



Seventieth session

Agenda item 133

Programme budget for the biennium 2014-2015**Second performance report on the programme budget for the biennium 2014-2015****Report of the Advisory Committee on Administrative and Budgetary Questions****I. Introduction**

1. The Advisory Committee on Administrative and Budgetary Questions has considered the second performance report of the Secretary-General on the programme budget of the United Nations for the biennium 2014-2015 ([A/70/557](#)). 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 received on 11 December 2015.

2. The anticipated final level of expenditures and income for the biennium 2014-2015 is based on actual expenditures for the first 21 months of the biennium, projected requirements for the last 3 months, changes in inflation and exchange rates and cost-of-living adjustments.

3. The Advisory Committee notes that the anticipated final level of expenditures and income for the biennium represents a net reduction of \$51.5 million compared with the revised appropriation and estimate of income approved by the General Assembly in its resolutions 69/263 A to C and 69/274 A and B. The projected expenditure for the biennium 2014-2015 is estimated at \$5,808.3 million, representing a decrease of \$23.6 million compared with the revised appropriation of \$5,831.9 million. Projected income is estimated at \$574.7 million, an increase of \$27.8 million over the revised income estimates of \$546.8 million. Details are provided in table 1 of the report of the Secretary-General.

4. The net reduction of \$51.5 million reflects the combined effects of: (a) projected reductions of \$85.9 million owing to changes in exchange rates (\$41.1 million); changes in inflation rates (\$11.1 million); variations in post costs and adjustments to other objects of expenditure based on actual and anticipated requirements (\$5.9 million); and an increase in income (\$27.8 million); and (b) projected increases due to commitments entered into under the provisions of General Assembly resolution



68/249 on unforeseen and extraordinary expenses for the biennium 2014-2015 and in respect of policymaking organs (\$34.4 million). Schedules 1, 2 and 3 in the report of the Secretary-General provide a breakdown of the projected expenditures for 2014-2015 by budget section, category of expenditure and main determining factor (rate of exchange, inflation, unforeseen and extraordinary expenses and decisions of policymaking organs, post incumbency and other changes).

5. **The Secretary-General is requesting that the General Assembly take note of his report and approve the revised estimates for the expenditure sections for the biennium 2014-2015 in the amount of \$5,808,366,500, as set out in table 3 of that report, after taking into account the additional resources amounting to \$88,700 for the extension of the appointment of the Delegate of the Secretary-General to the Subcommittee on End-of-Conflict Issues within the Colombian Peace Process, and the related income estimates in the amount of \$574,655,800, as set out in table 8.**

Presentation of information

6. During its consideration of the report of the Secretary-General, the Advisory Committee noted that the document contained insufficient information to enable a better understanding of the factors underlying the reported resource changes. One example is the lack of information concerning increases in security expenditures, training and staff development programmes (see [A/70/557](#), paras. 37 (d) and (e) and 42 (c)). Furthermore, the additional information provided to the Committee upon enquiry did not always include the requisite level of detail. **The Committee trusts that the Secretary-General will address these concerns fully in future performance reports (see also paras. 13, 19 and 20 below) and recommends that the General Assembly request the Secretary-General to make available supplementary information on the delivery of the budget for the most recent completed financial period, including a variance analysis between budgeted and actual expenditure across all objects of expenditure in all budget sections ([A/70/7](#), para. 67). The Committee is of the view that this information should contribute to a better substantiation of the resource requirements for the subsequent budget period and allow for more informed resource allocation decisions.**

7. Upon request, the Advisory Committee was provided with information on the anticipated final expenditure and income from 2006-2007 to 2014/2015 as indicated in the table below. The Committee notes that over this period, the overall level of net expenditure has increased by 42 per cent, from \$3.7 billion to \$5.2 billion.

	2006-2007		2008-2009		2010-2011		2012-2013		2014-2015	
	Revised appropriation	Second performance report	Revised appropriation	Second performance report	Revised appropriation	Second performance report	Revised appropriation	Second performance report	Revised appropriation	Second performance report
Expenditure	4 302.00	4 188.80	4 885.20	4 792.40	5 367.2	5 416.4	5 399.4	5 603.7	5 831.9	5 808.3
Income	492.20	505.10	557.90	550.50	593.0	601.3	511.9	543.0	546.8	574.7
Net	3 809.80	3 683.70	4 327.30	4 241.90	4 774.3	4 815.2	4 887.4	5 060.6	5 285.1	5 233.6

II. Expenditure sections

Changes in exchange rates and inflation

8. Explanations concerning the requirements relating to changes in exchange rates and inflation are provided in section II.A of the report of the Secretary-General. Table 4 of the performance report shows the distribution of the increases and decreases in estimates due to changes in exchange rates and inflation by duty station. Details of the budgeted and realized rates of exchange for all duty stations are contained in schedules 4 and 5 of the report. Additional observations are contained in the Advisory Committee's most recent report on the revised estimates: effect of changes in rates of exchange and inflation (see [A/70/7/Add.35](#)).

