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**Programme budget for the biennium 2018–2019**

# Second performance report on the programme budget for the biennium 2018–2019

## Report of the Advisory Committee on Administrative and Budgetary Questions

## I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the second performance report of the Secretary-General on the programme budget of the United Nations for the biennium 2018–2019 (A/74/570). 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 2019.

2. The Advisory Committee notes with concern that the advance version of the report and some responses to the Committee's questions were not made available to the Committee in sufficient time to allow for a detailed examination of its content prior to the finalization of its report. Moreover, a number of responses to the Committee's questions were not provided. **The Advisory Committee recommends that the General Assembly request the Secretary-General to ensure submission of all future reports and related additional information requested in a timely manner.**

3. According to the report, the anticipated final level of expenditure and income for the biennium 2018–2019 is based on actual expenditure for the first 22 months of the biennium, projected requirements for the last 2 months, changes in inflation and exchange rates and cost-of-living adjustments, and uses the approved recosting methodology (ibid., para. 1).

4. The Advisory Committee notes that the anticipated final level of expenditure and income for the biennium represents a net decrease of $8.65 million compared with the revised appropriation and estimate of income approved by the General Assembly in its resolutions 73/279 A and 73/280 A and B. The projected expenditure for the biennium 2018–2019 is estimated at $5,873.65 million, which equates to the level of the revised appropriation approved by the Assembly. Projected income is estimated at $572.1 million, an increase of $8.65 million (or 1.5 per cent) over the revised income estimates of $563.4 million (ibid., table 1).

5. This net decrease reflects the combined effects of projected reductions owing to changes in rates of exchange ($12.5 million) and inflation ($0.1 million); variances in non-post costs ($84.1 million); and an increase in income ($8.65 million). The decrease is offset by increases resulting from commitments entered into under the provisions of General Assembly resolution 72/264 on unforeseen and extraordinary expenses for the biennium 2018–2019 and in respect of decisions of policymaking organs ($27.7 million); and variations in post costs owing to the difference between actual salary costs and vacancy rates and the approved budget ($69.1 million) (ibid., table 2).

6. A breakdown of the projected expenditures for 2018–2019 by budget section, category of expenditure and main determining factor (rate of exchange, inflation, unforeseen and extraordinary expenses and decisions of policymaking organs, and post incumbency and other changes) is provided in the report of the Secretary-General (ibid., schedules 1–3).

7. The Secretary-General requests that the General Assembly take note of his report and approve the revised estimates for the expenditure sections for the biennium 2018–2019 in the amount of $5,873,652,300, as set out in table 3 of his report, and the related income estimates in the amount of $572,053,900, as set out in table 7 (ibid., para. 87) (see also para. 43 below).

### Impact of liquidity challenges on the implementation of the programme budget for the biennium 2018–2019

8. In his report, the Secretary-General indicates that the budget implementation in 2018–2019 has been repeatedly constrained by the availability of cash (ibid., para. 2). According to the report, the Organization has experienced the deepest cash deficits in a decade, with cash shortfalls early in the year, running out of cash sooner and staying in the red longer (ibid., para. 11). He states that a range of measures and steps, described in paragraphs 4 to10 of the report, have been taken during the course of the biennium in order to address the liquidity challenges. These include curtailing non-post expenditures; temporarily blocking funds from being spent; delays of payments to United Nations system partners; reductions in advances for multi-year projects; and curtailing the hiring of staff. During the last quarter of 2019, additional measures were taken to limit official travel, postpone the purchase of good and services and temporarily curtail expenses for managing facilities. Programme managers were directed to explore additional avenues to further limit expenses, including by postponing conferences and meetings or by adjusting related services. **The Advisory Committee recommends that the General Assembly request the Secretary-General to include comprehensive information on the impact of all measures put in place to address the liquidity challenges of the biennium 2018–2019 in the next relevant report, including a disaggregation by budget section and object of expenditure.**

9. The Secretary-General recalls in his report (A/74/570, para. 7) that in May 2019 he had proposed a set of measures to address the liquidity problems in the regular budget and peacekeeping operations in an earlier report on improving the financial situation of the United Nations (A/73/809). The Advisory Committee recalls that in its report thereon, it had recommended that the General Assembly adopt certain measures, including a proposal to suspend the surrender of unspent appropriations for the regular budget for a trial period of one year (A/73/891, para. 22). In its resolution 73/307, the Assembly endorsed some measures to alleviate the lack of availability of cash in peacekeeping missions but did not endorse the proposal to surrender unspent appropriations for the regular budget.

