



SUMMARY RECORD OF THE 45th MEETING

Chairman: Mr. TOMMO MONTHE (Cameroon)

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

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The meeting was called to order at 11 a.m.

AGENDA ITEM 124: UNITED NATIONS COMMON SYSTEM: REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION (continued) (A/40/30 and A/40/653 and Add.1; A/C.5/40/26, 41, 44 and A/C.5/40/45 and Corr.1)

AGENDA ITEM 125: UNITED NATIONS PENSION SYSTEM: REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (continued) (A/40/9 and 848; A/C.5/40/24 and 41)

1. Mr. GITSOV (Bulgaria) said that the International Civil Service Commission's recommendation to establish as the margin between the net remuneration of civil servants of the United States Government and United Nations staff a range of 110 to 120, with a desirable mid-point of 115, might create the impression that the Committee now recognized the reasonable nature of a margin of 15 per cent, but, on the assumption that at times the margin could exceed the upper limit of the range, the Commission seemed ready to accept the existence of a margin much larger than 15 per cent for prolonged periods of time. His delegation therefore proposed that the range of the margin should be set at 12 to 18 per cent with a mid-point of 15 per cent, which would limit excessive variations in either direction and would therefore be equally advantageous for Member States and for international staff.
2. As for the factors taken into account in calculating the margin, his delegation feared that in carrying out its work in that area the Commission showed its tendency of recent years to undermine the Noblemaire principle, as evidenced in the latest reports of the Joint Inspection Unit on staff costs in the United Nations Secretariat (A/39/522 and Corr.1 and A/40/653 and Add.1) and the statements of many Member States.
3. Although ICSC had finally accepted the JIU opinion that annual leave was not an expatriate benefit, and now operated on the assumption that United Nations staff was entitled to 25 working days of leave per year instead of 20, his delegation was not convinced that the new figure was correct. The fact was that United Nations staff had 30 working days of leave per year and therefore worked 10 days less than their United States counterparts. The ICSC also did not indicate clearly how sick leave days were taken into account. The Inspectors had stressed that ICSC had wrongly compared 9.25 days' sick leave for United States civil servants, including General Service staff, with 4.75 days for United Nations Professionals and above only (A/39/522, para. 51), but if the basis of comparison had been the same, the figure for the United Nations would be 10.7 instead of 4.75, so that, taking into account the difference in home leave, United Nations professionals worked 10.3 per cent hours less than their counterparts in the United States civil service.
4. As for the proportion of United Nations expatriate staff, ICSC accepted a figure of 86 per cent, but the Inspectors stated that the exact percentage was no more than 35 per cent. In view of the considerable gap, his delegation wondered whether ICSC's high percentage did not derive from possible inclusion of a large number of general staff members outside their home country, but who did not enjoy expatriate status. His delegation would like some clarification on that point.

(Mr. Gitsov, Bulgaria)

