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SUMMARY RECORD OF THE 22nd MEETING

Chairman: Mr. FONTAINE-ORTIZ (Cuba)

later: Mr. NTAKIBIRORA (Burundi)

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

CONTENTS

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The meeting was called to order at 10.05 a.m.

AGENDA ITEM 116: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS: REPORT OF THE COMMITTEE ON CONTRIBUTIONS (continued) (A/41/11)

1. Mr. AL-SALLOUM (Saudi Arabia) said that his country's rate of assessment had been drastically increased by a factor of 1,517 per cent between 1976 and 1986, in direct contravention of paragraph 4 (c) of General Assembly resolution 36/231 A. Such unfairness was a built-in feature of the current assessment methodology which highlighted the need for thorough reform. The present criterion of per capita income must be supplemented by a macro-economic yardstick to measure Member States' real capacity to pay, such as that of gross national product, an idea which had been addressed to some extent in paragraph 3 of General Assembly resolution 39/247 B. In that connection, his delegation welcomed the study by the Committee on Contributions, presented in paragraphs 69-74 of its report (A/41/11), and the significant results demonstrated in the relevant table. The introduction of a graduated range of base relief gradients would leave the rates of assessment of the least developed countries unchanged, while causing a marginal increase in the rates for middle-income countries and a very modest increase for those with national incomes above $100,000 million. If the proposal were accompanied by a reduction in the regular budget as a result of the implementation of recommendations made by the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations, the modest increases in rates of assessment would not necessarily be accompanied by increases in the actual financial contributions of Member States. Another advantage of the proposal would be a reduction in the dependence of the United Nations on individual large contributors, which would enhance the equal sovereign role of all Member States. His delegation hoped that the Committee would recommend the adoption of the proposal by the General Assembly at its current session.

2. Mr. MOLTENI (Argentina) said that the Fifth Committee should give clear guidelines to the Committee on Contributions with respect to its future work. The methodology adopted at the thirty-ninth session for calculating the scale of assessments provided a firm basis for improving existing criteria. It reflected real capacity to pay, in that it took account of the ratio of debt to export income on the one hand and of national income on the other, and allowed for the calculation of an appropriate level of relief. The formula for the limitation of excessive variations in successive scales of assessment introduced an element of certainty while maintaining an appropriate degree of flexibility.

3. The Committee on Contributions should continue its efforts to incorporate short-term economic indicators in its methodology for assessing real capacity to pay. In that connection, a statistical base period of three years would be suitable.

4. His delegation shared the doubts expressed concerning alternatives II, III and IV proposed in the Committee's report. The provisions of alternative I had already

(Mr. Molteni, Argentina)

been considered at the thirty-eighth session, at which time it had been concluded that the main advantages were simplicity and easier comparability of data, and that the major disadvantages were the questionable basis for the establishment of groups, the possibility of confrontation within and among groups, and the fact that capacity to pay would not be duly reflected. Those concerns had not been dispelled by the current report. His delegation had serious doubts as to the viability of alternative I as a means of solving the problems inherent in the current methodology. In particular, the division into groups would distort the concept of capacity to pay. In fact, none of the four alternatives proposed was a suitable replacement for the current methodology.

5. With regard to comparability of data, it was legitimate in special cases to make use of data from other sources, in particular, World Bank statistics, to determine real capacity to pay. In that connection, Argentina endorsed the procedures outlined in paragraph 49 of the report. In view of the distortions in national and per capita income levels, expressed in United States dollars, as a result of exchange rates that did not adequately reflect domestic inflation rates, his delegation supported the recommendation contained in paragraph 67 of the report.

6. Mr. SCHASTNY (Byelorussian Soviet Socialist Republic) said that changes in prices and exchange rates were determined by the domestic and external economic policies of a country and were, like changes in the level of national income, reflected in an altered capacity to pay on the part of that State. Thus, only comparable data on national incomes, expressed in current prices and calculated in a single currency, could accurately determine the relative capacity to pay of individual countries. Attempts to supplement the capacity-to-pay methodology by the use of socio-economic indicators had so far been unsuccessful. In the view of his delegation, alternative I, as presented in the report of the Committee on Contributions, besides not fully respecting the principle of capacity to pay, might introduce elements of confrontation both among and within groups. Rather than simplifying the process of assessment, it was likely to provide a source of unwanted tension between Member States.