10. According to the Secretary-General, the impact of the liquidity challenges on the implementation of the programme budget for the biennium 2018–2019 is that

expenditure management has been constrained by liquidity rather than been driven by programme delivery. Postponing non-post expenditures and slowing the hiring of staff have skewed the level of expenditures reported for the first 22 months of the biennium and the projected requirements for the last 2 months of the biennium. The Secretary-General also indicates that the effects of the cash management measures can be expected to spill over into the next budget cycle (A/74/570, para. 12). In response to a request seeking a disaggregated breakdown of postponed expenditures, the Advisory Committee was not provided with any detail but was rather informed that any programmatic impact owing to expenditures postponed but not incurred before the end of 2019 would be reflected in the programme performance for 2019, in the context of the proposed programme budget for 2021. **The Advisory Committee recommends that the General Assembly request the Secretary-General to include in the next relevant report additional information concerning the postponed expenditures arising from the imposition of the above-mentioned measures to address liquidity concerns.**

11. Upon request, the Advisory Committee was provided with updated monthly statistics on the financial ratios for the regular budget and related funds from January 2017 through November 2019, which are set out in table 1 below. From the information provided to it, the Committee notes that the monthly cash ratio[1] in 2019 varied from a high of 2.7 in April to a low of 0.1 in November, while in 2018 the cash ratio varied from a high of 1.6 in April to a low of minus 0.5 in October. The Committee notes therefore that the cash ratio has modestly improved in 2019 compared with that in 2018. The Committee also notes that the cash ratio remained below 1 for eight months in 2018 and for four months in 2019. **While recognizing the shortage of cash at various points during the biennium 2018–2019, the Advisory Committee notes that the cash ratio in 2019 for the regular budget has, in fact, improved somewhat compared with that in 2018.**

Table 1
**Financial ratios for the regular budget and related funds**

| | *2017* | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Ratios* | *January* | *February* | *March* | *April* | *May* | *June* | *July* | *August* | *September* | *October* | *November* | *December* |
| Assets-to-liabilities ratio[a] | 7.2 | 6.9 | 6.4 | 5.9 | 5.5 | 4.9 | 4.4 | 3.9 | 3.3 | 2.8 | 2.3 | 1.7 |
| Current ratio[b] | 8.8 | 8.1 | 7.4 | 6.6 | 6.1 | 5.4 | 4.9 | 4.3 | 3.6 | 3.0 | 2.2 | 1.3 |
| Quick ratio[c] | 8.5 | 7.7 | 7.0 | 6.3 | 5.7 | 5.1 | 4.6 | 3.9 | 3.3 | 2.6 | 1.9 | 1.0 |
| Cash ratio[d] | 0.6 | 1.1 | 1.6 | 2.0 | 1.9 | 1.3 | 0.8 | 0.6 | 0.2 | 0.2 | 0.4 | 0.2 |
| | *2018* | | | | | | | | | | | |
| *Ratios* | *January* | *February* | *March* | *April* | *May* | *June* | *July* | *August* | *September* | *October* | *November* | *December* |
| Assets-to-liabilities ratio[a] | 8.8 | 8.3 | 7.6 | 7.1 | 6.3 | 5.6 | 4.9 | 4.2 | 3.6 | 3.0 | 2.0 | 1.4 |
| Current ratio[b] | 11.0 | 10.2 | 9.1 | 8.4 | 7.5 | 6.6 | 5.6 | 4.7 | 3.9 | 3.1 | 1.8 | 1.1 |
| Quick ratio[c] | 10.5 | 9.6 | 8.5 | 7.8 | 6.8 | 6.0 | 5.0 | 4.1 | 3.4 | 2.7 | 1.3 | 0.9 |
| Cash ratio[d] | 0.4 | 1.5 | 1.5 | 1.6 | 1.2 | 0.6 | 0.6 | – | – | (0.5) | – | 0.1 |
| | *2019* | | | | | | | | | | | |
| *Ratios* | *January* | *February* | *March* | *April* | *May* | *June* | *July* | *August* | *September* | *October* | *November* | *December* |
| Assets-to-liabilities ratio[a] | 8.8 | 8.8 | 8.2 | 7.9 | 7.1 | 6.4 | 5.9 | 5.1 | 3.9 | 3.1 | 2.2 | |
| Current ratio[b] | 10.4 | 10.6 | 9.7 | 9.3 | 8.4 | 7.5 | 6.8 | 5.7 | 4.1 | 3.0 | 2.0 | |
| Quick ratio[c] | 10.1 | 10.2 | 9.3 | 9.0 | 8.0 | 7.1 | 6.5 | 5.4 | 3.9 | 2.8 | 1.8 | |
| Cash ratio[d] | 1.2 | 2.5 | 2.6 | 2.7 | 2.3 | 1.6 | 1.0 | 0.7 | 0.2 | 0.1 | 0.7 | |