5. The Commission's Statute provided that it must first classify the base city after establishing an appropriate margin in accordance with the Noblemaire principle and then classify all other duty stations against the base city. However, in the previous year it seemed that for the latter stage it had taken decisions incompatible with its Statute. If that was in fact the case, his delegation hoped that it would not happen again.
6. The Inspectors had also made some relevant points regarding the use by the ICSC secretariat of its own price statistics rather than those of the United States Bureau for Labor statistics and regarding certain advantages that United Nations staff had over their United States counterparts (A/39/522, paras. 30 and 31). They had concluded that such benefits contributed much to attracting and retaining in the United Nations system people of the highest standard of efficiency, competence and integrity.
7. In the light of the above, his delegation felt that JIU had been most helpful in the matter of staff costs and remuneration, as demonstrated by the adoption by the General Assembly of resolution 39/27 and the fact that ICSC had in certain respects changed its mind along the lines of JIU's constructive criticism.
8. His delegation regretted that the Commission, ACC and the staff representatives, instead of engaging in a dialogue with the Joint Inspection Unit, had immediately challenged its findings and its right to make pronouncements on the question of staff costs. Since then, Member States had been involved in a controversy over the respective responsibilities of ICSC and JIU and their attention had been diverted from the real issues raised by the Inspectors. His delegation considered regrettable and out of place the statements of some bodies that no action needed to be taken on the recommendations of JIU and felt that its recommendations (cf. A/39/522, sect. IV and A/40/653, sect. V) were reasonable and offered a chance to solve problems which would otherwise remain on the agenda for a long time.
9. In the matter of pensions, he deplored the concerted efforts of the Commission and the Joint Pension Board to raise pension benefits beyond acceptable limits. There was an urgent need to correct the anomalous situation and his delegation fully supported all proposals and recommendations to that effect. It endorsed in particular the proposal of the delegation of Australia that the benefit margin between the United Nations and the United States should be gradually reduced to zero, that the two-track system should be abolished and that a ceiling should be imposed at a level similar to that prevailing in the comparator service. It also supported the recommendation of the delegation of Japan that ICSC and the Joint Pension Board should make a comparison between the benefits and between the pensions and salaries of the United Nations and those of United States federal civil service and that no decision on the Joint Pension Board's recommendations should be taken until the study was published.
10. Mr. MILLS-LUTTERODT (Ghana) said he was pleased that ICSC had been able to submit to the General Assembly a margin range for remuneration since that would remove one problem of the operation of the post adjustment system inherent in the

(Mr. Mills-Lutterodt, Ghana)

pragmatic approach followed to date. His delegation was disappointed, however, that that recommendation had been reached only on the basis of a simple historical approach, and it joined ACC, FICSA and CCISUA in hoping that a better scientific methodology would be produced for consideration by the General Assembly.

11. According to the Commission's previous reports, the accepted range of the margin had been 109.3 to 121.3. From the point of view of historical consistency, it would therefore be more logical to consider a range of 109 to 121 rather than a range of 110 to 120. That would also coincide with the actual operation of the post adjustment system because a variation of one class of post adjustment with respect to a mid-point of 115 produced the figure of 109.3 (or 109) in one direction and 120.7 (or 121) in the other. On the other hand, contrary to what the Commission had stated, a range of 110 to 120 did not correspond to a variation of one complete adjustment class. His delegation would therefore appreciate clarification of an apparent inconsistency. A range of 109 to 121 would also better reflect the views expressed on that subject at the thirty-ninth session of the General Assembly. While his delegation was not firmly opposed to the margin recommended by ICSC, it was open to any other proposal which might command wide support in the Fifth Committee.

12. The detailed description provided by ICSC on the methodology used for calculating the margin (A/40/30, annex I) should correct any misunderstanding. Nevertheless, his delegation wanted to know why the Commission had not used the average remuneration in each grade because, according to its report, that method would be better than the current system based on step one of each grade. In view of the number of special rates in the United States civil service, which had not been taken into consideration in the comparison of remunerations, there were serious doubts whether the margin calculations offered a rational index of comparison. His delegation therefore urged the Commission to expedite its studies on that matter so as to determine whether United Nations officials were better or worse off than their United States counterparts.

13. While on the question of the margin, he said that the three figures given by ICSC (121.3, 117.6 and 119.8), which corresponded to different bases of comparison, tended to create confusion. A final selection must be made of the basis of comparison to be used to avoid loss of time and money in calculating the unwanted ones. It seemed that only when one compared the whole package of remuneration on benefits in both civil services could one get a true measure of comparison. However, neither the comparison based on net remuneration nor the one based on total remuneration (regardless of whether or not differences in terms of annual leave were taken into account) took all the relevant factors into consideration. His delegation therefore proposed that ICSC should provide the Fifth Committee with a brief report of all benefits received by a United States federal civil servant at the most populated grade and step and his United Nations counterpart at Headquarters and at regional duty stations. If the Noblemaire principle was to be applied correctly, that problem of methodology had to be resolved. There was also a need to undertake periodic studies to determine which country was the best comparator. Since the most recent one went back to 1981, he wanted to know what the Commission's intentions were in that connection.