7. His delegation also shared the doubts of many members of the Committee with regard to alternatives II and III. Alternative II constituted a substantial departure from the basic capacity-to-pay principle, while the suggestion in alternative III that non-permanent members of the Security Council should bear an additional apportionment in view of the privileges they enjoyed was inappropriate because membership in the Council entailed obligations rather than privileges. It was inconceivable that membership should be turned to commercial advantage. Alternative IV likewise offered little hope of an acceptable solution.

8. With regard to the question of data comparability, the problems relating to exchange rates were indeed somewhat complicated. His delegation believed that the most realistic and well-tested method was to calculate national income in United States dollars on the basis of current exchange rates and, in the case of countries with multiple exchange rates, to choose the rate most suitable for the purposes of calculation. The various alternative methods suggested by the Committee on

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(Mr. Schastny, Byelorussian SSR)

Contributions would lead to additional complications without preserving the principle of equity between individual countries and might infringe upon the sovereignty of those countries. His delegation objected to the proposed introduction of price-adjusted rates of exchange, as well as the proposal that the national income of individual countries should be calculated not at official exchange rates but at rates adjusted to reflect changes in the pace of inflation in the United States. It was unjust that the economic, social and political conditions causing inflation in one country should be extended to other States. Any arbitrary adjustment of exchange rates and national income by United Nations bodies without reference to the actual economic circumstances of a particular country could lead to a significant distortion of indicators of the relative capacity to pay of that country.

9. Mr. NTAKIBIRORA (Burundi) took the Chair.

10. Mr. AL-ASFOOR (Bahrain) said that alternative I would be impractical in view of the problem of relief received and relief granted according to the current low per capita income allowance formula. Middle-income developing countries in the third group would find it difficult to accept an increase in their relief burden, bearing in mind their current economic problems. As for the other alternatives, his delegation shared the view that they constituted a departure from the capacity-to-pay principle and entailed issues of a political character that fell outside the ambit of the Committee on Contributions. However, his country supported the view that economic and social factors, as well as the level of a country's development, should be taken into account in determining an alternative methodology.

11. The current per capita income methodology should not continue to be used indefinitely, in view of the problems it posed for countries whose income depended on exports of a single exhaustible natural resource. Consideration should also be given to the special situations of small developing island nations which faced particular economic, ecological and geographical problems. His country was to a large extent dependent upon its exhaustible reserves of oil, and the fall in the price of that product had made it harder to carry out infrastructure development projects. He therefore hoped that the Committee on Contributions would take its special circumstances into account.

12. Mr. AMNEUS (Sweden), speaking on behalf of the Nordic countries, expressed the belief that the obligation to bear the expenses of the United Nations as apportioned by the General Assembly was absolute and unconditional on every Member State. In addition, any issues related to assessments should be approached and discussed in a spirit of generosity and with a sense of proportion, while according full respect to the independence and expert status of the Committee on Contributions. The increasing practice of withholding or delaying contributions was a cause for concern, and the Nordic countries rejected the argument that the grace period of two years allowed under Article 19 of the Charter legitimized such practices. It was certainly not the intention of the founders of the United Nations that Member States should deliberately withhold contributions.

(Mr. Amneus, Sweden)

13. It was gratifying to note from the report of the Committee that some progress had been made on the establishment of a uniform data base. The Nordic countries shared the hope that differences between the estimation procedures of the United Nations and the World Bank, which had led to certain discrepancies, would be reconciled. They also welcomed the Committee's decision to rely entirely on the annual comprehensive national accounts questionnaire and were pleased to note that it was continuing to address the problems of exchange rate conversion factors and adjustment for movements in inflation.

14. With regard to alternative methods of assessment, the Nordic countries believed that alternative I most closely reflected the principle of capacity to pay, which served as the paramount criterion both within and outside the United Nations system. That alternative appeared to be sufficiently innovative to justify further consideration and development. Suggestions concerning a redistribution of financial obligations among Member States had been circulating informally for many years, and the Nordic countries believed that such suggestions should be further explored, with a view to lessening the dependence of the Organization on any single State and better reflecting the fact that the United Nations was an instrument of all Member States.

15. Mrs. PERKOVIC (Yugoslavia) said that her delegation viewed the proposals made by the Committee on Contributions as preliminary and requiring further study. They did not take due account of capacity to pay, which should remain the basic criterion in formulating the scale of assessments.

