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SUMMARY RECORD OF THE 21st MEETING

Chairman: Mr. AMNEUS (Sweden)

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

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The meeting was called to order at 3.05 p.m.

AGENDA ITEM 115: PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1988-1989 (continued)

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General debate (A/42/3, A/42/6 and Corr.1, A/42/7 and Add.2, A/42/16 (Part I) and Add.1 and (Part II), A/42/214, A/42/225 and Add.1, A/42/234 and Corr.1, A/42/283, 512, 532 and 640; A/C.5/42/2/Rev.1)

1. Mr. GORITA (Romania) said that his delegation supported the Secretary-General's efforts to provide the resources needed to carry out programmes and activities in the forthcoming biennium, bearing in mind the views of Member States. The reduction of \$30 million, or 1.8 per cent, in the proposed programme budget for the biennium 1988-1989 represented a positive step towards increasing the financial and administrative efficiency of the United Nations. However, his delegation viewed the Secretary-General's proposals as indicative at the current stage, representing a first step towards determining the level and allocation of the Organization's resources.

2. The proposed programme budget only partly reflected the reform measures already undertaken by the Secretary-General in response to General Assembly resolution 41/213. It was to be hoped that the reforms would be fully reflected in the revised estimates to be submitted the following year.

3. His delegation endorsed the recommendations made by the Advisory Committee on Administrative and Budgetary Questions in its report (A/42/7) for reductions in the estimates for consultants, staff travel, printing, temporary assistance and on the use of unutilized appropriations. Those recommendations were in line with the provisions of General Assembly resolution 41/213. With regard to the staff turnover rate, his delegation recognized the need for flexibility in implementing the recommendation on a 15 per cent post reduction and believed that it would be useful to hear the comments of the Secretary-General before taking a final decision on the matter. The negative impact of the recruitment freeze was a cause of concern, especially given the necessity of ensuring the equitable representation of all Member States in the Secretariat. His delegation concurred with the Committee for Programme and Co-ordination (CPC) that the freeze should not be used as a policy instrument and favoured the immediate lifting of the freeze. His delegation was also concerned over the impact that economy measures might have on the implementation of a number of substantive activities which should not be affected. In that connection, it endorsed the Secretary-General's proposal to give priority in the next programme budget to the problems of economic recovery and development in Africa and the advancement of women. Priority should also be given in the future activities of the Organization to the problems of development, external debt, and trade and development.

4. Mr. DASHKEVICH (Ukrainian Soviet Socialist Republic) said that, despite the short time which had elapsed since the adoption of resolution 41/213, a number of fundamental reforms had already been introduced to improve the structure of the United Nations. The success of the reforms would depend to a large extent on the determination with which the Secretariat acted to solve basic problems and on the political will of Member States. His country had, for its part, scrupulously fulfilled its financial obligations, regularly paying its assessments to the regular budget of the Organization and its contributions for the United Nations Disengagement Observer Force (UNDOF) and the United Nations Interim Force in Lebanon (UNIFIL). It likewise supported the economy measures introduced by the Secretary-General to improve the administrative functioning of the Organization. The implementation of economy measures should not, however, jeopardize the fulfilment of the fundamental purposes of the Organization. The restructuring and reform process must be conducted in a clear and co-ordinated manner and without haste, and reform of the intergovernmental machinery should precede reform of the Secretariat.

5. His delegation had carefully studied the Secretary-General's report on the implementation of resolution 41/213 (document A/42/234 and Add.1) and supported the steps taken to rationalize the functioning and management of recruitment procedures and to improve personnel services. Any changes to be made in that respect should take into account the interests of Secretariat staff members holding fixed-term appointments and those seconded by their Governments. The adverse impact of the recruitment freeze was a cause of concern and should be mitigated through greater flexibility in dealing with personnel questions. A number of countries continued to be overrepresented, while the proportion of underrepresented countries had increased. It was vital to take practical steps to put an end to that unsatisfactory state of affairs and to comply with the principle of equitable geographical distribution provided for in the Charter of the United Nations, since the recommendations of the Group of High-level Intergovernmental Experts could be implemented satisfactorily only if the principle of the sovereign equality of Member States was scrupulously safeguarded.

