United Nations
GENERAL ASSEMBLY
THIRTY-FOURTH SESSION
Official Records *

FIFTH COMMITTEE
67th meeting
held on
Monday, 3 December 1979
at 10.30 a.m.
New York

SUMMARY RECORD OF THE 67th MEETING

Chairman: Mr. PIRSON (Belgium)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

CONTENTS

* This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of publication* to the Chief of the Official Records Editing Section, room A-3550, 866 United Nations Plaza (Alcoa Building), and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate fascicle for each Committee.

Distr. GENERAL
A/C.5/34/SR.67
10 December 1979

ORIGINAL: ENGLISH

79-58981

/...

The meeting was called to order at 10.35 a.m.

AGENDA ITEM 106: UNITED NATIONS PENSION SYSTEM (continued) (A/34/9 and Add.1, A/34/30, chap. III, A/34/721; A/C.5/34/30; A/C.5/34/L.28)

(a) REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (continued)

(b) REPORT OF THE SECRETARY-GENERAL (continued)

1. Mr. SOKOLOVSKY (Byelorussian Soviet Socialist Republic) said that since two thirds of the resources of the Joint Staff Pension Fund came directly from Member States, the policies, proposals and activities of the Pension Board should be considered primarily in the light of their effect on the financial position of the Fund. Member States must be certain that the Fund would be in a position to meet its obligations without imposing an additional financial burden upon them.

2. Although the actuarial valuation of the Fund as at 31 December 1978 indicated a slightly smaller deficit than for the corresponding period 12 months before, the figures appearing in the report did not, in his view, inspire confidence that the Fund was being efficiently managed. His delegation was seriously concerned by the Advisory Committee's conclusion (A/34/721, para. 79) that if the situation developed as predicted in the valuation, the Fund would be unable to meet its commitments. In such circumstances, the Fund's intention to solve the problem of the actuarial deficit at the expense of Member States by raising assessed contributions was astonishing. The Pension Board displayed a curiously negative attitude towards General Assembly decisions on staff policy and, particularly, the call for a reduction in the average age of Secretariat staff through the retirement of staff who had reached the age of 60. Such was clearly not the best way to solve the actuarial problem.

3. Despite the efforts they had made pursuant to General Assembly resolution 33/119, neither ICSC nor the Board had been able to find any means of resolving the anomalies in the existing pension system which would be in the long-term interests of both Professional and General Service participants in the Fund, as called for in resolution 33/120. In that connexion, his delegation could not support the interim measures proposed by the Board, since if they became permanent, the actuarial liability of the Fund would amount to some $300 million. In his delegation's view, the "floor" pension paid to a United Nations retiree should not exceed the minimum pension of a State employee at the same grade living in the same country.

4. His delegation agreed with the Advisory Committee that the Commission's suggestion of "freezing" the current adjustment system would adversely affect the Fund. It disagreed, however, with the proposal to extend the maximum period of reckonable contributory service from 32 to 35 years: the financial problems of the Fund could not be solved in that manner.

/...

(Mr. Sokolovsky, Byelorussian SSR)

5. The Fund's investments were more than one and a half times the size of the Organization's regular budget for the biennium 1980-1981, and had grown by 20 per cent as compared with the previous year. He endorsed the general principles guiding the Fund's investment policy, adherence to which would strengthen its actuarial position and prevent situations in which States' contributions to the Fund must increase, or payments be made out of the regular budget. In view of the crisis surrounding the United States dollar, diversifying the Fund's investment portfolio was particularly urgent. In that connexion he recalled the provisions of General Assembly resolution 33/121 A, and expressed concern that a significant part of the Fund's investments were still made in United States corporations. Despite a definite rise in over-all investment in developing countries, such investments by the Fund remained modest, and the Pension Board had provided no information regarding future investments. He was alarmed that investment in transnational corporations continued, although their activities might contradict the goals and tasks of the Organization, and that the proportion of investments made in United States dollars remained high. The Investments Committee should carefully consider the effects of the declining value of the dollar on the Fund's investments, and take corresponding measures to convert resources into more stable currencies.

6. In conclusion, he expressed concern at the accounting arrangements for the Fund's investment activities. At a time when appropriations for investments management were growing, there were serious deficiencies in the supervision of the Fund's investment activities and no steps had been taken to eliminate them.