16. With regard to alternative I, she wished to draw attention to the problems of relief and agreement on shares, referred to in paragraphs 21 and 22 of the report. It was clear that the increase envisaged for the OECD countries would not exceed 1 per cent, whereas the corresponding increase for developing countries amounted to almost 4 per cent. It would be of interest to know to what extent the increases reflected real capacity to pay. In view of the problems faced by developing countries, it was difficult to envisage any increase in their contributions. Further, the distribution of assessed contributions among the countries of the third group would raise the problem of data comparability.

17. Her delegation did not believe that there was a link between financial responsibility and financial burden - the assumption which underlay alternative II. With regard to alternative III, Yugoslavia agreed that it was not appropriate to penalize those States that represented their regions on the Security Council, since otherwise only those countries that could afford to pay could aspire to membership. Alternative IV amounted to a substantial revision of the concept underlying the budget, which was beyond the mandate of the Committee on Contributions.

18. The Committee on Contributions should concentrate on improving current methodology for assessment, on the basis of capacity to pay. In particular, more weight should be given to indebtedness and other economic problems besetting developing countries. In that connection, she commended the efforts made to improve data comparability and the decision to discontinue the special questionnaire for contribution purposes.

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19. Mr. UPTON (United Kingdom), speaking on behalf of the Twelve States members of the European Community, said that the Fifth Committee should give its reaction to the various proposals put forward by the Committee on Contributions, bearing in mind that the scale of assessments for the United Nations affected the other organizations of the system.

20. Under the current scale of assessments, the contributions of the Twelve accounted for 29.8 per cent of the regular budget, making the European Community, collectively, the largest contributor. The Twelve wished to see a reversal of the trend away from capacity to pay, which remained the most appropriate basis for apportioning costs.

21. The Fifth Committee's objective should be to agree on a durable methodology that would be perceived as fair and reasonable while reflecting economic reality. The current methodology incorporated guidelines that had been intended to serve the short-term interests of various States, rather than improve objectivity, a process which had eroded the authority of the Committee on Contributions. It was not in the interest of any State for there to be an annual wrangle over assessments.

22. Alternative I proposed in the report might induce each of the groups identified to ensure that it carried as little of the burden as possible, and might lead to difficulties over apportionment within each group. Alternative II represented a qualification of the principle of capacity to pay on the basis of considerations other than technical and economic, and was not practicable. The same was true of alternative III, which proposed what amounted to a membership fee for all members of the Security Council. Alternative IV had a number of interesting features, but represented a move away from capacity to pay, although it might be retained in some form for the core portion. There would, however, be difficulty in reaching agreement on core and non-core activities.

23. For capacity to pay to be assessed, statistics must be comparable. Unilateral revision of the data employed by the Statistical Office and the use of questionable exchange rates gave cause for concern. The Committee on Contributions should continue its research in statistical comparability.

24. Mr. ALEMU (Ethiopia) said that any departure from the criterion of capacity to pay would be inconsistent with fairness and equity. Accordingly, his delegation found little merit in alternatives II, III and IV. Alternative II would undoubtedly lead to a substantial increase in the contributions of the least developed countries, while the proposal to allocate a portion of the budget to the permanent members of the Security Council was not attractive. There should be no equating of privilege with money. Alternative III was unfair, and would deter developing countries from serving on the Security Council. The proposal represented another attempted linking of privilege and money.

25. His delegation was strongly opposed to the proposed division, under alternative IV, between core and non-core portions of the budget. Any division between technical co-operation activities and the so-called core portion could only

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(Mr. Alemu, Ethiopia)

be arbitrary and would erode the fundamental purposes of the Organization. Further, the issues raised went beyond the competence of the Committee on Contributions.

26. Alternative I might have some merit, in that it entailed no serious contradiction of the principle of capacity to pay. However, the question of how each group's burden would be apportioned among its members needed clarification. In particular, the homogeneity of the third group should not be exaggerated. There was also the problem of how to absorb the relief granted to developing countries. Furthermore, the implicit assumption underlying alternative I was that the problems of the United Nations were to be tackled not in unison, but in groups, a view with which his delegation was uncomfortable. The current methods of assessment, while imperfect, were more satisfactory than the proposed alternatives and should serve as a basis for further improvements.

27. Mr. GANKHUYAG (Mongolia) said that the current capacity-to-pay methodology could not satisfy every Member State, in view of occasional discrepancies between data provided and the current economic situation of a particular State. However, the capacity-to-pay principle remained the most widely acceptable criterion for determining the scale of assessments. Implementation of any of the alternatives presented in document A/41/11 would at some stage be detrimental to the interests of one State or group of States. Many contravened the principle of equality among Member States and others considerably complicated the methodology. None enjoyed the unanimous support of Member States, and the Committee on Contributions should instead attempt further to refine the current methodology based on capacity to pay.

