recosting exercise for the proposed programme budget for 2025 reduced the instances requiring a tailored recosting approach. As a result, most non-post resource requirements were recosted using the standard approach, which applies adjustments resulting from currency use and related inflation. The few exceptional cases in which a tailored recosting to non-post items was applied are listed in table 4. **The Advisory Committee notes from table 4 that total tailored adjustments for non-post resources for 2025 reflect an increase of $7,252,700, compared with an amount of $4,758,400 if taken under standard recosting.**

Table 4
Standard and tailored recosting amounts by budget section, object of expenditure and item
(Thousands of United States dollars)

Budget section	Object of expenditure	Item	Tailored recosting	Standard recosting
18. Economic and social development in Africa	General operating expenses	Energy	-48.3	4.46
19. Economic and social development in Asia and the Pacific	General operating expenses	Energy	-110.4	31.0
21. Economic and social development in Latin America and the Caribbean	General operating expenses	Energy	54.5	11.1

[1] Two downward adjustments (under supplies and materials for the Economic and Social Commission for Western Asia and under general operating expenses for the Department of Operational Support) and one increase (under general operating expenses for the United Nations Office at Geneva).

Budget section	*Object of expenditure*	*Item*	*Tailored recosting*	*Standard recosting*
29B. Department of Operational Support	General operating expenses	Energy	900.9	213.4
29D. Administration, Nairobi	General operating expenses	Energy	140.8	37.1
29E. Administration, Geneva	General operating expenses	Energy	-2 059.6	742.9
29F. Administration, Vienna	General operating expenses	Energy	645.1	54.9
32. Special expenses	Other staff costs	After-service health insurance	6 431.5	2 751.4
34. Safety and security	Grants and contributions	UNDP charges and insurance[a]	1 298.2	912.1
Total			**7 252.7**	**4 758.4**

Abbreviation: UNDP, United Nations Development Programme.

[a] This item aggregates UNDP charges to the Department of Safety and Security and the regular budget share of the malicious acts insurance policy.

34. Upon enquiry, the Advisory Committee also received information on the proposed budget, recosting and expenditure for energy costs at the main duty stations (see table 5). **The Advisory Committee notes from table 5 that negative adjustments were applied for Addis Ababa ($48,300), Bangkok ($110,400) and Geneva ($2,059,600) for the energy costs for 2025.**

Table 5
Energy budget and expenditure in main duty stations

(Thousands of United States dollars)

	2023				*2024*				*2025*		
Main duty station	*Proposed budget*	*Recosting*	*Approved*	*Expenditure*	*Proposed budget*	*Recosting*	*Approved*	*Expenditure (as at 30 September 2024)*	*Proposed budget*	*Recosting*	*Proposed after recosting*
Addis Ababa	1 041.8	47.5	1 089.3	n/a[a]	1 089.3	21.7	1 111.0	n/a[a]	1 111.0	(48.3)	1 062.7
Bangkok	613.0	27.9	640.9	540.3	522.0	69.3	591.3	395.9	595.6	(110.4)	485.2
Beirut	3 292.0	150.0	3 442.0	1 710.3	3 437.1	49.0	3 486.1	562.7	2 650.5	–	2 650.5
Geneva	4 519.8	205.9	4 725.7	9 101.1	4 658.8	6 542.2	11 201.0	5 710.3	11 213.5	(2 059.6)	9 153.9
New York	11 621.8	529.6	12 151.4	10 597.9	11 970.4	(409.4)	11 561.0	9 858.5	11 561.0	900.9	12 461.9
Nairobi	174.1	7.9	182.0	554.0	182.4	(9.3)	173.1	n/a[b]	173.1	140.8	313.9
Santiago	597.9	27.3	625.2	394.3	559.6	38.5	598.1	310.9	598.1	54.5	652.6
Vienna	2 828.8	128.9	2 957.7	2 000.7	2 957.7	84.7	3 042.4	1 200[c]	3 042.4	645.1	3 687.5

[a] Provisions cover energy needs across multiple locations, and complete expenditure could not be obtained for all locations within the time available.

[b] Due to the liquidity situation, allotment levels were insufficient and did not enable the recording of full energy expenditures.