7. Mr. SCHMIDT (Federal Republic of Germany) said that, from personal experience as a member of the United Nations Joint Staff Pension Board (UNJSPB), he knew how difficult it was to reach agreement on any proposal on such a highly technical and complex matter. In his estimation, the members elected by the General Assembly to serve on the Board had a special responsibility in representing the divergent interests of all Member States. That task, which went beyond mere technical expertise, was particularly difficult in that their mandate was not always clear and a large measure of judgement was therefore required.

8. The Board, the Advisory Committee on Administrative and Budgetary Questions and the International Civil Service Commission (ICSC) seemed to have agreed on two basic assumptions. First, that there was a need to remedy the unfair treatment occasioned by the large reduction in pension benefits at some duty stations in terms of percentage of total remuneration, and, secondly, that redress for pensioners at those duty stations could not await the over-all reform of the pension system. On the basis of those two assumptions, all three bodies had agreed that interim measures were required. While his delegation regretted that it had not been possible to reach a decision on a more fundamental reform of the method of computing benefits, he believed that Member States had no choice but to agree to the interim measures. The Commission's work had the clear merit of having established where the root of the problem lay and the need for a reform of the system if it was not to collapse.

(Mr. Schmidt, Germany, Federal Republic of)

9. At the time the pension system came into being, it had been established that the maximum pension should be equivalent to 60 per cent of net remuneration. This had worked well until the range of post-adjustment classes had widened considerably. Since 1971, as a result of currency fluctuations and the distortion of exchange rates, the purchasing power ratios had become so divergent that, in some locations, the real value of a pension had dropped to 40 per cent of net salary, while in others it had reached 130 per cent. He could not help noticing that those who complained about the inadequacy of pensions in high-cost countries were careful not to mention the situation in low-cost countries. It was obvious that the post-adjustment system would have to be overhauled before it could be used in the context of the pension system.

10. Another point to be borne in mind was that the pension system was a contributory scheme and there had, therefore, to be a relationship between the employee's contributions and his benefits, not purely in mathematical terms, but also to ensure that a contributor with the same record of employment in any part of the world received the same standard benefit in return for the same standard contribution. As the Commission's deliberations had made clear, any change-over to a system based on percentage of net salary would break that basic link because, in absolute terms, some pensioners would make a large contribution but would get a small return. That would quite obviously be regarded as a basic unfairness. ICSC had not seen fit to mention it, on the assumption that the principle of solidarity would cover it, but the problem had to be faced fairly and squarely in finding a solution.

11. He believed that it would be worth while to try to find a solution by which both contributions and benefits would be the same in all parts of the world but, for those who wished to retire in a particular country, an option could be given by which the pension contribution would be calculated on the level of net remuneration in that country.

12. His delegation was agreeable to the interim measures proposed by the Board and by ICSC, but could also support the Advisory Committee's alternative, which had advantages for those who were reluctant to support a scheme in which post adjustment was included in pensionable remuneration. It likewise supported the other recommendations of the Advisory Committee but saw no reason to abolish the upper age limit of 60 for admission to the Fund. It could be assumed that if, in an exceptional case, it was essential to employ someone over the age of 60, a practice which should be strictly limited, such people would already have qualified for a pension and would not need to be insured by the Fund.

13. With regard to the investments of the Fund, and with particular reference to the draft resolution contained in document A/C.5/34/L.28, he observed that his delegation had always supported greater diversification of investments, but it had to be in the interests of the Fund and its participants, not in the interests of Member States. There was no such thing as equitable geographical distribution of the Fund's investments in developing countries as proposed in that draft resolution.

/...

(Mr. Schmidt, Germany, Federal Republic of)

Such an idea was clearly a breach of the Regulations. It was impossible simultaneously to assert the principles of safety, profitability, liquidity and convertibility and to insist on provisions which undermined the Fund. There was no doubt that such a course of action would destroy it. He wondered how Member States would react if asked to make good any deficit resulting from such a policy, as they were obliged to do under article 27 of the Regulations of the Fund.