28. His delegation agreed with those representatives who had noted that it was not the function of the United Nations to pursue commercial interests. As for the so-called socio-economic indicators, the Committee had rightly noted the excessive complication that would result from use of such criteria, in addition to the substantial increase in the collective contribution provided by the developing countries. His delegation supported the recommendation that a ten-year statistical base period should be retained for the review of criteria to determine individual State's capacity to pay, as well as the recommendation on an increase in the upper limit of the low per capita income allowance formula.

29. Mr. JUMA (United Arab Emirates) said that the current method of assessment should be maintained. Economic and social indicators were useful criteria by which to measure the capacity to pay of Member States, and his delegation believed that further study should be devoted to such indicators, while ensuring that the criteria used did not impose any additional burdens on the developing countries. He supported the view of certain other delegations that the national income of countries relying on a single exhaustible commodity should receive special treatment in the apportionment of assessments. His country, which relied on oil to promote its development, had suffered greatly as a result of the fall in oil prices and the world economic crisis, and he requested that the Committee on Contributions should take such difficulties into account when determining the scale of assessments.

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30. Mr. SABA (Burkina Faso) said that some of the proposals before the Committee were likely to paralyse the Organization and even threaten its survival. The proposed additional apportionment for non-permanent members of the Security Council would place membership beyond the reach of some States, in violation of the Charter, and was unacceptable. Similarly, the proposed distinction between core and non-core activities would mean that the financing of non-core activities would be subject to the whim of the richer countries.

31. The only realistic approach was to take account of each country's economic situation, and of inflation and exchange rate fluctuations. Accordingly, his delegation preferred the formula reflecting capacity to pay, since that alone would maintain the equality of States. Notwithstanding the criticism by some of the low level of contributions of the developing countries, it should be noted that, in comparison with its national income, his country's contribution placed it among the major contributors. Any revision of the current system must increase the financial share borne by the developed States.

32. With regard to the low per capita income allowance formula, the current base relief gradient of 85 per cent should be maintained for countries with a per capita income of less than $2,200, the current ceiling. The consequential loss of income should be made up by high per capita income States.

33. Mr. GITSOV (Bulgaria) said that the principle of capacity to pay had attracted considerable support over the years. Any departure from that basic principle would make it almost impossible to formulate a new methodology. Alternatives II and III incorporated the idea of membership of the Security Council as a criterion for determining contributions. It was of interest to note that some delegations supported high contributions for the permanent members but not for the non-permanent members. However, membership of the Security Council should not be a factor in determining the scale of assessments, since such an approach failed to take account of the responsibilities of Security Council members, and, in effect, penalized them. Moreover, the two alternatives introduced political considerations, rather than technical ones based on capacity to pay.

34. The proposal to divide the budget into core and non-core portions departed from the principle of capacity to pay. It was also unrealistic in terms of the capacity of smaller countries to match the contributions of more developed States. Alternative I would raise the problem of negotiations among groups and the difficulty of apportionment within groups. Once again, the principle of capacity to pay might well be eroded.

35. What was needed was not a new methodology, but rather an attempt to improve the current methodology based on a comparison of national income, with special relief for countries with low per capita national income.

36. Mr. RAHMA (Oman) said it was unfortunate that the scale of assessments adopted at the last session of the General Assembly had resulted in an increase in his country's assessment by 100 per cent over the proposed scale for the period 1986-1988, in direct contravention of General Assembly resolutions concerning such

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(Mr. Rahma, Oman)

increases. The Committee on Contributions had not taken into account the problems faced by Member States whose economies depended on exports of a single natural resource such as oil, which accounted for 70 per cent of his country's national income. A further problem lay in the increase in his country's population, according to United Nations estimates, from 1.5 million to 2 million. His country had agreed to the new rate of assessment only in order to facilitate the task of the Committee on Contributions and hoped that the Committee would not adopt the same approach when it determined the subsequent scale. Otherwise, his country might be obliged to object strongly to a further increase.

37. The four alternatives presented in the report of the Committee on Contributions (A/41/11) displayed certain shortcomings, and his delegation felt that the Committee should continue its studies with a view to determining equitable criteria for the apportionment of the expenses of the United Nations. It should initiate more comprehensive analyses of the circumstances of each individual State, with particular attention to the problems of countries depending on a single commodity subject to fluctuations in markets and prices. His country would spare no effort to assist the Committee in that regard.