(Footnotes on following page)

[1] Cash plus short-term investments: current liabilities.

(Footnotes to table 1)

[a] Total assets: total liabilities.
[b] Current assets: current liabilities.
[c] Cash plus short-term investments plus accounts receivable: current liabilities.
[d] Cash plus short-term investments: current liabilities.

12. Upon enquiry, regarding the cash ratios, the Advisory Committee was informed that the Secretariat had indicated the risk of interpreting the financial situation purely on the basis of ratios at specific points in time and had explained that the cash situation was only fully reflected by reviewing the deepest cash deficits each month. For example, around 22 November 2019, the regular budget deficit had reached $520 million, but subsequent collections of $384 million before the end of that month significantly alleviated the immediate liquidity situation. The Advisory Committee was also informed, upon enquiry, that the regular budget cash deficit as at 30 November 2019 stood at $155 million, with the utilization of $150 million from the Working Capital Fund and $5 million from the Special Account.

13. Upon request, the Advisory Committee was also provided with the month-end balances of the three funds of the regular budget during the biennium 2018–2019, indicating a balance of $198 million in the special account as at 30 November 2019 (see table 2 below). In addition, cash balances for closed peacekeeping operations amounted to $187 million at the same date.

Table 2
**2018–2019 month-end balance of the funds of the regular budget**

(Millions of United States dollars)

| *Month-end balance* | *General Fund* | *Working Capital Fund* | *Special Account* |
|---|---|---|---|
| **2018** | | | |
| January | – | 129 | 203 |
| February | 317 | 150 | 203 |
| March | 326 | 150 | 203 |
| April | 330 | 150 | 203 |
| May | – | 107 | 203 |
| June | – | 11 | 203 |
| July | – | – | 194 |
| August | – | – | 11 |
| September | – | – | – |
| October | – | – | – |
| November | – | – | 98 |
| December | – | – | 30 |
| **2019** | | | |
| January | – | 141 | 203 |
| February | 496 | 150 | 203 |
| March | 557 | 150 | 203 |
| April | 484 | 150 | 203 |
| May | 415 | 150 | 203 |
| June | 205 | 150 | 203 |
| July | – | 75 | 203 |
| August | – | 4 | 203 |

| Month-end balance | General Fund | Working Capital Fund | Special Account |
|---|---|---|---|
| September | – | – | – |
| October | – | – | – |
| November | – | – | 198 |

14. On a related request concerning the amounts assessed to Member States and the monthly collections received in respect of the regular budget, the Advisory Committee was provided with the details contained in table 3 below. The Committee was informed that assessments for the regular budget were issued once annually, at the beginning of the year, and were payable within 30 days.

Table 3
**Assessments issued and monthly contributions received for the regular budget since 2017**
(Millions of United States dollars)

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| **Assessments** | 2 578 | 2 487 | 2 849 |
| **Contributions received** | | | |
| January | 307 | 401 | 527 |
| February | 457 | 589 | 671 |
| March | 430 | 244 | 282 |
| April | 397 | 223 | 191 |
| May | 157 | 87 | 153 |
| June | 28 | 34 | 9 |
| July | 3 | 189 | 8 |
| August | 40 | 8 | 139 |
| September | 72 | 155 | 10 |
| October | 230 | 89 | 208 |
| November | 305 | 423 | 408 |
| December | 30 | 47 | 132[a] |
| **Total, contributions** | **2 457** | **2 489** | **2 737** |

[a] Estimate for December of contributions received.