14. Mr. VICARIO (Spain) said that in view of the great complexity of the pension system the Committee must exercise great caution when it came to a decision on any of the interim measures being proposed. In spite of its noble efforts, ICSC had not been able to devise an over-all solution to the problem of pensionable remuneration, owing largely to its laudable desire to provide for equity together with a uniform level of pensionable remuneration. His delegation hoped that the Commission would find a solution without becoming ensnared in problems stemming from a too perfectionist approach.

15. Before seeking a solution to the problem cited by ICSC of a person whose pension was adversely affected by his decision to retire to a country other than the one in which he had been resident, it should be decided to what extent the problem was a completely personal one in which neither the Organization nor the Joint Pension Fund should become involved. A person who chose to go to a particular place weighed the pros and cons and acted accordingly.

16. The problem could not arise unless the Organization had offices in the country to which the staff member wished to retire, since otherwise he would have no grounds for considering that his pension was lower than that paid to his local counterpart. But if there was a United Nations office in the country, would it not be possible to use other methods that did not require manipulation of the pension? For example, the staff member concerned could be posted to that country some years before his retirement, thus avoiding the need for a "perfect" formula which, even if found, might be so complex that it was never used.

17. Other considerations should also be taken into account. For example, the Noblemaire principle applied only to the Professional and higher levels; yet, in the case of all staff, the Organization paid two thirds of the pension contribution, and the staff member one third. His delegation would like to have information on what occurred in the comparator country and in any other national or international entity in which comparable conditions existed. In short, his delegation had certain doubts concerning the assumptions of ICSC and, since a long-term solution would be adopted in the following biennium, would prefer to follow the suggestions of the Advisory Committee.

18. It also felt that, for pragmatic reasons, the Committee should defer consideration of whether to admit ICCROM to the Fund and should request the Pension Board, as the Advisory Committee suggested (A/34/721, para. 52), to review article 3 (b) of the Regulations of the Fund. In all other respects his delegation supported the recommendations of the Advisory Committee.

/...

19. Mr. LAHLOU (Morocco) said that he had been most astonished at a previous meeting to hear the Under-Secretary-General for Administration, Finance and Management imply that African countries would have to change their financial institutions in order to provide investment opportunities as attractive as those of the transnational corporations. In resolution 33/121 B, the General Assembly had called upon the Secretary-General to intensify his contacts and inquiries with institutions and Governments in Africa with a view to increasing substantially the investments of the Pension Fund in that region. However, it was evident from paragraphs 25 to 27 of the Secretary-General's report (A/C.5/34/30) that the Secretary-General and the Investments Committee of UNJSPF had not responded with the dynamism required. The General Assembly had requested something more than close scrutiny of investments in Africa. A pragmatic approach had to be adopted to take account of the economic circumstances of African countries. Yet, it appeared that an interest rate of 13 per cent was being sought for investments in Africa, as compared with only 7 per cent elsewhere. He recognized that the assets of the Fund belonged, not to the United Nations, but to the participants in the Pension Fund; at the same time, Member States were asked to give their opinion on investment policy. He maintained that African Governments could offer investment opportunities which met the four basic criteria referred to in the Secretary-General's report; they could not, however, be expected to tailor their financial institutions to its needs.

20. He recognized that ICSC had done a considerable amount of work on the matter of pensions, and endorsed its position of principle to ensure to the staff member when he retired the maintenance of a proportion of the income he received while in service (A/34/30, para. 50). He further agreed with ICSC that the pension should be comparable to national civil service pensions, that all pensioners, regardless of nationality, should be assured of equitable treatment, and that the pension should be adjusted to take account of the cost of living and fluctuations in exchange rates. ICSC should be encouraged to pursue its study along those lines and, for that purpose, he believed that there should be closer co-operation with UNJSPB. Every effort had to be made to find a permanent solution, though some interim measures might be necessary.

21. He announced that his delegation was engaged in consultations with a view to submitting an addition to the draft resolution contained in document A/C.5/34/L.28.

22. Mr. GOSS (Australia) observed that the reports of the International Civil Service Commission, the Advisory Committee and the Joint Staff Pension Board set out somewhat conflicting views on what should be done with respect to the pension system both for 1980 and the long-term future. The complexity of the subject had led the Advisory Committee to devote a great deal of time to the matter, with

/...