38. Mr. KHALEVINSKIY (Union of Soviet Socialist Republics) said that the fundamental principle of capacity to pay had been reaffirmed more than once as the basis of the existing method of assessment. However, attempts to revise that principle to accommodate the interests of certain States had continued to develop, to the point where not only those States but the Committee itself appeared to favour abandoning it. The four alternative methods of assessment proposed in the report could only be seen as an attempt to emasculate the principle.

39. In the case of alternative I, the proposed criteria for dividing the States Members of the United Nations into three groups were arbitrary and the resulting division did not reflect each Member's capacity to pay. The determination of each group's share of total contributions by the Committee would give rise to political problems, while the procedure for assessing the rates of contributions of individual States would impede the work of the Committee on Contributions and cause unnecessary conflicts both between and within groups. Despite such obvious shortcomings, paragraph 24 of the report asserted that alternative I remained within the parameters of capacity to pay and had the merit of simplicity and objectivity, once the percentage shares had been established. But it was the arbitrary nature of the establishment of those percentage shares that constituted its basic shortcoming.

40. Alternatives II and III departed altogether from the principle of capacity to pay, as paragraph 47 of the report confirmed. They were a departure from the economic criteria by which Member States and the Committee should be guided in determining the size of contributions, and the arguments on which they were based were without merit. Adoption of those alternatives would represent in a significant departure from the basic method of establishing the scale of assessments on the basis of relative capacity to pay.

(Mr. Khalevinskiy, USSR)

41. With regard to alternative IV, his country was always in favour of giving greater prominence in United Nations activities to the maintenance of international peace and security, and believed that it was to those aims that the necessary funds should be allocated. It also believed that the task of the Committee on Contributions was to improve the procedure for establishing the scale of assessments on the basis of the principle of capacity to pay, not to engage in working out some other procedure based on considerations and criteria of a different order.

42. The proposals in chapter III of the report that involved the calculation of special exchange rates for countries with a multiple exchange rate system were economically unjustified and politically misguided. His delegation was firmly in favour of converting national income into United States dollars only on the basis of official exchange rates, and was resolutely against the introduction of so-called price-adjusted rates of exchange for that purpose in view of the problems involved. It was unjustifiable and wrong to establish artificial exchange rates that took account, for example, of the rate of inflation in the United States of America, instead of using the effective exchange rates officially established by the Governments of individual countries.

43. Mr. FONTAINE-ORTIZ (Cuba) resumed the Chair.

AGENDA ITEM 118: UNITED NATIONS COMMON SYSTEM: REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION (A/41/7/Add.2, A/41/30; A/C.5/41/13, 22 and 28)

44. Mr. AKWEI (Chairman of the International Civil Service Commission), introducing the report of the Commission (A/41/30), said that while it had been estimated in July that the Commission's decisions and recommendations would result in a net saving to Member States of $8.23 million per annum in the short term and $10.73 million per annum in the long term, the further decline in the United States dollar since that time and the dollar's unpredictable future made it difficult to forecast accurately financial implications in dollar terms when other currencies were involved. However, the estimate of savings which would result from adoption of the main recommendations relating to pensionable remuneration was still valid since the latter was expressed in dollars.

45. In response to the request in General Assembly resolution 40/245, the Commission had undertaken a comprehensive examination of pensionable remuneration for the Professional and higher categories in co-operation with the United Nations Joint Staff Pension Board and had taken into account the views expressed on the subject by members of the Fifth Committee. Given the sensitivity of the matters involved it was not surprising that there had been some difference of opinion. However, where technical principles and substantive recommendations were concerned the two bodies were not very far apart.

46. The methodology used was described in detail in the report. The Commission had first established a reasonable relationship between pensionable remuneration amounts of United Nations officials and those of their counterparts in the

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(Mr. Akwei)

comparator civil service, thus producing a similarly desirable relationship between the pension benefits of retirees from the two civil services. It had then adopted the same margin for pensionable remuneration of the o ficials of the two civil services, as the General Assembly had established for net remuneration the previous year, namely, a range of 110 to 120 with a mid-point of 115. It had also sought to establish an acceptable relationship between the net remuneration of United Nations officials while in service and their pension benefits on retirement. For that purpose, as noted in paragraph 26, it had adopted 25 years as a reasonable average length of service, resulting in a pension benefit which was 46.25 per cent of pensionable remuneration. Thus 46.25 per cent of net remuneration in New York had been taken as the basis, reduced by the cost-of-living element, eliminated from the margin by the Commission, and the result had been grossed up by the application of staff assessment to produce the gross pension benefit after 25 years of service. From that gross pension benefit the Commission had derived the scale of pensionable remuneration for staff at the P-1 to D-2 levels. For officials at the Assistant Secretary-General and Under-Secretary-General levels, the Commission had followed a different approach, which was outlined in paragraphs 35 to 37. The proposed scale of pensionable remuneration could be found in annex III. The results of the comparisons of pension benefits and ratios of pensions to salaries in the two civil services, could be found in annexes IV to IX.