6. Mr. LOPEZ (Venezuela) said that he understood and accepted the reasons for proposing a transitional programme budget. However, the possible repercussion of reform on the Organization's programmes troubled him. Reform measures must not be confused with economy measures. The latter were temporary restrictions intended to meet the financial crisis and presupposed that part of the allocated resources would not be available at the time they were needed. Reform, on the other hand, presupposed only that a greater rationalization of activities was possible. That was the case for the staff reductions, an organizational measure that must be applied so as not to affect the quality and quantity of the work done and so as to maintain geographical representation. The recruitment freeze, on the other hand, was a step taken in response to the crisis and must not be prolonged indefinitely because it would have a serious negative impact.

7. His delegation agreed with the Secretary-General that the continuing crisis jeopardized programme implementation and the reform process. It was obvious that the cause of the crisis was the failure to comply with Charter obligations and that

(Mr. Lopez, Venezuela)

the solution was the payment of arrears in assessed contributions. Continued calls for efficiency could not be issued if the financial resources indispensable for the Organization's proper functioning were not guaranteed.

8. It was commendable that the overall level of the proposed programme budget for the biennium 1988-1989 was lower than for the biennium that was drawing to a close. The reduction of the overall level, however, should not establish a precedent. Because of its magnitude, the reduction would have to be reviewed in greater detail in order to assess its repercussions on programmes and activities.

9. His delegation endorsed the priority given in the budget proposals to the economic recovery and development of Africa and to the advancement of women. It believed, however, that it was not entirely clear what effect the setting of such priorities would have in practice. It therefore thought that Member States should in the future have a greater hand in setting priorities both in the General Assembly and in CPC, whose membership should be extended to make it more representative of the diversity of interests within the United Nations.

10. With regard to the contingency fund, the procedures for its functioning should be more clearly specified before it was put into operation. The fund must, in particular, adhere strictly to its terms and, given its character as a fund for covering contingencies, the level of its resources should not be established as a fixed percentage of the budget and still less as a fixed sum. Moreover, its operation should be flexible enough to allow its adjustment to needs arising from General Assembly decisions and other factors. It would be useful to have a clearer idea of how the question of additional expenditures would be handled, such as those resulting from inflation and currency fluctuations.

11. The extension of the current medium-term plan for two years and the reduction of the next plan by two years seemed justified in a transitional period such as the current one, as long as that was done as an exception.

12. Mr. ZONGWE (Zaire) said that the United Nations was passing through a financial crisis which, if not resolved in the coming months, could threaten programme implementation and the very spirit which had led to the elaboration of the Charter and had later drawn newly independent States to accede to the Charter. To overcome the Organization's financial crisis, there must be a reform of the political ethos, in actual practice, not in words. Zaire recognized the importance of United Nations activities and was therefore up to date in the payment of its regular budget assessments.

13. The General Assembly, having unanimously adopted resolution 41/213, must provide all that was necessary for its implementation, including the resources. In the introduction to the proposed programme budget for the biennium 1988-1989 (A/42/6), the Secretary-General indicated that a period of time would be required before the measures set out in the resolution could be translated into definitive programmatic and budgetary changes. Delegations must be kept informed of all steps taken to reorganize the Secretariat and implement programmes, because the

(Mr. Zongwe, Zaire)

principles of geographical distribution and linguistic balance which were basic to the Organization, must in no way be sacrificed.

14. For the first time, the overall level of the proposed programme budget was lower than the total revised appropriations for the previous biennium which, since they had been made in a time of austerity, should not be taken in the future as a point of reference.

15. His delegation had taken note of the main features of the proposed programme budget, especially the changes relating to the restructuring of the Secretariat, programme continuity, the inclusion of estimates on activities of a "perennial" character, the reduction of travel costs and consultancy services, and the question of the contingency fund.

