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Report of the Advisory Committee on Administrative and Budgetary Questions

Addendum

Second report: Development Account

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the Development Account (A/52/1009) submitted pursuant to General Assembly resolution 52/235 of 26 June 1998. During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information.

2. The Committee has limited its consideration to policy issues discussed in the main body of the Secretary-General's report. It has not taken up the annexes at this time. As of the time the Committee finalized the present report, it had not yet received a final copy of the Secretary-General's report on the utilization of the Development Account. The Committee will report on this as and when appropriate, including on such proposals as the Secretary-General may formulate on utilization of savings achieved during the current biennium (see para. 14 below).

3. The Advisory Committee welcomes the fact that a number of its observations and recommendations, as contained in its reports (A/52/894 and A/52/7/Add. 10) have been taken into account regarding the sustainability of the Development Account and the modalities of its implementation.

4. The most important of these observations and recommendations stressed that a true saving from the introduction of efficiency measures is achieved if costs are reduced while the level and quality of service is maintained or further improved. Further, transfer of resources associated with efficiency gains is not a budget reduction exercise, but one of redeployment with the total budgetary amount and related assessments remaining the same both before and after redeployment (see para. 8 below).

5. With regard to the concept of the Development Account, the Advisory Committee notes from paragraphs 3 and 4 of the Secretary-General's report that gains achieved as a result of productivity improvements would become a permanent part of the Development Account. In this connection, the Advisory Committee understands that, as previously recommended by it, funding for the Account would be derived from productivity gains throughout the Secretariat and would not be limited to any one area or activity.

6. As indicated in paragraph 10 of the Secretary-General's report, "the amounts for projected savings will, by definition, be estimates and will not become final until the completion and verification of the productivity exercise(s)". Savings from productivity gains which are achieved during budget implementation and reported in performance reports would

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be transferred to the Development Account and utilized to fund development projects and activities, and not to reduce the level of the budget.

7. The Advisory Committee recalls that, while the Secretary-General in his report of 28 December 1997 (A/52/758) had indicated a cumulative savings of some $200 million by the biennium 2002–2003, the Advisory Committee had considered that target to be overambitious (see A/52/894, para. 7); the General Assembly, in its resolution 52/235, while noting that the amount of $200 million was an indicative target had stated that “no time-frame should be specified for reaching that target”.

8. The Advisory Committee recalls that, for the biennium 1998–1999, the General Assembly, in its resolution 52/220 of 22 December 1997, had appropriated an amount of $13,065,000 for the Development Account under section 34 of the programme budget. The Advisory Committee was informed that possible additional savings arising out of efficiency measures amounting to between $5 million to $7 million could be realized during the biennium 1998–1999, should the General Assembly approve the transfer of those resources. As indicated in paragraph 11 of the Secretary-General’s report (A/52/1009), for the biennium 2000–2001, approximately $40 million in productivity improvements could be targeted for redeployment. The current projected level of resources by the end of the year 2001 would therefore be some $53 to $60 million.

9. As indicated in paragraph 6 of the Secretary-General’s report, once an efficiency gain has been achieved, the relevant transfer, once approved by the General Assembly, would form a permanent part of the maintenance base of the budget section which relates to the Development Account. The Advisory Committee agrees with this and with the procedure outlined under section III, Sustainability, of the same report. However, the Advisory Committee points out, that, in its opinion, this maintenance base should not be re-costed. It is intended that the process of transferring amounts to the Development Account will continue in each biennium until the cumulative base reaches the ultimate level of the Development Account as determined by Member States.

10. In this connection, the Advisory Committee points out that the degree to which efficiency measures can continue to lead to quantifiable resources for transfer to the Account will be affected by a prolongation of the current budgetary constraints. In addition, gains from currency fluctuation and inflation would not be available for transfer to the Development Account, nor would savings that are due to underexpenditure as a result of postponement of activities or inability to carry out approved mandates and programmes. This latter category of savings should be separately identified in performance reports.

11. The modalities for identifying gains and transferring funds are outlined in paragraphs 9 to 11 of the Secretary-General’s report. The Advisory Committee agrees with the proposals of the Secretary-General in this regard.

12. The Advisory Committee notes the Secretary-General’s comments on the modalities of expenditure from the Development Account, as outlined in paragraphs 16 to 20 of his report. As indicated in paragraph 18 of the report, the Secretary-General recommended a multi-year project concept and that any balance of appropriation for the Account at the end of a biennium be carried forward to the succeeding biennium. The Advisory Committee agrees with this proposal and notes that balances remaining in the Account would be retained for future development projects. However, once transferred into the Account, these amounts would not be subject to currency and inflation adjustment. Information on unspent balances should be supplied in the context of performance reports. On inquiry, the Advisory Committee was informed that, due to the fact that the current biennium was almost half over, it was unlikely that the total appropriated amount of $13,065,000 would be expended during the current biennium and would need to be carried forward to the next one.

13. The impact on staffing levels and delivery of mandated programmes and activities were discussed in paragraphs 12 to 15 of the Secretary-General’s report. The Advisory Committee notes that it is not the Secretary-General’s intention to involuntarily separate staff as a result of the redeployment of resources, but where necessary, to invest in retraining staff to enable them to take on new functions and responsibilities. It is expected that reductions in staffing requirements in those departments where savings are to be achieved could be met through a combination of redeployment and natural attrition, including retirement. The Committee recommends that comprehensive information on this and other relevant matters be provided in the context of normal reporting procedures, namely, in the proposed programme budget and the performance reports. The Advisory Committee recognizes that, since arrangements for the Development Account are in a transition stage, reporting has up to now been on an ad hoc basis.

14. The Advisory Committee is also of the opinion that consideration of the utilization of savings achieved during the biennium 1998–1999 should proceed on an ad hoc basis.

15. Finally, the Advisory Committee believes that it would make for more clarity if section 34 of the programme budget were not entitled “Development Account”, a term which the

Committee believes should be reserved for financing, accounting and auditing purposes. Instead, the Advisory Committee suggests that a more appropriate title for section 34 of the programme budget could be “Supplementary development activities”.