9. In paragraph 7 of his report, the Secretary-General indicates that, in terms of inflation and exchange rates, adjustments for post resources for the year 2015 are based on actual experience in 2015 as compared with the rates approved in the revised appropriation for 2014-2015. For 2014, the adjustments are based on the actual experience for 2014 as compared with those rates of exchange and inflation approved in the revised appropriation for 2014-2015, which includes projections for the last two months of 2014. He further indicates (para. 8) that, in estimating the effect of exchange rate fluctuations experienced in 2015, the actual rates realized from January to September were used, with the September 2015 rate assumed for October, November and December, and (para. 9) that the decrease in requirements in this category is attributable to the favourable rates of exchange of the United States dollar in relation to a number of currencies (\$41.1 million) and a decrease in the level of inflation (\$11.1 million), as shown in table 4 of the report.

Experience of forward purchasing and related presentation practices

10. In his report, the Secretary-General indicates that the Secretariat began purchasing Swiss franc forward contracts in 2013, as a pilot, as the Swiss franc transactions and price movements exerted the greatest impact on the programme budget. The Advisory Committee notes that the Swiss franc accounts for \$11.5 million of the \$41.1 million overall reduction attributable to exchange rates. In paragraphs 18 to 26, the Secretary-General provides information to date on the Secretariat's experience in the use of forward purchasing, defined in the report as a financial instrument that predefines the price of foreign currency to be purchased in the future. The report explains that the forward purchasing contract entails minimal costs, as the price is based on the spot rate of exchange applicable at the time of the agreement and subsequently adjusted, based on the applicable interest rates. According to the Secretary-General, with the weakening of the United States dollar against the Swiss franc in 2013, the use of the forward contract to purchase Swiss francs resulted in a favourable difference of \$4.6 million between the contracted forward rates and the United Nations operational rates of exchange. In 2014, because the forward rates were consistently more expensive than the budgeted rates, the Secretariat had waited until September to enter into the forward contract, which resulted in an unfavourable difference of \$1.7 million due to the dollar's strengthening against the Swiss franc. As for 2015, the report indicates that the Secretariat entered into a forward contract in January and for each month, the contracted exchange rate was more favourable than the budgeted rate, resulting in a positive difference of \$8.3 million for the year.

Overall for the biennium 2014-2015, the net positive difference attributable to forward purchasing amounts to \$6.6 million.

11. Upon enquiry, the representatives of the Secretary-General indicated that the forward rate remains practically unchanged during the contracted period while the foreign exchange markets continue to fluctuate. If the amount that would have been paid using the operational rate of exchange is lower than the amount paid under the forward contract — meaning that the market rate is more favourable than the forward rate — a negative difference is recorded, whereas when the amount paid using the forward rate is lower than the operational rate of exchange, a positive difference is recorded. The Secretary-General indicates, however, that the main benefit derived from using forward rates is the predictability that they provide to the budget process.

12. Upon enquiry, the Advisory Committee was informed that even though forward purchasing addresses only the recosting component relating to the fluctuation of exchange rates, the recosting exposure would be reduced as a result. The Committee was also informed that forward contracts, which were currently in place for the purchase of 25 million Swiss francs and 5 million euros every month, would eliminate the volatility inherent to these foreign currency markets up to the amounts contracted. The Committee was also informed that with respect to other currency exposures assumed by the Organization, forward rates would predict the future behaviour of foreign currencies better than the spot rate or past average rates previously utilized, thereby reducing the level of recosting.

13. While noting that the application of the forward purchasing methodology over the period from 2013 until 2015 has improved budgetary predictability, the Advisory Committee is of the view that the information presented in the Secretary-General's report does not amount to a comprehensive assessment of the application of this methodology, as requested by the General Assembly in its resolution 69/262, section XII, paragraph 6. Such an assessment would provide the Committee with a better understanding of how the Secretariat intends to apply forward purchasing in 2016-2017 and future budget periods. The Committee expects that further detail will be provided in future performance reports on the programme budget.

