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Administrative and financial implications of the decisions and recommendations contained in the report of the International Civil Service Commission for the year 2011

Fifth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for the biennium 2012-2013

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the statement (A/66/394) submitted by the Secretary-General, in accordance with rule 153 of the rules of procedure of the General Assembly, on the administrative and financial implications of the decisions and recommendations



contained in the report of the International Civil Service Commission (ICSC) for 2011 (A/66/30). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General and of ICSC, who provided additional information and clarification.

2. As in the past, the Advisory Committee has confined its consideration of the financial implications of decisions and recommendations contained in the report of ICSC to those submitted to the General Assembly by the Secretary-General in his statement. As indicated in the statement, the report of the Commission contains decisions and recommendations with financial implications for the organizations of the United Nations common system related to the following issues:

(a) Conditions of service applicable to both categories of staff: mobility/hardship scheme;

(b) Conditions of service of staff in the Professional and higher categories:

(i) Implementation of the 2010 place-to-place survey results;

(ii) Base/floor salary scale and review of staff assessment rates used in conjunction with gross salaries.

II. Conditions of service applicable to both categories of staff

3. As indicated in paragraphs 2 to 5 of the Secretary-General's statement, following a review of the level of the mobility, hardship and non-removal allowances ICSC decided to grant a 2.5 per cent increase in each of those three allowances, for implementation with effect from 1 January 2012. The Commission also decided that the additional non-family hardship allowance for staff serving in non-family duty stations should be adjusted by the same percentage as the mobility, hardship and non-removal allowances, also for implementation with effect from 1 January 2012. According to the Secretary-General, the Commission's decisions would result in additional estimated costs of \$8.9 million for the United Nations system organizations for 2012. The financial implications of the decisions for the proposed programme budget of the United Nations and the proposed budgets of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia for the biennium 2012-2013 have been estimated at \$1,138,200, \$215,200 and \$13,600, respectively. The financial implications of the decisions for peacekeeping operations and the support account for peacekeeping operations have been estimated at \$1,874,700 and \$29,900, respectively, for the financial period from 1 July 2011 to 30 June 2012, and at \$3,749,400 and \$59,800, respectively, for the financial period from 1 July 2012 to 30 June 2013.

4. In his statement, the Secretary-General also notes that the changes to the hardship classification system approved by ICSC at its seventy-second session would represent an additional cost of \$8.3 million for the United Nations system organizations for 2012. The financial implications are estimated at \$1,349,000 for the proposed programme budget of the United Nations for 2012-2013, and at \$1,425,900 and \$2,851,800 for peacekeeping operations for the financial periods from 1 July 2011 to 30 June 2012 and from 1 July 2012 to 30 June 2013, respectively.

5. In paragraph 11 of his statement, the Secretary-General reports that, after considering three different methods for the establishment of danger pay, ICSC decided to establish, effective 1 January 2012, the level of danger pay for internationally recruited staff at \$1,600 per month. The payment modalities to be applied are set out in annex II to the report of the Commission. ICSC also decided to review the levels of danger pay for internationally recruited staff every three years. The Advisory Committee notes from the Secretary-General's statement that, unlike hazard pay, danger pay would be paid for time away from the duty station on rest and recuperation and official duty travel for up to a maximum of seven consecutive calendar days. With regard to locally recruited staff, pending a study to be undertaken by the ICSC secretariat and as an interim measure, the Commission decided to establish danger pay at the rate of 25 per cent of the net midpoint of the applicable local General Service salary scale.

6. Upon enquiry, the Advisory Committee was provided with additional background information on the decision to establish danger pay. The Committee was informed that, at its sixty-ninth session, ICSC had asked its working group on the review of the mobility and hardship scheme to review the relationship between hazard pay, the hardship allowance and the security factor under the hardship categorization methodology. The aim of the review was to determine whether the security factor should be removed entirely from the hardship categorization of a duty station, leaving security considerations to be addressed through an enhanced hazard pay scheme. Following the introduction, on 1 January 2011, of the new security level system to replace the former phase system, the working group had concluded that the criteria for hazard pay would, by necessity, need to be redefined, and that such pay should apply only to extraordinary situations in which the risk of harm was over and above what was contemplated under the hardship scheme. The working group had also recommended changing the name of the allowance from "hazard pay" to "danger pay" in order to avoid potential confusion with the terminology used in the context of the new security level system. The specific criteria used to determine eligibility for danger pay are listed in annex II to the report of the ICSC.

7. According to the Secretary-General, the Commission's recommendation would lead to annual savings of approximately \$19.6 million for the United Nations system organizations owing to a reduction in the number of eligible duty stations when compared to the number of duty stations that were eligible for hazard pay. The savings resulting from the Commission's recommendation for the proposed programme budget of the United Nations for 2012-2013 would amount to \$5,811,800. The savings for peacekeeping operations would amount to \$6,142,600 for the financial period from 1 July 2011 to 30 June 2012 and \$12,285,200 for the financial period from 1 July 2012 to 30 June 2013.

8. The Advisory Committee was informed, upon enquiry, that since danger pay was a new benefit, in order to calculate the financial implications of its establishment, the Secretariat had taken a best-effort approach, using the statistics for staff who were receiving hazard pay up until 1 July 2011 and assuming that those staff who would be eligible to receive the new danger pay would be a subset of those who had received hazard pay in the most recent payment period. It had also been assumed that the proportion of staff eligible for danger pay funded under each budget (regular budget and peacekeeping budgets) would be the same as the proportion of staff receiving hazard pay. Details of the exact calculations made to determine the financial implications referred to in the preceding paragraph are contained in footnote 6 of the Secretary-General's statement.