[c] Estimated based on preliminary information provided by the United Nations Industrial Development Organization; subject to change depending on actual costs and eventual change in the share of the United Nations Office at Vienna.

35. The Advisory Committee also requested information on the tailored adjustments to the provisions for after-service health insurance proposed for 2025, for which a medical inflation rate of 7.56 per cent has been applied. The Committee was informed that the tailored recosting calculation comprised two adjustments: (a) an adjustment of the baseline of approximately $2 million to align the 2024 baseline with the latest actual expenditure; and (b) an adjustment of 7.56 per cent for 2025 based on projected medical inflation. The medical inflation rate of 7.56 per cent was calculated as a blended rate by taking into consideration the various per capita rates per health

insurance plan, the category of participant (i.e. with Medicare or without Medicare for the United States-based plans), the distribution of costs between the three currencies (United States dollar, Swiss franc and euro) and the applicable medical trend rates for 2024 and 2025. According to the Secretariat, the practice of adjusting after-service health insurance based on medical inflation, instead of the broader CPI, has regularly been used in the past when the differences between the two rates are material. The application of the normal recosting methodology would have resulted in an insufficient recosting adjustment of $2.8 million.

36. Upon enquiry, the Advisory Committee received information on the recosting for the provisions for after-service health insurance for each financial period since 2020 (see table 6) and the approved provision and expenditure under the regular budget, peacekeeping and extrabudgetary resources (see table 7). The Committee also requested information on the projected percentage and amount under recosting, with the actual percentage and amount, for each annual budget period since 2020 (see table 8). **The Advisory Committee notes from tables 6 and 7 that the tailored recosting for the after-service health insurance amounts to $8,506,400 for 2025, representing a significant increase from those for the financial periods from 2020 to 2024, while expenditures were lower than the approved provisions for both 2022 and 2023 ($76,387,800 against the provision of 78,919,800 for 2022 and $78,477,100 against the provision of $81,311,800 for 2023). The Committee trusts that more clarification on the application of a medical inflation rate of 7.56 per cent to the provisions for after-service health insurance proposed for 2025 will be provided to the General Assembly during its consideration of the present report.** The Committee discussed the related issues in its first report on the proposed programme budget for 2025 (A/79/7), under section 32, Special expenses.

Table 6

Recosting adjustments for after-service health insurance, 2020–2025

(Thousands of United States dollars)

Year	*Total recosting*
2020	3 314.7
2021	4 134.1
2022	3 211.0
2023	3 392.0
2024	2 538.5
2025 proposed	8 506.4

Table 7
Approved budget and expenditure related to after-service health insurance
(Thousands of United States dollars)

	2020		2021		2022		2023		2024	
	Approved budget	*Expenditure*	*Approved budget*	*Expenditure*	*Approved budget*	*Expenditure*	*Approved budget*	*Expenditure*	*Approved budget*	*Expenditure*[a]
Regular budget	70 197.2	74 806.5	74 331.3	75 864.6	78 919.8	76 387.8	81 311.8	78 477.1	82 850.3	62 416.2[b]
Other assessed	11 013.4	11 562.6	11 094.1	11 728.1	11 090.0	11 585.0	11 830.0	11 801.3	12 855.2	9 275.8
Extrabudgetary	5 751.2	6 166.7	6 020.4	6 203.7	6 448.2	6 163.2	6 425.0	6 290.0	6 855.0	4 947.1
Total	**86 961.8**	**92 535.8**	**91 445.8**	**93 796.4**	**96 458.0**	**94 135.9**	**99 566.8**	**96 568.5**	**102 560.5**	**76 639.2**

[a] Expenditure for after-service health insurance is charged on a pay-as-you-go basis to the regular budget and adjusted periodically at Headquarters (excluding the United Nations Office at Geneva and the United Nations Office at Vienna) on the basis of the actual expenditure for the corresponding months, with approximately 15 per cent apportioned to peacekeeping operations and 8 per cent to extrabudgetary resources.
[b] Expenditures as at 30 September 2024 do not reflect retroactive payments to cover health insurance premium and contribution increases effective 1 July 2024, which will be undertaken in November/December 2024.