15. In view of the foregoing, the Secretary-General proposes the temporary suspension of regulation 5.4 of the United Nations Financial Regulations and Rules, which requires the cancellation and surrender of any appropriations that have not been utilized at the end of 12 months following the end of the budget period to which they relate. Accordingly, an amount of $25.2 million, representing the cancellation of obligations relating to the biennium 2016–2017, would not be surrendered as credits to Member States, until the financial situation has improved (ibid., paras. 16 and 88). **While noting a modest improvement in the cash ratios for the regular budget and related funds in 2019, the Advisory Committee recognizes a continuing liquidity challenge and therefore recommends that the General Assembly approve a temporary suspension of the surrender of the unspent appropriations of the regular budget for 2016–2017 for the 2020 financial year (see also para. 43 below).**

### Presentation of information

16. In paragraph 54 of the report, the Secretary-General indicates that the alignment of budgets with current and future expenditure experience, initially referred to in the second performance report for the biennium 2016–2017, is an ongoing process. The Advisory Committee recalls that 2016–2017 was the first full biennium in which budget implementation had been reflected in Umoja, with its more detailed expenditure reporting possibilities, while the budget for the same period had been approved under the legacy system, the Integrated Management Information System (IMIS). Consequently, some expenditures had not been recorded and reported against the object class for which they had been approved in the budget (A/72/647, para. 9).

17. In the second performance report for the biennium 2018–2019, the Secretary-General explains that in Umoja, the nature of expenditure will determine under which commitment items it will be recorded. An example of a centrally managed training project is cited, for which the budget is included under contractual services, but actual expenditures incurred are recorded under various classes (A/74/570, para. 54). The Advisory Committee notes that this explanation for the variance between budgeted and actual expenditures is provided in a number of non-post expenditure categories, including contractual services, general operating expenses, furniture and equipment, and improvement of premises (ibid., paras. 69, 70, 73 and 74). Further detail and explanations were requested but not provided to the Committee during its consideration of the report. **The Advisory Committee recommends that the General Assembly request the Secretary-General to ensure further efforts are undertaken in future budget periods to clarify the alignment of budget proposals with current and future expenditure so as to maintain budgetary integrity and transparency during the course of budget execution, facilitate comparisons between budgeted and actual expenditures and allow for a comprehensive analysis of variances.**

18. With respect to overall expenditure trends over time, the Advisory Committee was provided, upon request, with information on the level of appropriations and actual income and expenditure for the bienniums from 2006–2007 to 2018–2019, which is reflected in the annex to the present report. The Committee notes that between 2006–2007 and 2014–2015, the overall level of final expenditure increased each biennium, with an increase of 37 per cent over that time, from $4.15 billion to $5.69 billion. For the biennium 2016–2017, the final expenditure level amounted to $5.65 billion, amounting to a decrease of $33.3 million (or 0.6 per cent) compared with the final expenditure for the biennium 2014–2015. For the biennium 2018–2019, the expenditure level forecasted in the second performance report is estimated to be $5.873 billion, representing an increase of $219.5 million (or 3.9 per cent) compared with the final expenditure for the biennium 2016–2017. **The Advisory Committee recommends that the General Assembly request the Secretary-General to provide a more detailed analysis of overall expenditure trends over time in future relevant reports, along with explanations of variations in those trends (see A/72/647, para. 10).**

## II. Expenditure sections

19. The overall changes in estimates under the expenditure sections of the budget are summarized in table 4.

Table 4
**Summary of changes under expenditure sections of the budget for the biennium 2018–2019**
(Thousands of United States dollars)

| *Revised appropriation* | *Exchange rates*[a] | *Inflation* | *Unforeseen and extraordinary expenses and decisions of policymaking organs* | *Post incumbency and other changes* | *Revised estimate* |
|---|---|---|---|---|---|
| 5 873 652.3 | (12 505.5) | (86.9) | 27 655.0 | (15 062.6) | 5 873 652.3 |

[a] Includes losses from forward purchasing of $21.3 million.

### Changes in exchange rates and inflation

20. Explanations of 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 report shows the distribution of the increases and decreases in estimates owing 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.