(Mr. Mills-Lutterodt, Ghana)

14. With regard to the operation of the post adjustment system within a defined margin range, his delegation supported the measures proposed by the Commission, which it felt met the concerns expressed in the Fifth Committee at its thirty-ninth session. The Commission was the body mandated to operate the post adjustment system and it was not necessary for the General Assembly to be involved in the operational procedures. In view of the legal difficulties which would be involved in any change of the existing procedure, it would be unrealistic to contemplate other solutions.

15. Referring to paragraph 117 of the ICSC report (A/40/30) he wondered how long, in the Commission's view, the net remuneration margin would have to be maintained at the mid-point of the range and how it intended to achieve that objective. With respect to paragraph 123, his delegation would appreciate clarification of the "appropriate recommendations" which the Commission would make to the General Assembly if the margin fell below the lower end of the range. It also wanted to know why ICSC had not been as explicit on that matter as it had been with regard to the possibility of exceeding the upper limit of the range.

16. With regard to pensionable remuneration, his delegation hoped that by 1986 the United States Congress would have completed work on the new pension scheme for the United States civil service and that the Commission would then submit its recommendations on that point. It fully supported the Commission's recommendations concerning health insurance, long-service step, support of staff with disabled dependants, education grant and recruitment policy, particularly special measures for the recruitment of women.

17. His delegation was gratified at the overall favourable picture given in the Commission's report concerning the implementation and consideration of its recommendations and decisions. It was concerned, however, at the information given by the Chairman of ICSC which gave the impression that the job classification exercise was not proceeding entirely according to the standards promulgated by the Commission and might result in unjustified expenditures. He agreed with the Commission that UNDP and UNICEF should go ahead without delay and implement the results of the classification exercise which had been completed for some time already. He would also appreciate clarification from the representative of the Secretary-General on the current status of the exercise in the United Nations, the expected date of its completion, the procedure used for the classification and the calculation of costs. He also felt it necessary to establish some co-operation between the Commission and the United Nations Secretariat in the implementation of classification standards in order to avoid being overtaken by unfortunate results.

18. Turning to the Joint Inspection Unit report concerning staff costs (A/39/522 and Corr.1 and A/40/653 and Add.1), his delegation, while respecting the independence of the Inspectors and their right to conduct studies to promote the cost-effectiveness of operational activities, thought that exceeding that mandate could mean duplication with other bodies and create more difficulties than it solved. It also regretted the fact that JIU had not complied with the consultation procedure referred to in section V of General Assembly resolution 37/126 or the

(Mr. Mills-Lutterodt, Ghana)

provisions of article 11 (c) of its own Statute before submitting its reports to the Fifth Committee in 1985. The General Assembly had therefore had to refer that report back to the Commission for consideration, and a whole year had been lost only to find that the Inspectors were dealing with a heterogeneous collection of subjects, only some of which related to the common system. As for their recommendations, his delegation whole-heartedly endorsed the point of view expressed by the Commission on that subject in paragraph 96 of its report.

19. The JIU follow-up report (A/40/653 and Add.1) could not be discussed substantively until the Inspectors had complied with the procedure referred to in section V of General Assembly resolution 37/126. It should therefore be sent back to its authors. The JIU suggestion to set up another intergovernmental body to assist the Commission in its work was unjustified both functionally and financially and it was far better to use existing institutions.

20. Mr. DIETZ (Austria) said that without a viable pension system an independent secretariat and an international civil service was simply not possible. Only a staff member who knew that his livelihood after retirement was secure could give the Organization his undivided loyalty. It was therefore encouraging to observe that even in the current difficult circumstances, Member States and participants had worked together to correct the actuarial imbalance of the Fund, which was down to 3.01 per cent of the pensionable remuneration.