16. Bearing in mind that it was stated in the introduction to the proposed programme budget that the results of the study on the structure and functioning of the intergovernmental machinery in the economic and social fields would not be available until the forty-third session of the General Assembly, his delegation shared the ACABQ view that the revised budget estimates presented by the Secretary-General should be based on fully completed studies and reviews and should be supported by clear and justifiable data permitting comparison with past and future estimates. Thus the General Assembly could deal with the consequences of the restructuring of the intergovernmental machinery and with the size of the contingency fund once due account had been taken of the effects of inflation and currency fluctuations.

17. His delegation welcomed the priority given in the proposed programme budget to the economic recovery of Africa and asked the Secretary-General to give special attention to supplying continuous support to the various bodies responsible for carrying out and co-ordinating the activities of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990.

18. With regard to sections 13 and 32 of the proposed programme budget relating respectively to the Economic Commission for Africa (ECA) and to the construction of premises, Zaire hoped that special attention would be given to the needs of ECA and to the construction projects at ECA and in Bangkok. The 50 African member States of ECA represented one third of the States Members of the Organization, and that Commission could not possibly receive worse treatment than did the others. Lastly, his delegation supported the idea of a moderate and financially viable expansion of CPC based on equitable geographical representation, in order to strengthen its mandate.

19. Mr. BAZAN (Chile) said that the future of the United Nations was in jeopardy because, as indicated in the report of the Secretary-General (A/42/234, para. 25), its activities were not sufficiently responsive to the changing realities at the global and regional levels. The main responsibility for correcting mistakes and revitalizing the Organization fell upon the Member States and the Secretariat. That enormous task was essential for renewed hope and it was for the Fifth

(Mr. Bazan, Chile)

Committee to propose a way of achieving the objectives that had been set. The austerity measures that the Secretary-General had adopted and would adopt formed the basis for a new phase for the Organization, in which it would be more in keeping with the times, more sober in its proceedings and more effective in dealing with the problems of mankind. Such measures, however, which were meant to deal with the current financial emergency, must not be confused with measures taken in response to General Assembly resolution 41/213, the objective of which was to improve the efficiency of the United Nations; that did not mean, however, that lessons could not be learned in respect of all those measures.

20. It was not wise for one country or group of countries to have a predominant role in determining the future of the Organization; if measures were forced upon nations without their being convinced of the need for those measures and if they did not believe that their interests would be duly safeguarded and protected, there could not be a peaceful atmosphere among nations. Outstanding contributions must be paid up swiftly, since the financial difficulties were disrupting the entire rationalization process. It was paradoxical that those who were most anxious to change the way in which the Organization functioned were adopting positions that ran counter to smooth administration. He appealed to the major contributors to respect the obligations which they had undertaken on signing the Charter. There was no sense in insisting that the developing countries, which were immersed in serious economic and social problems, should fulfil their responsibilities when the most powerful countries, which had more resources, were not doing so. The Organization's financial stability should not depend on Member States' internal problems, whether political or institutional. Accordingly, his delegation called for solidarity and demanded fairness.

21. It was clear that the crisis was creating uncertainty for the staff and was having an impact on the quality of the staff's work. Many officials, precisely those who were most highly qualified, were leaving the Organization. That was extremely serious and it was happening because the reforms were being implemented in an atmosphere of pressure and threats, which was adversely affecting the functioning of the Organization.

22. While recognizing that the proposed programme budget was a transitional one, he expressed concern at the reduction of almost \$5 million in the resources requested for the Economic Commission for Latin America and the Caribbean, perhaps more if the Advisory Committee's recommendations were approved. That situation, which would constitute discriminatory treatment compared with that given to other organs of the United Nations, must be corrected.

23. Mr. VALDEZ (Peru) said that the Organization's grave financial crisis and the measures intended to resolve it were political in origin and must be approached on the political level. The immediate and long-term aim of any reform must be to strengthen the Organization and to enhance its efficiency. For that reason, his delegation was concerned at the persistent tendency to ignore clearly identified aims which had been sanctioned in the past, for example those of General Assembly resolution 32/197, and he was concerned to see that implementation of the reforms

(Mr. Valdez, Peru)

outlined in General Assembly resolution 41/213 was being adversely affected by a deliberately generated, and worsening, financial crisis and by the vulnerability of the system of assessments which needed to be reformed as a matter of the utmost urgency. There was no doubt that the restructuring measures taken by the Secretary-General under pressure of the financial crisis would not necessarily be in line with the aims of the General Assembly and that Member States would have to correct them as appropriate.