47. With regard t the interim procedure for adjusting pensionable remuneration between comprehensive reviews, the Commission recommended in paragraphs 39 and 40 that the scale of pensionable remuneration should be adjusted on the same date as the net remuneration of United Nations officials in New York was adjusted. Bearing in mind that remuneration of staff in service was adjusted on a net basis, while pensionable remuneration had to be adjusted on a gross basis, it had provided guidelines with respect to the relationships of the movements of net remuneration and pensionable remuneration.

48. Adoption by the Assembly of the scale of pensionable remuneration, would result in a reduction in cost of some $11.83 million for all organizations and all sources of funds following an average reduction in the general level of pensionable remuneration in the United Nations common system at the top step by about 6.8 per cent. The result of that review could lead to a period of stability so that the next review could be carried out in five to seven years.

49. Concerning the evaluation of the net remuneration margin between the United Nations and the comparator civil service, he said that, using the methodology described in the Commission's 1985 report (A/40/30), the net remuneration margin between the two civil services for the period 1 October 1985 to 30 September 1986 was 120.9, or slightly higher than the upper limit of the range. In view of the margin range considerations, the remuneration of United Nations officials in New York would remain frozen at the level in effect in December 1984 for some time.

50. After carrying out the preliminary re-examination of the methodology for calculating the net remuneration requested in resolution 40/244, the Commission had reached a number of important decisions, which were outlined in the report. The

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(Mr. Akwei)

Commission had indicated earlier that when the review of the margin methodology was completed, should there be any changes in that methodology, then the comparison of the margin, its level and range would also require a further review. Some of the decisions already reached by the Commission would result in such changes; accordingly, the Commission had agreed to revert to that aspect of the Professional salary system at its next session.

51. The Commission had also embarked on a comprehensive study of grade equivalencies between the United States federal civil service and the United Nations common system. The last such comparison had been carried out in 1978. The new study aimed at obtaining a closer post to post comparison in order to ensure that equivalent duties were compared. The Commission would continue its review of grade equivalencies at its next session and then re-examine the relationship between the margin calculation methodology and the net remuneration margin range and report to the General Assembly at its forty-second session.

52. The Commission had also continued to monitor the margin based on the comparison of non-expatriate elements of total compensation applicable to the United Nations system and the comparator civil service. For the last margin period and on the basis of current total compensation methodology, the total compensation margin was 118.8. The Commission had decided to undertake a comprehensive review of total compensation comparisons and report to the General Assembly at a later date.

53. The procedure for adjusting separation payments for the Professional and higher categories of staff described in General Assembly decision 36/459 called for the adjustment of the scale of separation payments by the movement of the weighted average of post adjustments (WAPA). As the 5 per cent trigger point had not been reached until April 1986 the scale had remained unchanged since January 1981. The Commission had been concerned that the WAPA calculation procedures did not take into account all relevant factors currently applicable and, after reviewing the matter had decided on the revised procedure outlined in the report. Had the Commission not taken that decision, a further 5 per cent increase would have become necessary as of 1 October.

54. On the recommendation of the Advisory Committee on Post Adjustment Questions (ACPAQ) the Commission had approved a revised procedure for dealing with duty stations with extreme posts adjustments, so that some relief would be provided to to duty stations with very low post adjustments, while reducing slightly the post adjustment indices of duty stations with a high post adjustment classification.

55. The Commission had also considered the recommendations of ACPAQ concerning the effects of inflation and currency fluctuations on the post adjustment system. Continued appreciation of local currencies vis-à-vis the United States dollar adversely affected the take home pay in local currency of officials at such duty stations. Conversely, when the dollar strengthened, some gains in net take home pay were realized by those same officials. The Commission had decided on a temporary solution, which was to apply a remuneration correction factor at the six

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(Mr. Akwei)

headquarters locations other than New York, as well as European countries with fully convertible currencies and Japan. It had originally estimated the cost of that measure at $1.8 million per annum for all organizations and for all sources of funds. As a result of the weakening of the United States dollar these estimates had now risen to $5.8 million. That figure should, however, be seen in the light of reduced costs which would accrue to organizations whose budgets were drawn up in Swiss francs when the dollar weakened. If the United States dollar strengthened then the procedure would result in savings in dollar terms for the organizations.