21. As for contributions to the Fund, the Committee had been requested in 1985 to approve another increase of 0.75 per cent, an increase which would reduce the actuarial imbalance from 3.01 per cent to 2.26 per cent. There seemed to be no alternative and ACABQ considered it imprudent (A/C.5/848, para. 8) to postpone that decision. Since Member States had to cover two thirds of that increase, they would certainly want to know exactly how much that increase would cost.

22. A change in pensionable remuneration affected both the contributions paid into the Fund and the benefits paid to retirees. It was therefore not surprising that the question of interim measures to protect acquired rights had become one of the most debated topics at the previous session. The General Assembly had rejected the ICSC recommendations on that point. Member States were unwilling to continue to pay for years to come contributions based on a scale they had found too high. Perhaps they would change their minds, but for the time being it would be more appropriate to concentrate on the alternative option put forward by the Board.

23. The lump-sum system for part of the pension was advantageous to the Fund because lump-sums were not adjusted for inflation. It was also advantageous to the retiree, who could use it to buy a retirement home. As far as the calculation of the lump-sum was concerned, his delegation agreed with ACABQ (A/40/848, para. 7) that acquired rights were not necessarily involved in the question relating to the discount rate applied. It took note of the decision of the Board to maintain the current discount rate but suggested that the possibility of applying a uniform rate should be studied further.

(Mr. Dietz, Austria)

24. As for the two-track pension adjustment system, he said that an international pension system could not disregard currency fluctuations and that, if there was a need to protect benefits against the possibility of a weakening of the United States dollar, it was also necessary to conceive of the possibility of a stronger dollar. From that point of view, it seemed that the 20 per cent cap imposed on the margin between the two amounts in local currency should be adjusted. At the preceding session, ACABQ had indicated that the imposition of a cap in real local currency could involve savings of 0.47 per cent of pensionable remuneration, or double what the 20 per cent cap currently permitted.

25. The capping of higher pensions would have no impact on the actuarial imbalance of the Fund but it might have a non-negligible impact on public opinion. It would therefore be interesting to explore further the fall-back position offered by the Board in paragraph 51 of its report (A/40/9).

26. His delegation reserved its position on the question of pensions, but in conclusion wished to note that joint efforts by Member States and participants were needed in order to put the Fund on a sound footing again, that the previous year's package of economy measures had been largely financed by the participants and that the Board had submitted to the fortieth session interesting solutions which deserved careful examination.

27. Mr. FIGUEIRA (Brazil) agreed with the Secretary-General that serving and retired staff should be guaranteed greater stability in terms of their conditions of employment and remuneration. However, international organizations did not have the same reference points as national administrations. At the United Nations, the decision-making process should serve as an instrument of managerial efficiency and as a guarantee of administrative fairness and equity. With respect to pensions, the General Assembly counted on the advice of the Board and the Advisory Committee to that end.

28. As a result of the series of measures already adopted, uncertainty had been introduced into the lives of staff members and their families. Some of the measures had been questioned, since they violated the principle of acquired rights. In paragraph 67 of its report (A/40/9), the Board had stated that, in the judgements of the administrative tribunals of the United Nations, the International Labour Organisation and the World Bank, there was no detailed and consistent definition of what constituted "acquired rights". That was not very reassuring for the staff. Member States should thus adopt, without further delay, as clear-cut a definition as possible of the concept which could be accepted by all the parties concerned.

29. Secondly, his delegation questioned the usefulness of a system which used a national system as a comparator. That could create unnecessary dependence, generate methodological problems, impede the functioning of a planning and budgeting system for personnel resources and, above all, introduce exogenous variables into the financial conditions of service. His delegation thus wondered whether it was appropriate to link United Nations retirement pensions to those of a national system.