Unforeseen and extraordinary expenses

14. Table 7 of the report lists commitments totalling \$16.6 million which have been exercised under the provisions of General Assembly resolution 68/249. These commitments relate to budget sections 2, 3, 4, 24, 27 and 29D and include commitments authorized by the Secretary-General as well as commitments authorized by the Secretary-General with the concurrence of the Advisory Committee. Upon request, the Committee was provided with a table showing these unforeseen and extraordinary expenses in the amount of \$3.3 million, which had been approved by the Secretary-General under his own authority.

Decisions of policymaking organs

15. The other additional expenses arising from the decisions of policymaking organs include: a subvention of \$12.1 million, authorized by the General Assembly in section 1 of its resolution 69/274 A, under section 29B, Office of Programme

Planning, Budget and Accounts, for the Extraordinary Chambers in the Courts of Cambodia; and an amount of \$5.8 million, authorized by the General Assembly in section VII of its resolution 69/274 A, under section 33, Construction, alteration, improvement and major maintenance, for the implementation of flexible workplace strategies in the Secretariat building.

Post incumbency and other changes

16. The changes under this category include: (a) the difference between realized vacancy rates and those assumed in the revised appropriation; (b) differences between actual average salary and common staff costs compared with the standards included in the revised appropriations; and (c) adjustments to objects of expenditure other than posts based on actual and anticipated requirements to the end of the biennium. As indicated in table 3 of the report and as further broken down by object of expenditure in schedule 2, these changes amount to a net decrease of approximately \$6.0 million, resulting from increased requirements of \$27.5 million for post-related objects of expenditure and reduced requirements of \$33.5 million for non-post objects of expenditure.

17. The increase of \$27.5 million under posts exhibits the increased requirements under salaries (\$14.3 million) and common staff costs (\$13.2 million), reflecting higher-than-budgeted actual expenditure experienced during the biennium and overall lower-than-budgeted actual vacancy rates for posts in the Professional and higher categories, and slightly higher-than-budgeted vacancy rates for the General Service and related categories. Details of the actual average vacancy rates in both the Professional and higher categories and the General Service and related categories from 2012 to 2015 are contained in schedule 8 of the report of the Secretary-General, which indicates a reduction in the average budgeted vacancy rates for Professional staff from 8.9 per cent in 2014 to 8.1 per cent in 2015; and an increase from 5.2 per cent in 2014 to 6.3 per cent in 2015 for General Service staff (see also [A/70/7/Add.35](#)).

18. Details regarding the reduced requirements of \$33.5 million for non-post objects of expenditure are presented in paragraphs 37 to 50 of the Secretary-General's report. The Advisory Committee comments below on specific objects of expenditure.

Other staff costs

19. The report indicates that the increase of \$9.9 million for other staff costs under section 34, Safety and security, is mainly attributable to higher-than-anticipated overtime costs of security and safety services at Headquarters and the regional commissions, incurred owing to executive protection during travel, security support for major conferences and other security services provided for special events. Upon enquiry, the Advisory Committee was informed that overtime and the night differential were essential for uninterrupted delivery of security operations and services at the United Nations Headquarters as well as in annex locations, since services must be provided on a round-the-clock basis, 365 days per year. **However, the Advisory Committee was not provided with any details as to the composition of the increased amount. The Committee expects that this information will be provided to the General Assembly at the time of its consideration of the second performance report.**

20. The Secretary-General indicates that the increase of \$2.4 million for other staff costs under section 29C, Office of Human Resources Management, is mainly attributable to training and staff development programmes related to the operationalization of the mobility and career development framework, and training activities related to the roll-out of the Umoja enterprise resource planning system. Upon request, the Advisory Committee was provided with a table showing the increase broken down by its main cost elements which comprised increases due to the delivery of training programmes in the areas of leadership, information technology and career support (\$1,510,000); the operationalization of the mobility and career development framework (\$834,000); general temporary assistance positions approved in the Medical Services Emergency Preparedness and Support Unit/Business Continuity (avian influenza) (\$152,000); support to deployment readiness activities (\$190,000); and business readiness activities in preparation for Umoja deployment (\$189,000), offset in part by reduced requirements attributable to United Nations Mission for Ebola Emergency Response (UNMEER) backstopping in the Medical Services Division and the Strategic Planning and Staffing Division (\$431,000). However, the Committee was not provided with any further details concerning the activities underlying all these cost increases and reductions. **The Advisory Committee recommends that this information be provided to the General Assembly at the time of its consideration of the second performance report. With regard to the increase of \$834,000 in relation to the operationalization of the mobility and career development framework, the Committee reiterates the need to accurately forecast the additional costs of the new mobility policy, including the large number of assumptions underpinning any cost projections and uncertainties as to how the new policy will actually affect the number and nature of staff moves across the global Secretariat (see A/69/572, para. 73).**