56. The current scales for staff assessment for the General Service and related categories, which had been in effect since January 1981, must be brought into line with the changes in the rates of taxation in the seven headquarters locations and some other major duty stations. If the Commission's revised scale was approved, the organizations would save some $500,000 per annum in the long run.

57. The Commission had also reviewed the issue of the mandatory age of separation. While noting that life expectancy had increased since the retirement age of 60 had first been instituted it had also recognized the possible effects of raising the age of separation on geographical distribution of staff and on career development and had decided to defer further consideration of the subject.

58. The Commission had considered the question of the implementation of job classification of the General Service and related categories in New York at its spring session and hoped that the matter could be resolved at the present session of the General Assembly. In connection with the establishment of a link between the General Service classification standard and the public information assistants (tour guides) the Commission had recommended that the separate salary scales for that group of staff should continue to be applied. He drew attention to paragraphs 174 to 190 of the report which described the Commission's work on the development of classification standards for the General Service and related categories in various duty stations.

59. In a series of studies on recruitment policy the Commission had considered the use of rosters and the question of geographical distribution. It had recommended a number of measures to help improve the management and effectiveness of the roster systems and had reviewed a survey of existing policies and practices regarding equitable geographical distribution, concentrating on problems relating to recruitment, especially from unrepresented Member States. It would revert to that matter after obtaining further information on unrepresented and underrepresented countries.

60. The Commission had noted increased efforts on the part of some organizations to improve the status of women and had made a number of recommendations on the issue one of them being that organizations should set targets and introduce sub-targets for individual units so as to facilitate monitoring of progress.

61. The Commission had reconsidered the questions of performance appraisal and recognition of merit on the basis of the findings of the tripartite working group

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(Mr. Akwei)

convened by ICSC in April. It would continue considering those subjects in developing a broad framework of principles and would report in more detail on the subject the following year.

62. Regarding implementation of the Commission's decisions and recommendations by the organizations, he said that, generally, the decisions and recommendations were being implemented in a satisfactory manner. However, the current financial crisis was posing an obstacle to the preservation of the common system. The United Nations had not been able to pay the interim adjustment allowance for the General Service and related categories in Vienna, causing a disruption of the common system at that duty station and had postponed application of the remuneration correction factor in Geneva and Vienna. He drew attention to paragraph 125, which noted that two organizations had already taken steps independently to adjust take-home pay to compensate staff for exchange rate losses and that a third organization was considering similar action. The erosion of the common system was a source of concern. Unless serious efforts were made to counteract that trend, it would continue, undermining the confidence of staff in the common system and resulting in increased costs to Member States and organizations. Respect for the common system was not just a matter for the other organizations. They, too, expected that any decisions that might affect their conditions of service would be taken only after full consultation with them through the appropriate inter-agency channels and consideration of all relevant factors by the Commission. In that connection it was encouraging to note the Fifth Committee's views on the recommendations of the Group of High-level Intergovernmental Experts on total entitlements (A/41/49, recommendation 61) as well as others which bore significantly on the common system.

AGENDA ITEM 119: UNITED NATIONS PENSION SYSTEM: REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (A/41/9 AND 790; A/C.5/41/1 AND 28)

63. Mr. FULCHERI (Chairman of the United Nations Joint Staff Pension Board), introducing the report of the Board (A/41/9), said that the Pension Fund had had an outstanding investment return in the year ended 31 March 1986. The results were most welcome but a word of caution was in order. Their impact on the actuarial situation of the Fund had been wiped out by interest on the existing imbalance which, though less than it had been, might grow again if such measures as the gradual increase in the contribution rate recommended by the Board in 1985 were not taken.

64. Turning to the various aspects of pensionable remuneration for the Professional and higher categories, he said that the Board had been unable to endorse the International Civil Service Commission's recommendations for the reasons given in paragraph 36 of the report. The Board's concerns had been brought to the attention of ICSC which, unfortunately, had not addressed them. As a result, the Board had had to review its position at a special session and the Committee was now faced with two sets of recommendations.