21. The net decrease of $12.5 million under rates of exchange comprises a decrease of $36.4 million relating to the difference between the rates approved in the revised appropriation and the updated rates used in the report of the Secretary-General, offset in part by an amount of $21.3 million relating to the negative effect of forward purchases of Swiss francs and euros (see para. 24 below) and $2.6 million related to the reduction to the budget applied pursuant to section XI of General Assembly resolution 73/279 A. The Secretary-General indicates that as part of the reductions applied, the amount of $2.6 million was related to rates of exchange under non-post resources.

22. The Secretary-General indicates that, in terms of inflation and exchange rates, adjustments for resources for 2018 and 2019 are based on actual experience, as compared with the rates approved in the revised appropriation for 2018–2019 (ibid., para. 23). In estimating the effect of exchange rate fluctuations experienced in 2019, the actual rates realized from January to November were used, with the November 2019 rate assumed for December 2019. Accordingly, the decrease in requirements is attributable to the favourable rates of exchange of the United States dollar in relation to a number of currencies ($12.5 million) and a decrease in the level of inflation ($0.1 million) (ibid., paras. 24–25).

23. Figures I–VI in the report of the Secretary-General chart the performance of different currencies against the United States dollar in 2019. Additional observations on the implications of these exchange rate movements are contained in the report of the Advisory Committee on the revised estimates: effect of changes in rates of exchange and inflation (see A/74/7/Add.31).

*Experience of forward purchasing and related presentation practices*

24. In section IX of its resolution 69/274, the General Assembly decided to use forward exchange rates in preparing budget estimates, commencing with the proposed programme budget for the biennium 2016–2017. In paragraphs 37–42 of his report, the Secretary-General provides information on the Secretariat's experience in the use of forward purchasing to date.[2] As reflected in the second performance report for the biennium 2016–2017 of the Secretary-General (A/72/606), in the five-year period from 2013 to 2017, during which the United Nations entered into forward contracts, the

[2] Defined as a financial instrument that predefines the price of foreign currency to be purchased in the future.

forward purchases provided more certainty since the price to be paid in future purchasing of currency was known in advance. The result of the exercise since 2013 has reflected a net positive difference of $13.4 million (A/74/570, para. 40). The Secretary-General indicates that the strengthening of the United States dollar against the Swiss franc and the euro in 2018 resulted in total negative differences from forward purchases in those currencies amounting to $3.5 million (ibid., para. 41). Similarly, the outcome of the 2019 experience (through October 2019) resulted in total negative differences of $17.8 million (ibid., para. 42). **While noting the negative differences reflected in 2018 and 2019 arising from the practice of forward purchases, the Advisory Committee recalls that the main benefit to be derived from using forward rates is the predictability that they provide in the budget process (see A/70/619, para. 11, and A/72/647, para. 16).**

### Unforeseen and extraordinary expenses

25. In table 6 of his report, the Secretary-General lists commitments totalling $18.2 million that have been exercised under the provisions of General Assembly resolution 72/264 pertaining to unforeseen and extraordinary expenses. The commitments comprise of $6.5 million authorized by the Secretary-General, including $3.6 million for the establishment of the United Nations Integrated Office in Haiti (BINUH), as well as $11.7 million authorized with the concurrence of the Advisory Committee to provide initial funding for different activities.

26. With respect to the commitments authorized by the Secretary-General, the Advisory Committee requested and was provided with information, in the context of its consideration of resource requests for the Emergency Ebola Response Coordinator and the United Nations Mission to Support the Hudaydah Agreement (UNMHA), on all such commitments authorized during the course of the biennium 2018–2019. In a number of instances, amounts initially authorized under the authority of the Secretary-General were reversed in the context of approval by the General Assembly of subsequent budget proposals, thereby enabling the Secretary-General to remain within the $8 million annual limit authorized under the provisions of Assembly resolution 72/264 (see also A/74/7/Add. 27, para. 8).

27. In the case of UNMHA, the Advisory Committee recalls its concern that an unutilized portion of a commitment authority authorized in 2018 amounting to $2,528,400, had been subsequently rolled over for use in 2019 and did not align with the terms of the resolution in which the General Assembly authorized the Secretary-General to enter into commitments not exceeding a total of $8 million in any one year of the biennium 2018–2019 (see A/73/498/Add.9, para. 7). In its resolution 73/306, the Assembly endorsed the Committee's related recommendation that the Secretary-General observe the limits and provisions established by the Assembly with respect to the charges he makes to unforeseen and extraordinary expenses without the prior concurrence of the Committee and/or the General Assembly.