(Mr. Figueira, Brazil)

30. On the question of measures to strengthen the Fund, the current approach tended to establish an artificial connection between administrative policy and the pension scheme: a particularly good example was provided by the possible raising of the age of retirement to 62. His delegation was opposed to the idea of retaining staff of over 60 years of age, even under exceptional circumstances.

31. The executive heads of the United Nations system had stated that pension benefits seemed to be fair, but that acquired rights must be respected. It was time to consolidate the achievements made to date - without prejudice, however, to refinements to the regulations of the Fund - in order to make them stable, fair and balanced.

32. At its thirty-ninth session, the General Assembly had failed to approve the transitional measures necessitated by the amendment of the scale of pensionable remuneration for the Professional and higher categories. The decision had had disquieting consequences, and, if the Committee agreed on the proposals made by the Board in paragraphs 72 to 74 of its report, his delegation would join in the consensus provided that the acquired rights of the staff were protected. To that end, the Secretary-General should seek the view of the Office of Legal Affairs before the Committee took any decision.

33. His delegation also agreed with the conclusions and recommendations presented by the Board in paragraphs 42 and 43 of its report relating to the lump-sum commutation of benefits. Brazil also concurred with the conclusions contained in paragraphs 44, 50 and 53, to the effect that it was not appropriate to impose a ceiling on the highest levels of pension or to further limit the commutation option.

34. The positive results of the measures adopted to reduce the Fund's actuarial imbalance were very satisfying, even if much remained to be done to completely eliminate it. Accordingly, his delegation firmly supported the recommendation contained in paragraph 17 of the Board's report, which was also supported by the Advisory Committee in paragraph 6 of its report. In that connection, it was to be hoped that the Committee would accept the increase in the rate of contribution of 0.75 per cent (0.25 per cent for participants and 0.50 per cent for member organizations) so as to increase the rate to 22.5 per cent with effect from 1 January 1986.

35. Mr. MUENCH (German Democratic Republic) said that the work of ICSC affected the conditions of employment and remuneration of tens of thousands of United Nations officials, who accounted for four fifths of the budget. It also fell to ICSC to establish conditions which would ensure that the Secretariat had available, at any given moment, an adequate number of highly-qualified staff from different geographical regions and cultures. That dual responsibility supposed that the interests of Member States and those of the international civil service were taken into account in a very carefully balanced manner. Thus, ICSC decisions were not wholly technical or financial, but also eminently political.

(Mr. Muench, German Democratic Republic)

36. ICSC was not independent in terms of decision-making. Like any other subsidiary organ, it was subject to the will of Member States, as manifested in General Assembly resolutions. His delegation was greatly disturbed by intentions to reverse the hierarchical relationship, as suggested by the introduction to document A/C.5/40/26, containing comments by the Federation of International Civil Servants' Associations. Even though, under its statute, ICSC was entrusted with ensuring that conditions of employment were uniform, there was nothing to suggest that it had exclusive responsibility in that regard.

37. In establishing the Joint Inspection Unit, the General Assembly had equipped itself with an organ able to comment on the use of funds independently of internal considerations of the Secretariat and United Nations organs and of the individual positions of Member States. That was exactly what had been done in documents JIU/REP/84/12 (A/39/522 and Corr.1) and JIU/REP/85/8 (A/40/653 and Add.1), even though their legitimacy had been questioned. There was no provision restricting examination by JIU of the proper use of the Organization's funds. It was perfectly legitimate for it to consider situations which would oblige Member States to pay still more in years to come. And there was abundant reason: some \$30 million had been budgeted for the United Nations for the biennium 1986-1987, without counting the implications for the other organizations of the common system.

38. It was claimed that the efforts made to shed light on the conditions of employment of staff members eroded the authority of ICSC and were absurd. That was extremely disquieting. It was incorrect to view JIU's activities as duplication, since that would amount to questioning its statute, which no one would wish.

39. ICSC had also raised the question of implementing General Assembly decisions on increasing the proportion of women in the Secretariat. While the main consideration had always been to increase the proportion of women, it was understood that that should be done in accordance with the principle of equitable geographical distribution, which was of fundamental importance.