21. The report indicates that an increase of \$1.5 million under section 29D, Office of Central Support Services, relates to additional requirements for the temporary funding of the Property Management Unit and overtime resulting from the increased activities and support required during the seventieth session of the General Assembly, including the visit of the Pope and the United Nations summit for the adoption of the post-2015 development agenda. Upon enquiry, the Advisory Committee was informed that the increases comprised an additional requirement under general temporary assistance for the temporary funding of the Property Management Unit (\$875,300); and overtime resulting from the increased activities and support required during the seventieth session of the Assembly (\$592,200).

Consultants

22. According to the Secretary-General, the increase of \$0.3 million under section 24, Human rights, primarily reflects additional requirements for external expertise not available in the Secretariat for the preparation of the various reports and studies mandated by the Human Rights Council. Upon request, the Advisory Committee was provided with information on assignments undertaken by consultants for the Office of the United Nations High Commissioner for Human Rights during 2014-2015. The Committee notes that the assignments included country visits to Mexico and Cambodia, editing and publication of documents, providing support for the mandate of independent experts, and updating online databases. The Committee is of the view that such assignments should be undertaken using the available in-house capacity of the Office.

Travel of staff

23. The resources for the travel of staff showed projected net decreases of \$0.5 million according to paragraph 42 of the report of the Secretary-General, reflecting reductions under section 3, Political affairs (\$2.2 million), and section 5, Peacekeeping operations (\$1.4 million), offset in part by increases under section 34, Safety and security (\$2.1 million), section 28, Public information (\$0.7 million), and section 22, Economic and social development in Western Asia (\$0.2 million).

24. It is indicated that the increase of \$2.1 million under section 34, Safety and security, is mainly attributable to the close protection detail for the Secretary-General, the Deputy Secretary-General and the President of the General Assembly. Upon request, the Advisory Committee was provided with a breakdown of the cost of close protection teams for 2014-2015 in the amount of \$3.4 million, comprising \$2.7 million for the Secretary-General, \$0.4 million for the Deputy Secretary-General and \$0.3 million for the President of the Assembly.

25. As for the increase of \$0.7 million under section 28, Department of Public Information, the report indicates that it relates to the unforeseen travel requirements for photographers and staff of the Office of the Spokesperson who accompany the Secretary-General. Upon request, the Advisory Committee was provided with a list of all the trips undertaken in this regard from January 2014 to 10 December 2015.

26. During its consideration of the Secretary-General's report, the Advisory Committee enquired as to the status of expenditure under the travel of representatives and travel of staff resource categories. The Committee was informed that the expenditure under travel of representatives as at 31 October 2015 was \$91.6 million (or 85.1 per cent) compared with the revised appropriation of \$107.6 million for 2014-2015. The Committee was also informed that the expenditure under travel of staff as at 31 October 2015 was \$40 million (or 82.9 per cent) compared with the revised appropriation of \$48.4 million. According to the representatives of the Secretary-General, travel costs in 2014-2015 had been affected by General Assembly resolution 67/254 A, section VI, in which the new standards of accommodation for air travel were established, and Assembly resolution 69/274 A, section IV, in which the Secretariat was encouraged to use alternative methods of representation and communication and to use air travel only in cases where the absence of direct face-to-face contact would adversely impact the delivery of the mandates. In addition, the Committee was informed by the representatives of the Secretary-General that the average ticket price at United Nations Headquarters in 2014 was 8.9 per cent lower compared with 2013, and that it would be fair to assume that part of this reduction was attributable to the application of the revised travel policy. This assumption was further affirmed by an independent consultant who had assessed the savings resulting from the revised travel policy to range from 8 to 13 per cent. The representatives of the Secretary-General cautioned, however, that it was not possible to accurately disaggregate the effect of the revised travel policy from that of the other contributory factors, such as changing travel patterns, price levels, travel destinations and peak versus non-peak travel.

27. While noting the overall reduction of \$0.5 million in travel costs for 2014-2015, the Advisory Committee would have expected a greater reduction in the expenditure under this resource category in light of the reduced average ticket prices and the potential savings estimated by an independent consultant to range from 8 to 13 per cent. In addition, the Committee notes with regret that the

information provided by the Secretary-General in the second performance report still falls short of the level of detail requested by the General Assembly in section IV of its resolution 69/274 A and trusts that the implementation of the travel module of Umoja will facilitate the submission of the required information.