(Mr. Goss, Australia)

the result that the Fifth Committee had only just received its report. As the reports of ICSC and the Pension Board had been issued only in October, Governments had been unable to give detailed consideration to those reports, let alone the Advisory Committee's proposal. Moreover, the documents before the Committee did not provide key information on which informed decisions must be made on such a complex matter. No information had been provided, for example, on how much pensioners in the adversely affected areas received, how much they would get in addition under the interim proposals or under the Advisory Committee's proposal, how much local or comparator public servants would get if living in the affected areas, or how much the proposals would cost in long-term actuarial terms. Without knowing the extent of the problem, or the impact of the various proposals in individual or budgetary terms the Fifth Committee could not be expected to take decisions or even be convinced that a problem existed that needed to be solved.

23. His delegation had, in fact, requested such basic information and had received it, yet it remained unconvinced by the arguments put forward by ICSC about the problems experienced at some duty stations, including Geneva. However, since there appeared to be a general acceptance of the view that interim measures were needed, his delegation would not oppose such measures although it was unenthusiastic about them. It would not be so forbearing the following year if essential information was again withheld from the Committee. The tendency of various United Nations bodies to conceal relevant data from Member States on the ground that they would not fully understand them was a form of arrogance which his delegation utterly rejected.

24. Obviously, Member States did not expect to receive all the data and information which members of the Pension Board and ICSC received, but they were entitled to the relevant information they needed to understand what they were being asked to approve. Such information should include a clear description of the options before the Assembly, with an illustration of their impact; the impact should be made clear at the individual level, and the large-scale implications, costs and actuarial cost must also be spelt out. Member States should be provided with a clear statement of the arguments for and against each proposal and a full and frank explanation of why one course was preferred. Most important of all, Member States must receive the relevant documents before the start of the session so that they could be studied carefully.

25. Such conditions had to be met, especially since the Assembly would be deciding on alternative proposals for a reform of the pension scheme at the next session. In that connexion, his delegation believed that the Fund possessed the necessary resources to provide adequately for all its beneficiaries and the existing problems could be solved within those limits. Any standard rates of income replacement must be established in the light of existing resources and the actuarial imbalance of the Fund. Future reforms must not entail any increase in the contribution rate of organizations and, hence, of Member States.

/...

(Mr. Goss, Australia)

26. The primary aim of reform of the pension scheme should be to achieve an appropriate and equitable pension for all international civil servants. In order to ensure that the Fund was actuarially sound, it was essential to avoid providing incentives for people to retire in high-cost areas and disincentives for them to retire in low-cost areas. It would not be possible to approve any pension scheme based on the post-adjustment system, unless it could be shown that that system was working properly. In that connexion, the WAPA adjustment system should be re-examined, for it resulted in very clear anomalies - by increasing the pensionable renumeration of a staff member in Colombo or Sydney, for example, because of a fall in the Swiss franc vis-à-vis the dollar. There might be more advantage in considering an adjustment system which took into account the anomalies produced by currency variations and inflation, rather than concentrating on pensionable remuneration. He noted, in that connexion, that pensioners in Switzerland received payments at the rate of 2.42 Swiss francs to the dollar, rather than at the current rate of 1.55 to the dollar. Such flexibility prevented any undue hardship; indeed, given the current level of pensions in Geneva, it could hardly be said that any pensioner had been reduced to mere frugal comfort.

27. The aim of any long-term reforms must also be to establish a system which provided for equitable pension levels at all locations. That did not mean equal pensions at all locations, for relative purchasing power must be an important factor in any calculation of an equitable pension. Wherever a United Nations pension dropped below the pension received by an equivalent public servant in that country, then clearly the pension was too low and needed to be adjusted. There was a very clear anomaly when a pensioner received more in pension than he had received in salary before retirement.

28. Although his delegation did not wish at the present stage to take a position on the principle that there should be a direct link between contributions and benefits, or on the opposite principle that all contributors should pay the same percentage of net real income, it believed that the scheme eventually adopted could not incorporate either principle without modification. The proposal for some kind of optional arrangement suggested by the representative of the Federal Republic of Germany merited further consideration. However, any scheme had to be examined to ensure that one set of anomalies was not replaced by another. In any case, it was essential that the views of contributors should be taken into account. He believed that all the principles he had mentioned could usefully be incorporated into whatever scheme was proposed.