Table 8
Rates of recosting, 2020–2025

Budget year	*Annual per-participant cost (United States dollars)*	*Percentage change (compared with previous year)*	*Recosting percentage for budget year*
2020	7 222.80	–	–
2021	8 057.53	11.6	5.8
2022	8 626.82	7.1	4.2
2023	9 031.97	4.7	4.6
2024[a]	9 952.30	10.2	3.1
2025[b]	10 704.69	7.56	7.56

[a] Extrapolated based on 30 September 2024 claims data.
[b] Estimated in line with the assumptions in A/79/375.

37. **The Advisory Committee has noted the need for greater clarity as to the conditions and methodology applied to the adjustments to the baseline of resources of the proposed programme budget (A/78/7/Add.42, para. 30). The Committee notes the lack of information on the tailored adjustment estimates for the forthcoming financial period and actual performance for the past and current periods. Taking into account its observations in paragraphs 33 and 36 above, the Advisory Committee considers that there is possibility for further refinement of the non-post resources proposed for 2025 and trusts that future reports of the Secretary-General on revised estimates: effect of changes in rates of exchange and inflation would include detailed information on each of the tailored adjustments estimated for a proposed programme budget (see tables 3–7), with justifications, for an informed decision of the General Assembly, subject to its recommendation in paragraph 46 below.**

IV. Recosting of the proposed programme budget

Methodology and process

38. Upon enquiry, the Advisory Committee was informed that the methodology of recosting, which has been refined over the years, continues to be defined at a high level, with a view to preserving the purchasing power of the United Nations operations across a wide range of locations. The recosting of the programme budget excludes special political missions, as the special political mission budget proposals (and the same for peacekeeping missions) are presented using the most up-to-date rates for salaries, operational costs and contractual services at the time of budget preparation, while the proposed programme budget for 2025 used the same unit rates as those approved for 2024. **The Advisory Committee notes that the special political mission and peacekeeping mission budgets address recosting by simply using the most up-to-date rates for salaries, operational costs and contractual services at the time of budget preparation.**

39. The Advisory Committee was informed that the option to embed recosting in the annual programme budget proposals has its pros and cons, which are summarized in table 9.

Table 9
Pros and cons of embedding recosting in the annual initial budget proposals

Pros	*Cons*
• Simplify the annual budget process	• Prevent a comparison between the appropriation of the previous year and the proposals for the following budget period at the same price levels
• Reduce the number of reports	• Accuracy of the estimates for the following year would be based on information known in March, and actual changes due to changes in inflation, rates of exchange, salary scales, vacancy rates and other staff entitlements between March and September would be replaced with estimates

40. Upon enquiry, the Advisory Committee also received information on the current recosting process, illustrated in table 10.

Table 10
Recosting process (illustrated with the 2025 proposed programme budget)

		May 2024	*September 2024*	*December 2024*	*May 2026*
Parameters		*Proposed programme budget for 2025*	*Revised estimates: effect of changes in rates of exchange and inflation*	*Programme budget for 2025*	*Financial performance report on the programme budget for 2025*
A. Post recosting	1. Salaries	Not recosted following the General Assembly's decision that the proposed programme budget should be recosted only once	• Professional staff: adjusted to reflect changes in salary scales proposed by ICSC and in the average step of staff within budget grades • General Service staff: estimated on the basis of the latest scales as known in September 2024, and further adjusted based on projected inflation and fluctuation of exchange rates	Budget appropriations for 2025, as approved by the General Assembly, would include the total recosting amount, comprising: • Recosting estimated in September 2024 • Recosting of additional requirements arising from supplementary budgets, including programme budget implications and revised estimates reports	There are no adjustments during the budget period (2025). Any material variances would be presented in May 2026, in the context of the financial performance report on the programme budget for 2025
	2. Post adjustment		Estimated based on the latest known post adjustment indices, and further adjusted based on projected inflation and changes in rates of exchange. The estimated post adjustment multiplier also takes into account any changes in the salary scales for Professional staff		
	3. Common staff costs		Adjusted on the basis of the combined effects of anticipated inflation and exchange rates for 2025		