United Nations Mission for Ebola Emergency Response (UNMEER)

28. The resource changes reported in the Secretary-General's report reflect reductions under section 27, Humanitarian affairs, attributable to decreased requirements for UNMEER in the following resource categories: other staff costs (\$1.4 million); general operating expenses (\$2.4 million); hospitality (\$0.1 million); and supplies and materials (\$3.0 million), offset in part by increased requirements for contractual services (\$1.0 million). The report indicates that the net reductions were the result of the actual epidemiological situation on the ground compared with the planned assumptions, which led to a faster-than-expected drawdown of the Mission. Upon enquiry, the Advisory Committee was informed that, in accordance with General Assembly resolution 69/274 B (sect. I, para. 10), the information on the Mission's final performance, including the liquidation and the disposal of the assets, would be presented to the Assembly in the first part of its resumed seventieth session, within the context of a report reflecting lessons learned in relation to the operations of UNMEER. The Committee was also provided with the following table, which summarizes the anticipated final level of expenditure for UNMEER for the biennium 2014-2015.

(Thousands of United States dollars)

<i>Object of expenditure</i>	<i>Revised appropriation</i>	<i>Proposed final appropriation</i>	<i>Increase/(decrease)</i>
Other staff costs	26 226.5	24 933.4	(1 293.1)
Consultants	222.3	305.7	83.4
Travel of staff	6 906.0	5 985.7	(920.3)
Contractual services	1 202.0	2 223.6	1 021.6
General operating expenses	32 203.0	29 821.0	(2 382.0)
Hospitality	40.0	25.6	(14.4)
Supplies and materials	3 564.4	570.8	(2 993.6)
Furniture and equipment	11 328.0	9 013.4	(2 314.6)
Improvement of premises	159.0	20.3	(138.7)
Grants and contributions	–	2 808.8	2 808.8
Total	81 851.2	75 708.3	(6 142.9)

Unliquidated obligations

29. In paragraph 55 of his report, the Secretary-General indicates that the amount of unliquidated obligations as at 31 October 2015 stood at \$140.8 million. The Advisory Committee notes that this balance compares favourably with those from prior bienniums.¹ Upon enquiry, the Committee was informed that, in accordance

¹ The balance of unliquidated obligations verified as at 30 September 2013 was \$199.5 million and the balance disclosed in the second performance report for the biennium 2010-2011 was \$299.6 million.

with regulation 5.3 of the Financial Regulations and Rules of the United Nations, every effort was being made to monitor and regularly review the level of unliquidated obligations in order to keep them at the minimum. **The Advisory Committee commends the Secretary-General for the sustained efforts to reduce unliquidated obligations. The Committee trusts that the Secretary-General will provide more information in this regard in future performance reports.**

III. Income sections

30. As indicated in table 8 and paragraph 56 of the Secretary-General's report, the total increase under income sections amounts to \$27.8 million, comprising an increase of \$29 million from income section 2, General income, offset in part by reductions of \$0.6 million from income section 1, Income from staff assessment, and \$0.6 million in revenue from income section 3, Services to the public. The reductions in revenue under income section 3, as outlined in paragraph 60, include \$1.4 million under Headquarters catering operations; \$1.3 million under United Nations publications; \$1.0 million under visitors' services; \$0.2 million under postal administration services; and \$0.2 million under other commercial services.

31. Upon request, the Advisory Committee was provided with information comparing the revenue for 2014-2015 and expense projections for activities under income section 3 in the second performance report, with the estimates for 2016-2017. A total net loss of \$5.6 million is projected for 2014-2015, comprising net losses relating to the sale of United Nations publications (\$1.9 million); visitors' services (\$2.1 million); and catering operations (\$1.5 million). In this connection, the Committee recalls that related revenues for these income-producing activities were estimated at \$0.4 million, \$0.1 million and \$47,600, respectively, for 2016-2017. Upon further enquiry regarding the basis for the higher revenue projections for 2016-2017, the Committee was informed that, for visitors' services, the completion of the capital master plan was expected to have a positive impact on revenues for 2016-2017 from guided tours at Headquarters; and that the engagement of a new catering contractor from July 2015 was expected to have a favourable impact on the anticipated revenues from catering services at Headquarters.

IV. Conclusion

32. The action to be taken by the General Assembly is set out in paragraph 63 of the report of the Secretary-General. **Taking into account its comments and observations in the preceding paragraphs, the Advisory Committee recommends that the Assembly take note of that report and approve the revised estimates under the expenditure sections for the biennium 2014-2015, as set out in paragraph 5 of the present report, and the related income estimates, as set out in table 8 of the Secretary-General's report.**