29. There seemed to be general agreement that some interim arrangements were necessary and his delegation would not oppose a consensus on that matter. He fully agreed with the view of the Advisory Committee that in adopting interim arrangements it was essential not to prejudge the question of the scheme to be adopted the following year in terms of principle, concept or the creation of an actuarial imbalance. The scheme put forward by the Advisory Committee did not prejudge concepts, but it did contain an element of prejudgement in so far as it added to an actuarial impalance which already stood at some $200 million. Wording had to be incorporated therefore in any resolution on the subject which made it absolutely clear that the interim scheme was to apply only in 1980 and that the

/...

(Mr. Goss, Australia)

fact that any individual pensioner might have received additional money did not mean that he would continue to receive that amount in any scheme adopted in future. There might have to be a marginal reduction in a few cases. In adopting the interim measures no acquired rights should be created, and his delegation wished to make absolutely sure that there would be no acquired expectations either. It was submitting an amendment on that subject.

30. As to the other recommendations contained in document A/34/721, he noted that the Advisory Committee favoured only one of the three changes proposed in the Regulations, held that consideration of the application of the International Centre for the Study of the Preservation and Restoration of Cultural Property should be deferred, and endorsed the removal of age 60 as a bar to entry into the Fund. Though there were arguments for and against all those proposals, his delegation would support the Advisory Committee's recommendations.

31. On the subject of the draft resolution contained in document A/C.5/34/L.28 on the investments of the Fund, his delegation continued to believe that the criteria of safety, profitability, liquidity and convertibility should remain the paramount considerations. It had supported increased efforts by the Secretary-General to ensure investment by the Fund in developing countries, particularly in Africa, and was therefore somewhat disappointed at the small relative increase in investments in those countries. However, he noted that the sponsors had resurrected, in part, unwise, and possibly illegal, resolutions that had been adopted at previous sessions, omitting some of the more sensible provisions and adding less sensible concepts. His delegation and a number of others would oppose that draft resolution, but could support one which would call upon the Secretary-General to redouble his efforts to find investment opportunities in developing countries. The draft resolution contained in document A/C.5/34/L.28 did not in any case address the real problems of the Fund, as revealed in the report of UNJSPB and ICSC.

32. Mr. SHUSTOV (Union of Soviet Socialist Republics) said that the study carried out in accordance with General Assembly resolution 33/119 (section II) had, unfortunately, not produced the desired results. Neither the Pension Board nor ICSC had been able to formulate a reliable and financially sound scheme for establishing pensions which would not increase the liabilities of Member States or undermine the financial position of the Fund.

33. His delegation objected to the interim measures proposed by the Pension Board. It disputed the need for an immediate and significant increase in pensions for a small group of future pensioners prior to the submission, the following year, of definitive proposals for calculating pensionable remuneration. The Advisory Committee had had reservations about those measures and proposed an alternative which did not affect the current notion of pensionable remuneration. His delegation found even that proposal unacceptable, as it saw no point in rejecting one proposal and adopting another simply because its actuarial implications were less onerous. Until comprehensive proposals were adopted, his delegation favoured freezing pensionable remuneration, as advocated by ICSC, and not introducing the interim measures proposed by the Pension Board and ACABQ.

/...

(Mr. Shustov, USSR)

34. Any new pension system or component thereof should be based on the General Assembly's clear directive that the volume of pension payments should not lead to an increase in the present or future liabilities of Member States. In that connexion his delegation was most concerned at the reported actuarial deficit of the Fund and noted in that connexion that the Pension Board, in paragraph 93 of its report, recommended that the General Assembly should not at the current stage consider invoking the provisions of article 27 (a) of the Regulations of the Fund, which would necessitate additional payments into the Fund by the member organizations. Establishing an appropriate pension system and preventing the payment of unjustifiably generous pensions was the only way to eliminate the Fund's actuarial deficit.