		May 2024	*September 2024*	*December 2024*	*May 2026*
Parameters		*Proposed programme budget for 2025*	*Revised estimates: effect of changes in rates of exchange and inflation*	*Programme budget for 2025*	*Financial performance report on the programme budget for 2025*
	4. Vacancy rates		Adjusted according to the vacancy rates proposed by the Secretary-General		
B. Non-post recosting	1. Inflation (CPIs)		Adjusted based on CPI published by *The Economist*		
	2. Exchange rates		Adjusted based on forward rates for currencies with an active market of forward contracts; otherwise, United Nations operational rates of exchange are used		

41. On a related matter, the Advisory Committee recalls that, in the report of the High-level Panel of Experts on the study on recosting and options for the Organization in dealing with fluctuations in exchange rates and inflation, the Panel considered recosting caps as one of the options, indicating that, with a recosting cap, the General Assembly could authorize the Secretariat to set a limit on the maximum allowable recosting increase in a certain biennium. According to the Panel, various configurations could be possible with further analysis, and the simplest would be an overall topline cap, which would provide the most flexibility to leadership to manage changing costs within a biennium. That solution would enable the Secretariat to enforce stricter cost management across the United Nations. Once the Secretariat was able to measure those non-hedgeable costs, recosting caps could mitigate additional revisionary risk (A/69/381, paras. 70 and 71).

Impact of recosting

42. Upon enquiry on unforeseen events that affect the budgetary assumptions applied in the recosting exercise, the Advisory Committee was informed that such events would be disclosed in a financial performance report for the period to the extent that they contribute to a material variance between budget amounts and actual expenditures. However, in the recosting exercise for the next budget period, any recosting adjustments would be applied over an adjusted baseline that would address any unforeseen events, and a new recosting adjustment would subsequently be applied over the adjusted baseline.

43. The Advisory Committee recalls that, in response to its recommendation (A/78/330, para. 17), which was endorsed by the General Assembly (see resolution 78/253), annex XI to the financial performance report for 2023 (A/79/83) provides information on the actual impact of recosting, with four tables by exchange rate, inflation rate, budget section and post and non-post resources. **While noting the information included, the Advisory Committee has expressed the view that further work is necessary on the actual impact of recosting in the financial performance report and trusted that tables with trends of the actual impact of recosting, compared with the budgeted over a period of at least five years, along with the justification of variances, will be included in future financial performance reports, with a breakdown by section and item of expenditure levels, where significant variances are noted (A/79/312, para. 83; see also A/79/7, para. 18).**

Biennial versus annual budget cycles

44. 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 Committee further recalls that the Assembly, in its resolution 77/267, decided to lift the trial period effective from 2023 and requested the Secretary-General to conduct a comprehensive review on the annual cycle, including its financial, administrative and procedural impact, its impact on the implementation of mandates across sections of the programme budget and the workload and the associated costs, and to submit a report for consideration by the Assembly at the main part of its eighty-third session, in 2028 (see also A/79/312, paras. 2 and 3).

45. **The Advisory Committee recalls that the recosting methodology approved in 2004 by the General Assembly in its resolution 59/264 A was applied to the biennial budgets of the Organization; that, prior to the introduction of the biennial budget in 1974, the annual budget did not contain recosting; and that, in reverting to an annual budget process from 2020, the recosting and its frequency and related methodology merit further analysis (A/78/7/Add.42, para. 8).**

46. **Taking into account its observations and recommendations above and the cumulative increase of $133.8 million in recosting adjustments to the proposed programme budget for 2025, including $43.0 million related to non-post resources (see para. 10 above), as well as the complexity related to the tailored adjustments and the challenges related to the reporting of the actual impact of recosting, the Advisory Committee is of the view that efforts should be made to explore efficiency and simplify the recosting approach in using the most up-to-date rates for operational costs and contractual services in the annual programme budget formulation, as a pilot (see para. 38 above). The Committee therefore recommends that the General Assembly request the Secretary-General not to recost non-post resources in the annual programme budget from 2026, pending the comprehensive review of the annual programme budget cycle at the eighty-third session of the Assembly, in 2028.**