65. It was in everybody's interest that the adoption of a new scale of pensionable remuneration for the Professional and higher categories should inaugurate a period

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(Mr. Fulcheri)

of stability but ICSC had been too cavalier in dismissing the adverse impact of its proposals on the income and actuarial situation of the Fund. One reason why the scale recommended by ICSC would have an adverse effect on the actuarial situation was that it had a greater spread between the pensionable remuneration at the top and bottom of the scale. Criticism in the Fifth Committee had been directed at the large pensions payable to officials at highest ranks, yet the Commission had made cuts at the middle and the lower end of the scale as well. The adverse actuarial impact would be lessened if the middle and lower levels were increased relative to the upper levels of the scale. The Board also disagreed with the Commission's recommendation on pensionable remuneration at the Under-Secretary-General level, which should continue to be higher than that for the Assistant Secretary-General level.

66. As to the requests addressed to the Pension Board in section II of General Assembly resolution 40/245, the Board had concluded that for purposes of calculating the lump-sum commutation of benefits, the traditional practice of changing the discount rate only prospectively and using composite rates for the purpose of lump-sum calculation should be retained for both legal and administrative reasons. At the same time, the Board was recommending a further limitation on the amount of benefit that might be commuted. The transitional measure being recommended was designed to protect the acquired rights of participants to a sum of money calculated on the basis of service performed prior to the introduction of the ceiling on the lump sum.

67. The Board had analysed the inequalities of benefits caused by different dates of separation and concluded that there was no need for it to take or recommend any corrective action with regard to benefits payable on the dollar track. But the situation with regard to the local track was more complex and would be kept under review. In view of the decline in the value of the United States dollar and the consequent decline in the local-currency equivalent of the United States dollar track, the Board was recommending that the existing cap on the dollar track be maintained and that the situation should be kept under review.

68. The Board was also recommending that its authority to contribute up to $100,000 a year to the Emergency Fund be continued in 1987 and that an additional $900,000 be allocated in 1986 for advisory and custodial fees involved in the administrative expenses chargeable wholly to the Pension Fund.

69. Section II, paragraph 5, of General Assembly resolution 40/245 had requested the Pension Board to submit recommendations on additional economy measures with a view to eliminating the need for any future increase in the liabilities of Member States, but there was no recommendation in the Board's report that pointed to any such increase. Indeed, a lowering of the scale of pensionable remuneration for the Professional and higher categories would be a major economy measure which would reduce the amounts due from Member States. The savings might be enough to finance an increase in the rate of contributions without requiring any net increase in Member States' liabilities.

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70. It should be noted that the draft resolution proposed for adoption by the General Assembly in annex X to the Board's report was incomplete because of the lack of unanimity between the Board and the International Civil Service Commission on the subject of pensionable remuneration for the Professional and higher categories.

71. Mr. FORAN (Controller), introducing the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund (A/C.5/41/1), said that the investment return for the year ended 31 March 1986 was, at 41.5 per cent, the highest ever. The annualized rate of return over four consecutive positive years was 21.7 per cent in nominal terms or 18 per cent in inflation-adjusted terms, also the highest yields ever. The total market value of assets stood at $5,613 million on 31 March 1986, compared with $2,393 million four years earlier.

72. The two major factors contributing to the 1985/86 return were the strong performance of most stock markets and the decline of the dollar. The Fund had consequently benefited from its policy of global diversification, which reduced risks and improved returns over the longer term. The best return had been provided by equities outside the United States and by the strong bond markets resulting from declining interest rates. On 31 March 1986, 59 per cent of the Fund's assets had been in equities, 30 per cent in bonds, 7.5 per cent in real-estate-related investments and 3.5 per cent in short-term holdings. The proportion of investments in currencies other than the United States dollar had increased from 38 per cent to 40 per cent. The returns achieved by the Fund compared favourably with those of other public pension funds.

73. Section III of the report dealt with the implementation of General Assembly resolutions and, in particular, with Fund investments in developing countries. On 30 June 1986, the Fund's development-related assets had represented 17.3 per cent of its total book value, equivalent to $783 million, a 5.4 per cent increase over the year before and twice as much as five years earlier. Efforts had continued to increase investments in developing countries.

74. The Fund's investments were in good shape and the policy of diversification would be maintained, with the careful selection of each investment as the primary objective. The management of the assets was based on preserving the capital by steering a middle course between the two extremes of high risk and undue conservatism. The Secretary-General would continue to discharge his fiduciary responsibilities through an investment policy that adhered to the principles and values embodied in the resolutions of the General Assembly.

The meeting rose at 1.15 p.m.