35. In its report, the Pension Board made a number of proposals for liberalizing the pension system, at an over-all cost of $76 million. Given the Fund's actuarial deficit, such action could hardly be justified. His delegation could therefore not support the proposal to extend the maximum period of reckonable contributory service from 32 to 35 years. Similarly, it could not agree to a change in the rule now barring a person over 60 years of age from admission to the Fund: to do so would be to violate the United Nations policy of retirement at age 60. It endorsed the recommendations of the Advisory Committee not to approve the proposed changes relating to early and deferred retirement, for such proposals would lead to an increase in the Fund's actuarial costs.

36. The Secretary-General should take further steps to diversify the Fund's investment portfolio both geographically and in the form and currencies in which investments were made, in order to raise the average rate of return. Such a move would also help to avert possible losses stemming from the devaluation of individual currencies or major fluctuations in the stock markets in various countries. Improved monitoring of the Fund's investments was also necessary, by ensuring that proper accounts were kept and maintaining strict control over the movement of assets. He could not ignore the fact that in the financial year 1978 the Fund had made a loss of almost $16 million in liquidating part of its investment portfolio. Income from the Fund's investments should and must be used to strengthen the Fund's financial situation.

37. His delegation was of the view that the basic criteria governing the Fund's investments should be safety, profitability, liquidity and convertibility. If those criteria were respected, the Fund could be kept actuarially sound. Their observance did not contradict the General Assembly's instruction to increase investments by the Fund in developing countries, and his delegation supported the draft resolution introduced by the delegation of Cuba (A/C.5/34/L.28).

38. Mr. STUART (United Kingdom) recalled that, when a resolution very similar to draft resolution A/C.5/34/L.28 had been introduced at the preceding session, his delegation had felt constrained to speak bluntly about any proposal to undertake a major redeployment of the investments of the Pension Fund. In the light of the evidence submitted by the Secretariat, the practical limit on the redeployment of investments had been reached for the time being. If the Secretary-General put the interests of developing countries before those of

/...

(Mr. Stuart, United Kingdom)

participants and beneficiaries of the Fund, he would be in breach of trust. His delegation was pleased that the Under-Secretary-General for Administration, Finance and Management seemed to understand that point, but he was not sure that the majority of delegations shared that understanding.

39. The Regulations of the Pension Fund made it clear that assets were the property of the Fund and should be held separately from the assets of the United Nations on behalf of the participants and beneficiaries of the Fund, and that investments should be decided upon by the Secretary-General after consultation with the Investments Committee and in the light of the observations of the Pension Board. The fourth preambular paragraph of the draft resolution, on the other hand, implied that the investments of the Fund could and should be used to further the development of developing countries. In the view of his delegation, the assets of the Fund could not and should not be used for that purpose. The fifth preambular paragraph introduced the notion of equitable geographical distribution of investments. If the Secretary-General allowed any consideration of equitable geographical distribution to influence his investment decisions, either he should be arraigned before a court of law for breach of trust or his sanity would have to be called in question. The representatives of developing countries need only consult their nationals in the Secretariat to convince themselves of the existence of widespread fear among the staff that the quality of the Fund's investments would be lowered by the constant interference of the General Assembly in an area within the responsibility of the Secretary-General. In addition to regular pensioners, widows, children, disabled persons and secondary dependants received benefits from the Fund, and the Secretary-General was trustee for them all. If the Secretary-General was to breach that trust, his delegation was sure that legal remedies did exist and would be sought.

40. His delegation did not believe that any amendment of the draft resolution would make it more acceptable. The message conveyed by the Secretary-General's report was once again that preference should be given to investments in developing countries only when they would not result in any lowering in quality of the Fund's investments. The Secretary-General was making every effort to channel investments to developing countries without committing a breach of trust. Investments in transnational corporations were of a high quality and should be retained if the Secretary-General considered that they best served the interests of the Fund. There could be no compromise with a draft resolution which was fundamentally wrong in principle and threatened the livelihood of thousands of pensioners and beneficiaries. Moreover, his delegation considered that the adoption year after year of resolutions calling on the Secretary-General to do the impossible constituted unacceptable pressure on him to act against his duty as trustee. It appealed to the sponsors of the draft resolution to withdraw it and leave well enough alone. If the draft resolution was put to a vote, his delegation would vote against it.

41. Mr. MORET (Cuba) announced that the delegations of Afghanistan and Ethiopia had joined as sponsors of draft resolution A/C.5/34/L.28.