40. Calculation of the net remuneration margin in a range of 110 to 120 was subject to the principle that the mid-point, of around 115, would be considered as a desirable level around which the margin should be maintained over a period of time. It would be logical, from the point of view of the system of adjustment described in paragraphs 121 to 123 of the ICSC report, to maintain the margin at around 115, and not to readjust it only when it attained the upper or lower limit of the range, since that would lead to distortions.

41. ICSC had studied issues relating to the determination of the margin and the quantification of its constituent elements. His delegation welcomed its intention, in due course, to submit a report on the matter to the General Assembly. It should be recalled that the General Assembly had decided that comparisons should be made with the highest-paid national civil service and not with the private sector, as had already been attempted. Further, comparison should be made only on the basis of non-expatriate elements of remuneration.

(Mr. Muench, German Democratic Republic)

42. In its efforts to maintain a uniform system, ICSC needed the active support of Member States. It was for that reason that his delegation appealed to all Member States to safeguard such uniformity and guarantee equal treatment for all staff members. They might thus end the everlasting discussion of the pros and cons of service in a particular secretariat, while avoiding the enshrining of a practice followed by individual organizations as a precedent for general conditions of employment.

43. Mr. SOLOMON (United States of America) said that, since such costs accounted for some three quarters of the regular budget, the compensation and benefits of United Nations officials should be sufficient to attract and retain the qualified staff necessary without being inappropriately high. Implicit in the Noblemaire principle, which provided for that need, was the idea of a reasonable margin between United Nations salaries and those of the comparator civil service.

44. That margin had, however, never been quantified. His country had traditionally taken a great interest in such matters for a number of reasons. It was the single largest contributor to the United Nations budget; it had always been the comparator country; and it acted as host country for United Nations Headquarters and the cost of living in New York was a critical element in determining the salary of international civil servants worldwide. The United States thus had a unique interest in and a unique responsibility for compensation issues in the United Nations system.

45. Two considerations should be borne in mind when considering compensation issues. First, it should be remembered that, although New York was the base city for the system, there were thousands of other United Nations staff members at other duty stations and in the field. Their conditions of service should be taken into consideration, but without inflating the salary and benefits of those serving more comfortably at Headquarters. Secondly, the compensation system was virtually impossible for the layman to understand. Even his own delegation had had difficulty in understanding the details of the comparisons made between the United States civil service and the international civil service. Clearly, the system was in need of simplification.

46. The first question to tackle was that of the desirable margin between salaries of United Nations officials and those in the comparator civil service. His delegation was less than enthusiastic about accepting the idea that international civil servants should be better paid than United States federal civil servants, but it appreciated the historical significance of the Noblemaire principle. It was therefore prepared to accept the margin proposed by ICSC, on the understanding that an endeavour would be made in coming months to refine and simplify the methodology used to establish and describe the net remuneration of United States and United Nations officials.

47. As could be seen from the table reproduced in annex II of the ICSC report (A/40/30), the margin calculated on the basis of the comparison of net remuneration at step 1 of each grade was 121.3, a figure already higher than the margin

(Mr. Solomon, United States)

recommended by ICSC. Moreover, the method used introduced various factors (an adjustment reflecting the difference in the cost of living in New York and in Washington and special awards and bonuses granted to certain categories of United States civil servants) which had the effect of discounting the margin, which was, in reality, about 127.6.

48. Turning to the question of equivalence of purchasing power at all duty stations, he said that if the range recommended by ICSC was adopted, the post adjustment system would become simply a method of ensuring parity with New York and the concept of post adjustment would lose its meaning in the base city. The Committee should therefore endorse that new method of determining remuneration for New York and should request ICSC to ensure that equivalence of purchasing power was better maintained in future.