24. His delegation agreed with the views expressed by many delegations concerning the origin of the financial crisis and the inescapable responsibility in that regard of the major contributor. That unilateral action could not be linked in any way to the action of a large number of Member States which, because of the unfavourable international economic climate, were unable to meet their financial obligations towards the Organization as promptly as they should. The former was the result of political interests which were attacking the very essence of multilateralism and sovereign equality of States; the latter was a physical inability which was becoming increasingly difficult to overcome. Flexible mechanisms must be devised to enable all those countries to make their contributions on the best possible terms. They had demonstrated their belief in the Organization by participating in its activities and making constructive proposals, through the Group of 77, regarding the study of the intergovernmental structure in the economic and social fields.

25. In the first phase of the study the structure of the central organs of the system should be defined and then the operation of the subsidiary bodies should be reviewed, and, in light of what the General Assembly decided in that connection, the structure of the Secretariat should be adjusted so as to respond to the needs which might arise. Accordingly, it was necessary to reiterate that the reforms that were being made in the Secretariat were of a provisional nature and to insist that they should not affect achievement of programme goals.

26. Another aspect of the reform concerned the planning, programming, and budgeting process. Given the importance of the new functions entrusted to CPC, the need to ensure the legitimacy of that organ by ensuring fair and full representation of all Member States and the need to ensure the efficiency of its work, it was to be hoped that the Assembly would be able to adopt a decision on the matter at the current session so that, when CPC took over its new functions fully the following year, it would reflect the essentially democratic nature of the Organization.

27. His delegation reiterated the concern it had expressed in CPC concerning the priorities which the Secretary-General was proposing in the proposed programme budget for the biennium 1988-1989; although the items were undoubtedly important, others, which were at least as important, appeared to have been overlooked. At a time when the failure of successive United Nations Development Decades was indicative of the collapse of the international system of economic co-operation, it was unacceptable that the highest international body should determine its priorities without taking into account the problems which affected most of mankind,

(Mr. Valdez, Peru)

for example, the external debt of the developing countries, the imbalances in the international economy and the depressed commodity prices.

28. With regard to the size of the budget it was paradoxical to see that, in a world where the gap between rich and poor was widening and where peace and security were unattainable concepts, the needs of the only universal body which had been set up to achieve well-being and security for all were declining as might be deduced from the reduced budget. That fact, like the proposal by the Advisory Committee to further reduce the budget, was acceptable only on the understanding that it was due entirely to factors relating to the economic situation and provided that the Secretary-General was given sufficient flexibility to achieve the objective of a 15 per cent reduction in staff.

29. Mr. MILLS-LUTTERODT (Ghana) said that his delegation understood the reasons which had prompted the Secretary-General to submit a proposed programme budget for the biennium 1988-1989 which was smaller than the budget for the current biennium, and the reasons which had moved the Advisory Committee to propose further reductions of more than \$50 million; however, the United Nations budget was already relatively small and reducing it would not solve the Organization's current difficulties. The basis for the proposed cuts were the revised estimates for 1986-1987, which reflected lower expenditures because of the United Nations financial crisis. It would be wrong to use those estimates, which were a result of the crisis, as a basis for drawing up future proposed budgets.

30. His delegation commended the Member States which, in response to the urgent appeal by the Secretary-General, had paid their assessments fully and on time. In particular, he commended the delegation of the Soviet Union for its decision to pay all its arrears. Ghana had always fulfilled its obligations in respect of its assessment, notwithstanding the economic difficulties it had encountered. As one of the countries which contributed troops to the United Nations Interim Force in Lebanon (UNIFIL), it had had to bear a particularly heavy burden because of the refusal of some Member States to pay their share for the peace-keeping activities. Accordingly, his delegation endorsed the appeal by the Secretary-General and by many other delegations to all Member States to fulfil their financial obligations towards the Organization. Withholding assessments not only disrupted implementation of approved programmes but it also undermined the process of programme budget formulation and planning. His delegation continued to support General Assembly resolution 41/213, which should be implemented in a planned and orderly fashion. Reorganizing the Secretariat was the prerogative of the Secretary-General, but it would be appropriate for the Secretary-General to continue to inform Member States of the changes that were being made and of how those changes would affect programme implementation. For example, in the area of personnel, in the initial phase, implementation of the reforms called for in resolution 41/213 would require increased allocation of funds. His delegation wished to know how that was being done.