28. During its consideration of the second performance report for the biennium 2018–2019, the Advisory Committee requested, but did not receive, clear and consistent information on all the commitments originally authorized pursuant to the provisions of General Assembly resolution 72/264 during the biennium, including the initial amounts of the commitments authorized and the details of all actual expenditures during each year. **The Advisory Committee recommends that the General Assembly request the Secretary-General to provide in future relevant reports detailed information on the amounts approved and expended under the authorities granted pursuant to General Assembly resolutions pertaining to unforeseen and extraordinary expenses.**

### Decisions of policymaking organs

29. Additional expenses arising from the decisions of policymaking organs include: (a) subventions of $6.3 million and $2.4 million authorized by the General Assembly in sections IV and III of its resolution 73/279, under section 8, Legal affairs, for the Extraordinary Chambers in the Courts of Cambodia and the Residual Special Court for Sierra Leone, respectively (A/74/570, paras. 45 and 46); and (b) a commitment authority in the amount of $835,000 under section 7, International Court of Justice, for implementation of the enterprise resource planning system (ibid., para. 47).

30. In its recent reports on the requests for subventions in 2020 for the Extraordinary Chambers in the Courts of Cambodia and the Residual Special Court for Sierra Leone, the Advisory Committee recommended that unused balances from prior periods be returned to Member States in 2020 (A/74/7/Add.16, para. 16, and A/74/7/Add.21, para. 9). The Committee was also informed upon enquiry that these amounts would be reflected in the second performance report for 2018–2019 and credited to Member States accordingly. In the context of its consideration of the second performance report, the Committee requested, but was not provided with, clarifications concerning the inclusion of these credits in the related proposals to appropriate expenditures. **The Advisory Committee recommends that the General Assembly request the Secretary-General to include information on unused balances for the Extraordinary Chambers in the Courts of Cambodia and the Residual Special Court for Sierra Leone in future relevant reports.**

### Post incumbency and other changes

31. The changes under the post incumbency and other changes 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 2018–2019. Those changes amount to a net decrease of $15.1 million resulting from $84.9 million in reduced net requirements related to other non-post objects of expenditure, partially offset by increased requirements of $69.1 million for posts and $0.8 million for other staff costs (A/74/570, para. 53). Schedules 2 and 3 of the report of the Secretary-General include details of post incumbency and other changes by object of expenditure and budget section.

*Post-related expenditure*

32. In his report, the Secretary-General provides details on the net increase of $69.1 million for post-related expenditures. Specifically, he indicates that, pursuant to section XI of General Assembly resolution 73/279 A, an approved reduction of $37 million was applied to post-related costs, resulting in a lower budget approved for post costs compared with the approved staffing table and budgeted vacancy rates. He indicates that actual expenditure on posts effectively reverses this reduction and is one of the factors for the increase in actual expenditures on post costs. In addition, he indicates that increases in common staff costs are due to: (a) additional contributions to the United Nations Joint Staff Pension Fund as a result of an increase in the scale of pensionable remuneration for staff in the Professional category effective 1 January 2019 ($11.8 million); (b) changes in the education grant scheme ($6 million); (c) increased contributions to medical insurance plans ($2 million); and (d) increases in allowances related to staff movements ($5.6 million) (ibid., para. 56).

33. Details of the actual average vacancy rates in both the Professional and higher and General Service and related categories from 2016 to 2019 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 9.2 per cent in 2016 to 8.6 per cent in 2019 and a reduction with respect to General Service staff from 7.3 per cent to 7.1 per cent for the same period.