49. The fall-back proposal on pensionable remuneration, illustrated in the table appearing on page 5 of the Advisory Committee's report (A/40/848), was generally acceptable, but was too generous at the highest levels. That the pensions paid to United Nations officials after 20 years of service should be more than 40 per cent higher than those received by their United States counterparts was unacceptable. The need for a revised methodology of calculating pensionable remuneration was therefore critical. If post adjustment was to be eliminated for the base city, it would no longer be necessary to use the very complex adjustment system based on the weighted average of post adjustments and the consumer price index. Pensionable remuneration would then be the same as remuneration in the base city.

50. Believing that a more modest pension system was appropriate, his delegation could not support the increased contributions recommended by the Pension Board. It recommended that the Committee should defer the increase until the basic problem of the method of calculating pensionable remuneration could be addressed.

51. The criticisms of the United Nations salary and pension system made by Australia and the Soviet Union were shared by a majority of the members of the United States Congress. The decisions taken on those matters by the Committee would have a direct bearing on the attitude of Congress to the United Nations.

AGENDA ITEM 118: FINANCIAL EMERGENCY OF THE UNITED NATIONS (continued) (A/40/831 and A/C.5/40/16)

52. Mr. REFSHAL (Norway), speaking on behalf of the five Nordic countries, noted that, in 1985, the so-called short-term deficit of the United Nations had increased by \$28.1 million and was now \$390.7 million. In the case of the regular budget, there was a deficit of \$116.3 million. The Organization had therefore been obliged to deplete its reserves, whether the Working Capital Fund, the Special Account or amounts realized by the suspension of certain financial regulations.

53. There were two reasons for the financial emergency: the withholding by certain Member States of assessed contributions for peace-keeping or for certain items of the regular budget and delays in the payment of contributions. The Nordic

(Mr. Refshal, Norway)

countries considered that the withholding of contributions for reasons of a political nature was illegal under the terms of the Charter. The prompt payment of contributions was largely a matter of good will on the part of Member States.

54. He wished to touch briefly on the options proposed by the Secretary-General with a view to alleviating the financial difficulties of the Organization. While an increase in the Working Capital Fund would not solve the underlying problems, it might enable the Organization to meet certain pressing obligations. Borrowings in the open market could be used as a means of short-term financing, provided measures to redress the situation were taken simultaneously. While, in principle, there would seem to be no major objection to borrowing from Member States, it would clearly require the agreement of all Member States to participate in the repayment of such loans. The same was the case with the issuance of long-term bonds. The option of suspending the provisions of certain financial regulations should once again be exercised, while acknowledging that such a measure would have no effect until 1987. The application of credits to Member States not in arrears would seem to be incompatible with the previous option. However, the introduction of a system that would penalize late payers, which was used by some institutions, should be considered. It was difficult to see how the assessment of contributions on a biennial basis, the only really new option proposed by the Secretary-General, would produce more conclusive results than the annual formula, and it might not coincide with the fiscal and budgetary calendars of Member States.

55. Mr. LANGMAN (Australia) said that it was unacceptable for certain States, acting in defiance of the Charter, to decide unilaterally to withhold their contributions to certain activities, particularly peace-keeping activities. A growing number of Member States had also been unable to pay their assessed contributions in full or on time. Given the magnitude of the deficit and of funding problems, the Organization might soon be forced to consider reducing the level of budgetary expenditure, which might affect all programmes alike. Penalty provisions, such as those that had worked well at ITU, should therefore be imposed on Member States that did not meet their commitments. The application of credits to Member States not in arrears might provide an incentive for small countries to meet their financial obligations promptly. An increase in the Working Capital Fund might be a sensible step but would not really solve the financial crisis. His delegation strongly opposed external borrowing by the Organization, since debt servicing would further diminish its capacity to finance programmes. For the same reason, it could not support the issuance of long-term bonds. Voluntary contributions were unlikely to represent a viable solution. The assessment of contributions on a biennial basis would not produce better results than the current system.

The meeting rose at 1.20 p.m.