V. Conclusion

47. The report of the Secretary-General is submitted to update the General Assembly on the effects of changes in inflation, rates of exchange and other recosting parameters in the proposed programme budget prior to a final decision by the Assembly on the budget level for 2025 (A/79/375, para. 2). **Subject to the General Assembly's consideration of the related proposals of the Secretary-General and the recommendations of the Advisory Committee regarding revised estimates and statements of programme budget implications to be submitted, the Committee has no objection to the report on the revised estimates: effect of changes in rates of exchange and inflation.**

Annex

Estimated and actual inflation rates from 2020 to 2023 and estimates for 2024 and 2025

(Percentage)

	2020				2021					2022					2023					2024			2025
Location/zone	*Estimated (May 2019)*	*Estimated (December 2019)*	*Estimated (December 2020)*	*Actual*	*Estimated (May 2020)*	*Estimated (December 2020)*	*Estimated (May 2021)*	*Estimated (November 2021)[a]*	*Actual*	*Estimated (May 2021)*	*Estimated (December 2021)*	*Estimated (May 2022)*	*Estimated (November 2022)[a]*	*Actual*	*Estimated (May 2022)*	*Estimated (December 2022)*	*Estimated (May 2023)*	*Estimated (October 2023)[a]*	*Actual*	*Estimated (May 2023)*	*Estimated (October 2023)*	*Estimated (September 2024)[a]*	*Estimated (September 2024)*
United States of America	1.6	1.6	1.2	1.2	1.9	1.5	1.5	4.4	4.7	2.0	3.2	7.2	8.0	8.0	2.8	3.7	4.2	4.1	4.1	2.2	2.5	3.0	2.7
Switzerland	1.5	0.4	-0.9	-0.7	0.7	0.3	0.3	0.5	0.6	0.7	0.7	2.1	3.1	2.8	0.8	3.7	2.6	2.2	2.1	1.4	1.3	1.2	1.1
Eurozone	1.7	1.5	0.5	0.2	1.7	1.2	1.2	1.9	2.5	1.4	1.4	5.2	8.3	8.4	2.3	6.0	6.0	5.6	5.4	2.5	2.6	2.4	2.1
Lebanon	3.6	4.3	115.7	84.9	6.1	93.6	93.6	147.3	154.8	43.5	138.1	189.8	178	171.2	118.7	162.0	183.8	223.0	221.3	83.2	96.3	50.1	43.1
Thailand	1.4	0.9	-0.8	-0.8	1.2	1.1	1.1	1.0	1.2	1.7	1.5	5.0	6.0	6.1	1.4	2.0	2.2	1.6	1.2	1.8	2.7	0.9	2.8
Kenya	6.5	5.7	4.8	5.4	6.7	5.5	5.5	6.1	6.1	6.3	6.0	6.6	7.5	7.7	6.2	6.3	6.9	7.8	7.7	5.8	5.8	5.0	5.6
Chile	2.6	2.2	2.9	3.0	2.5	3.1	3.1	4.3	4.5	3.2	5.1	7.9	11.7	11.6	3.4	8.0	8.1	7.5	7.3	3.6	3.3	3.9	4.1
Ethiopia	7.0	10.7	20.9	20.3	13.6	17.9	17.9	28.2	26.8	18.3	24.1	28.8	35.4	33.9	25.8	31.1	31.2	30.8	30.3	17.0	27.2	21.9	18.3
Israel	1.8	0.9	-0.6	-0.6	2.0	0.7	0.7	1.7	1.5	1.9	2.5	3.8	4.5	4.4	2.6	3.7	4.0	4.4	4.2	2.5	2.6	3.0	2.8
Jordan	–	1.0	0.3	0.3	2.5	0.9	0.9	1.4	1.3	3.3	3.2	3.4	4.2	4.2	2.7	2.9	3.8	2.2	2.1	2.9	1.8	1.7	1.3
Pakistan	4.6	6.8	9.8	9.5	6.4	7.2	7.2	9.2	9.5	6.4	7.0	9.5	19.8	19.9	6.4	11.7	30.3	32.2	30.8	20.8	21.3	15.5	8.3
Sudan	–	39.5	150.6	153.6	26.9	111.2	111.2	352.6	359.7	148.2	180.9	235.4	168.5	164.3	150.3	69.6	62.2	85.0	110.2	34.5	115.8	–	–

[a] Used in the context of the recosting exercise.