9. The Advisory Committee enquired as to whether the fact that fewer duty stations would be eligible for danger pay than for hazard pay might affect the Organization's ability to attract or retain staff to serve in those locations. In response, the Committee was informed that ICSC did not anticipate that the introduction of danger pay would have an impact on the attraction or retention of staff. According to the Commission, danger pay should not be seen as part of the remuneration package. The allowance could fluctuate according to the prevailing security situation in a specific location and would be authorized for a limited period of up to three months at a time subject to ongoing review. **The Advisory Committee trusts that the impact, if any, of the introduction of danger pay on the Organization's ability to attract and retain staff will be monitored.**

III. Conditions of service of staff in the Professional and higher categories

10. In his statement, the Secretary-General recalls that, as part of the operation of the post adjustment system, comprehensive place-to-place surveys are conducted periodically at all duty stations, each round of surveys being launched with baseline surveys at all headquarters duty stations. In paragraph 16 of his statement, the Secretary-General indicates that, after having considered the recommendations of the Advisory Committee on Post Adjustment Questions regarding the results of the surveys carried out in 2010, ICSC decided to approve the results of the 2010 place-to-place surveys for Geneva, London, Madrid, Montreal, Paris, Rome, Vienna and Washington, D.C., and to take those results into account in determining the post adjustment classification for those locations with effect from 1 April 2011. The Commission also decided that additional place-to-place surveys should be conducted for Bulgaria, Hungary, Poland and Romania in the middle of the present round of surveys.

11. The Secretary-General reports that the financial implications of the above-mentioned decisions amount to approximately \$7.5 million per annum. The estimated financial implications of the Commission's decisions for the programme budget of the United Nations for 2010-2011 and the proposed programme budget for 2012-2013 have been estimated at \$15,200 and \$40,400, respectively. The estimated financial implications of the decisions for peacekeeping operations have been estimated at \$329,000 for each of the financial periods from 1 July 2011 to 30 June 2012 and from 1 July 2012 to 30 June 2013. The Advisory Committee notes from the Secretary-General's statement that the estimate could vary significantly up or down, depending on the movement of the exchange rate of local currencies against the United States dollar. The Committee also notes that additional financial implications of approximately \$1.2 million per annum would arise for staff costs at other duty stations linked to the above-mentioned headquarters duty stations.

12. In paragraphs 20 to 22 of his statement, the Secretary-General reports that although the gross levels of the general salary schedule of the federal civil service of the United States of America, in Washington, D.C. (the comparator), will not be adjusted between 1 January 2011 and 31 December 2012 owing to a salary freeze, as at 1 January 2011 there was a slight change in the federal tax rate schedule, as well as changes relating to personal exemptions and standard deductions. Taxes for the states of Maryland and Virginia and in the District of Columbia remain unchanged. The change in the federal tax rates resulted in a net increase of 0.13 per cent in the comparator's reference salary as compared to the 2010 level. In accordance with the

approved procedures, ICSC has recommended an upward adjustment of 0.13 per cent in the common system salary scale for staff in the Professional and higher categories, with effect from 1 January 2012. The increase in the base/floor salary scale would be implemented through the standard method of consolidating 0.13 per cent of the post adjustment into the base/floor salary scale on a no-loss/no-gain basis.

13. According to the Secretary-General, the annual financial implications resulting from the above-mentioned adjustment of the base/floor salary scale for the United Nations system organizations relate to the scale of separation payments and amount to approximately \$64,600. The financial implications for the proposed programme budget of the United Nations and the proposed budgets of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia for 2012-2013 have been estimated at \$8,800, \$1,800 and \$1,400, respectively. The financial implications for peacekeeping operations and the support account for peacekeeping operations have been estimated at \$8,300 and \$1,400, respectively, for the financial period from 1 July 2011 to 30 June 2012, and at \$16,600 and \$2,800, respectively, for the financial period from 1 July 2012 to 30 June 2013.

14. As indicated in paragraph 23 of the Secretary-General's statement, in the context of the review of the base/floor salary scale, ICSC also considered a request from the United Nations to revise the rates of staff assessment in order to address the surplus that had accumulated in the Tax Equalization Fund. According to estimates by the United Nations, a 15 per cent reduction in staff assessment revenue would be required to address that problem. Following its review, the Commission decided to recommend revised rates of staff assessment, which are set out in annex V to its report. It also decided that the staff assessment rates used in conjunction with gross salaries would be reviewed every three years and revised, as appropriate. As indicated in paragraphs 29 to 31 of the statement, the revised rates will have zero net effect on the proposed programme budget, the proposed budgets for the two Tribunals and the budgets of peacekeeping operations and the support account, since they will result in a reduction in staff assessment offset by a corresponding reduction in the amount of income from staff assessment.

IV. Conclusion

15. A summary of the financial implications of the Commission's decisions and recommendations, in tabular form, can be found in part IV of the Secretary-General's statement. As indicated in paragraph 33 of the statement, should the General Assembly approve the recommendations of ICSC, requirements for the United Nations for the biennium 2010-2011 will be addressed in the context of the performance report for that biennium; requirements for the proposed programme budget of the United Nations and the proposed budgets of the Tribunals for 2012-2013 will be reflected in the recosting of the corresponding proposed estimates for that period, prior to determination of the appropriations to be adopted by the Assembly in December 2011; and requirements for peacekeeping operations and the support account will be reported in the relevant performance reports for the period from 1 July 2011 to 30 June 2012 and taken into account in the context of the proposed budgets for the period from 1 July 2012 to 30 June 2013. **The Advisory Committee has no objection to the Secretary-General's approach.**