*Other staff costs*

34. The breakdown of the net increase of $0.8 million in other staff costs is set out in paragraph 59 of the report. This includes increases under: section 32, Special expenses, to cover requirements of $19.3 million for after-service health insurance; section 34, Safety and security, to cover overtime costs of $6.8 million for providing 24/7 security services in New York; and section 29C, Office of Human Resources Management, for $1.1 million to cover the administration/backstop of training programmes and the implementation of the mobility framework. These amounts are offset by decreases, including under: section 2, General Assembly and Economic and Social Council affairs and conference management, of $13.2 million, owing to the curtailing of external temporary assistance and the reduced need for conference services for human rights treaty bodies; section 8, Legal affairs, of $4.2 million, in the Independent Investigative Mechanism for Myanmar owing to delays in operationalization and deployment of the mechanism; and section 24, Human rights, of $3.9 million, owing to the lower-than-planned number of meetings held by the treaty bodies and the lengthy process to recruit staff to support commissions of inquiry and fact-finding missions.

35. Regarding the additional expenditures for after-service health insurance, the Advisory Committee notes that the General Assembly, during its review of the resource proposals for the biennium 2018–2019, approved a budget that was 16 per cent lower than the estimates initially proposed by the Secretary-General (ibid., para. 59 (a)). During its consideration of the second performance report for the biennium 2018–2019, the Committee sought, but did not receive, a detailed breakdown of budgeted resources for after-service health insurance, by funding source, along with actual monthly expenditures. The Committee recalls that in the context of the support account for peacekeeping operations for the 2019/20 period and the proposed programme budget for 2020, the Committee was provided with information on the monthly and annual expenditure for after-service health insurance by funding source (see A/73/849, paras. 26–29, and A/74/7, table X.7). **The Advisory Committee recommends that the General Assembly request the Secretary-General to provide a detailed breakdown of budgeted and actual expenditures on after-service health insurance in future relevant reports.**

36. Regarding the additional overtime expenditures for security operations and services, the Advisory Committee recalls that a prior request to include additional resources for overtime had been included in the budget outline for 2016–2017 (see A/69/416, para. 13 (b) (vi)) but had not been supported by the General Assembly. The Committee recalls that it had previously noted a pattern of overexpenditures for overtime in previous bienniums (see, for example, A/72/7, para. XII.16, and A/72/647, para. 26). The Committee requested, but was not provided, a written explanation concerning these expenditures. **The Advisory Committee trusts that a detailed explanation concerning the level of expenditures for security operations and services will be provided to the General Assembly at the time of its consideration of the present report and recommends that the Assembly request the Secretary-General to include such information in future relevant reports.**

37. With respect to the additional $1.1 million for the Office of Human Resources Management (see para. 34 above), the Advisory Committee notes that the Secretary-General states that these resources were approved under the budget class for contractual services (A/74/570, para. 59 (c)). Details concerning the ongoing challenge of aligning budgeted and actual expenditures are provided in paragraph 17 above. The Committee

requested, but did not receive, additional details concerning the authorization for these resources. **The Advisory Committee trusts that a detailed explanation concerning the authorization for these additional resources will be provided to the General Assembly at the time of its consideration of the present report.**

*Non-post expenditures*

38. Details regarding the reduced requirements of $84.9 million for non-post objects of expenditure are presented in paragraphs 61 to 77 of the report of the Secretary-General. These include reduced requirements of $3.3 million for experts; $4 million for travel of representatives; $11.4 million for travel of staff; $3.5 million for supplies and materials; $71.4 million for improvement of premises; and $8.5 million for grants and contributions. These reductions are partially offset by net increases of $12.1 million in general operating expenses; and $8.5 million in other costs.

39. Regarding the significant variance of $71.4 million under improvement of premises, the Secretary-General indicates that this is due mainly to the alignment of the budget with the recording of expenditures by nature. While the budget for construction was included under the budget class improvement of premises, expenditures relating to individual projects were reflected under budget classes such as contractual services, general operating expenses, supplies and materials and furniture and equipment (ibid., para. 74). **The Advisory Committee recommends that the General Assembly request the Secretary-General to provide a detailed explanation of the budgetary and accounting treatment for expenditures under improvement of premises, along with the related authorization for such treatment in future relevant reports.**

40. With respect to a decrease of $0.9 million under grants and contributions in section 34, Safety and security, the Advisory Committee was informed, upon enquiry, that the decrease relates to the lower amount of the United Nations share for jointly financed activities due to the lower cost of the malicious act insurance policy (see A/74/7, paras. XII.19–22).