/...

(Mr. Moret, Cuba)

42. The representative of the Federal Republic of Germany had expressed some misgivings over the provision of paragraph 2 concerning the equitable geographical distribution of investments. He suggested that, in order to eliminate any difficulties to which that provision might give rise, the paragraph might be expanded to include a reference to the requirements of safety, profitability, liquidity and convertibility and the Regulations of the Fund.

43. A number of delegations had commented on the criterion of profitability as applied to the transfer of investments from transnational corporations to developing countries. In that connexion the provisions of paragraphs 1 and 2 were very flexible and stipulated that such reinvestment was to be effected "to the greatest extent practicable". Perhaps the difficulties to which the first preambular paragraph gave rise could be avoided by using the language of resolutions 31/197 and 32/73 A. Accordingly, the words "are reinvested, to the greatest extent practicable, in developing countries," might be replaced by the words "are invested, to the greatest extent practicable, in sound investments in developing countries,".

44. With regard to the comments of the United Kingdom representative, he said it was not surprising that the draft resolution should create difficulties for some delegations. Yet, the draft resolution was merely a reaffirmation of resolutions previously adopted by the Assembly and introduced no new criteria. The sponsors of the draft resolution were prepared to have it put to a vote at any time.

AGENDA ITEM 107: FINANCING OF THE UNITED NATIONS PEACE-KEEPING FORCES IN THE MIDDLE EAST (continued)

(a) UNITED NATIONS EMERGENCY FORCE AND UNITED NATIONS DISENGAGEMENT OBSERVER FORCE: REPORT OF THE SECRETARY-GENERAL (continued) (A/34/582 and Corr.1, A/34/688; A/C.5/34/L.30)

45. Mr. PEDERSEN (Canada), introducing draft resolution A/C.5/34/L.30, recalled that at the preceding session, his delegation and several others had sponsored resolution 33/13 E with a view to easing the difficulties faced by the Secretary-General in financing peace-keeping forces in the Middle East. That resolution had provided for the entry in a special account of some $17.7 million that would otherwise, under the provisions of the Financial Regulations of the United Nations, have had to be credited against Member States' assessments. As a result a very tight financial situation had been alleviated.

46. Resolution 33/13 E had been intended as an exceptional and temporary measure aimed at providing a breathing space during which a more permament solution could be found. Unfortunately, no progress had been made during the intervening period to solve the basic problem of the withholding of contributions. The balance due from Member States for the six-year period from 25 October 1973 to 24 October 1979 amounted to $79 million, of which $52.9 million represented assessments on Member States which had stated that they did not intend to meet those obligations. Thus, only $26.1 million of the unpaid balance could be considered collectible. The Secretary-General continued to face difficulties

/...

(Mr. Pedersen, Canada)

in meeting the obligations of the Forces on a current basis, particularly those due to troop-contributing countries, which had never received payments on time or been fully reimbursed in accordance with tha agreed rates. That situation had led his delegation and 11 others to introduce draft resolution A/C.5/34/L.30, which would maintain in force resolution 33/13 E until a further decision by the General Assembly. It would be recalled that the "surplus balances" referred to in the draft resolution represented only a "book surplus" in that UNEF/UNDOF continued to incur a deficit in real terms owing to the refusal of some Member States to pay their assessed contributions.

47. The amount of $5,260,420 referred to in paragraph 2 of the draft resolution was the "surplus" balance of the UNEF/UNDOF Special Account for the first calendar year of the biennium 1978-1979 as at 24 October 1978. It represented excess of income over expenditure due to savings effected in liquidating prior years' obligations, plus interest and miscellaneous credits accruing to the Account. It should be noted, however, that income included assessed contributions, irrespective of collectibility. However, as a consequence of the withholding of contributions by certain Member States, the surplus balance referred to had, in effect, been drawn upon to the full extent to supplement the income received from contributions for meeting expenses of the Forces. That amount, like the $17.7 million, should, therefore, be regarded as no more than a theoretical surplus.

48. The draft resolution was in keeping with the financial responsibility, discipline and integrity required of the Organization, and was an essential measure to help it carry out one of its basic purposes, namely, keeping the peace.

The meeting rose at 12.40 p.m.