*Unliquidated obligations*

41. The Secretary-General indicates that the amount of unliquidated obligations as at 31 October 2019 amounted to $97.1 million, as compared with $155.9 million as at 31 October 2017 and $140.8 million as at 31 October 2015 (A/74/570, para. 78). He indicates that this level is abnormally low owing to the efforts to align expenditures to liquidity forecasts, in particular by the postponing of non-post expenditures referred to in paragraph 8 above (ibid., para. 79).

## III. Income sections

42. Table 7 of the report provides a summary of the revised estimates for income sections, with a net increase of $8.7 million, most of which is attributable to a $5.2 million increase in income from staff assessment ( ibid., para. 81). Increases of $2.4 million are also reflected under income section 2, General income, attributable mostly to higher-than-expected bank interest rates; and $1.1 million under income section 3, Services to the public, owing to a combined effect of a net decrease in both gross revenue and related expenditures from income-generating activities (ibid., paras. 82–85).

## IV. Conclusions

43. Actions to be taken by the General Assembly are set out in paragraphs 87 and 88 of the report of the Secretary-General. **Taking into account its comments and observations above, the Advisory Committee recommends that the General Assembly: (a) take note of the report of the Secretary-General; and (b) approve the revised estimates under the expenditure sections and the related income estimates for the biennium 2018–2019, as set out in tables 3 and 8 of the report of the Secretary-General. In addition, as indicated in paragraph 15 above, the Committee recommends that the Assembly approve the suspension of the provision for the application of credits under regulations 3.2 (d) and 5.4 of the United Nations Financial Regulations and Rules, in the amount of $25.19 million, resulting from the surrender of appropriations for the biennium 2016–2017, for the 2020 financial year.**

# Annex

## Initial, revised and final appropriation for the bienniums 2006–2007 to 2018–2019, and final expenditure for the bienniums 2006–2007 to 2016–2017

(Millions of United States dollars)

| | *Initial appropriation* | | | *Revised appropriation* | | | *Second performance report* | | | *Final appropriation* | | | *Final expenditure* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Biennium* | *Expenditure* | *Income* | *Net* | *Expenditure* | *Income* | *Net* | *Expenditure* | *Income* | *Net* | *Expenditure* | *Income* | *Net* | *Expenditure* | *Income* | *Net* |
| 2006–2007 | 3 798.9 | 427.4 | 3 371.6 | 4 302.0 | 492.2 | 3 809.8 | 4 188.8 | 505.1 | 3 683.7 | 4 193.8 | 505.2 | 3 688.6 | 4 146.3 | 512.0 | 3 634.2 |
| 2008–2009 | 4 171.4 | 515.5 | 3 655.9 | 4 885.2 | 557.9 | 4 327.3 | 4 792.4 | 550.5 | 4 241.9 | 4 799.9 | 550.4 | 4 249.5 | 4 749.4 | 555.0 | 4 194.4 |
| 2010–2011 | 5 156.0 | 554.2 | 4 601.9 | 5 367.2 | 593.0 | 4 774.2 | 5 416.4 | 601.3 | 4 815.1 | 5 416.4 | 601.3 | 4 815.2 | 5 414.2 | 617.9 | 4 796.2 |
| 2012–2013 | 5 152.3 | 507.8 | 4 644.5 | 5 399.4 | 511.9 | 4 887.5 | 5 603.7 | 543.0 | 5 060.7 | 5 565.1 | 543.0 | 5 022.0 | 5 524.8 | 564.0 | 4 960.8 |
| 2014–2015 | 5 530.3 | 523.1 | 5 007.2 | 5 831.9 | 546.8 | 5 285.1 | 5 808.3 | 574.7 | 5 233.6 | 5 808.6 | 574.7 | 5 233.9 | 5 688.5 | Not available[a] | 5 688.5 |
| 2016–2017 | 5 408.7 | 531.3 | 4 877.4 | 5 620.2 | 539.2 | 5 081.1 | 5 681.6 | 553.7 | 5 127.9 | 5 682.8 | 553.7 | 5 129.1 | 5 654.2 | 558.9 | 5 095.3 |
| 2018–2019 | 5 396.9 | 552.3 | 4 844.6 | 5 873.7 | 536.4 | 5 337.3 | 73.7 | 572.1 | 5 301.6 | tbd | tbd | tbd | tbd | tbd | tbd |

*Abbreviation*: tbd, to be determined.

[a] The amount is not readily available owing to its exclusion from financial statements.