31. His delegation noted with satisfaction the priorities fixed by the Secretary-General in the 1988-1989 proposed programme budget, namely economic

(Mr. Mills-Lutterodt, Ghana)

recovery and development in Africa and the advancement of women. However, no indication had been given as to the concrete measures that corresponded to those priorities. His delegation would therefore like a little light thrown on that point, for instance, with regard to what percentage of the programme budget was to be devoted to the Programme of Action for African Economic Recovery and Development.

32. His delegation was prepared to work with other delegations towards a satisfactory solution of all issues associated with the contingency fund, but felt that it would be premature to include that concept in the 1988-1989 proposed programme budget, and that it would be better to adopt provisional measures to facilitate inclusion of the fund in the next programme budget. That approach took into consideration the Advisory Committee's recommendations regarding the contingency fund contained in document A/42/640. His delegation also considered that the plans for the construction of facilities at Addis Ababa and Bangkok should be carried out without further delay as part of the understanding reached in connection with the adoption of General Assembly resolution 41/213.

33. Mr. TETTAMANTI (Argentina) said that his Government had made a tremendous effort to pay up its financial obligations to the Organization despite its economic difficulties. In 1986, Argentina had paid the United Nations more than 10 million US dollars, including almost 4.5 million dollars for its annual assessed contribution. It was essential for all Member States to pay up their assessed contributions, because the financial situation of the United Nations continued to give cause for concern.

34. The purpose of the reform process initiated with the adoption of General Assembly resolution 41/213 was to increase the Organization's administrative and financial efficiency without prejudice to its programmes. The reforms must be implemented in all their aspects; there must be no forced interpretations and the continuing financial crisis of the United Nations must not influence their implementation. His delegation agreed with the conclusions of CPC on the reform process, as contained in its report (A/42/16 (Part I)), paras. 296 to 300).

35. His delegation acknowledged that the 1988-1989 proposed programme budget was transitional in nature and agreed with the priority given to programmes for African economic recovery and development. It did not object to the second priority set by the Secretary-General, although that priority did not have the same degree of support. In the future, when establishing the priorities of the proposed budget, it would be a good idea to improve the process of prior consultations with Member States. His delegation supported the recommendations contained in paragraph 37 of CPC's report on the assigning of priorities to the various programme elements. The percentage of low and high priority elements in each section of the proposed budget must be respected as much as possible.

36. If CPC was to discharge all its tasks as envisaged, it must continue to have the support of Member States as it had had in the past. His delegation joined those delegations that had pointed to the need for the composition of the Committee to be more equitable geographically.

(Mr. Tettamanti, Argentina)

37. Despite the progress made by CPC and the Advisory Committee in determining the functioning of the contingency fund, various questions remained unresolved. The concept of the contingency fund had not yet been sufficiently developed, and it appeared that the time had not yet come to include it in a transitional proposed programme budget such as the one under consideration. To do so might distort the fund's experimental nature, and the results obtained with it might not be as useful as it was hoped they would be.

AGENDA ITEM 124: UNITED NATIONS PENSION SYSTEM: REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (A/42/9 and Corr.1 and A/42/682; A/C.5/42/13 and A/C.5/42/21)

38. Mr. FULCHERI (Chairman of the United Nations Joint Staff Pension Board), introducing the report of the United Nations Joint Staff Pension Board (A/42/9), said that, in view of the financial crisis at the United Nations, the Board's last session had been limited to one week, and it had been decided that the next session would be held in 1989 rather than in 1988.

39. With regard to the investments of the Joint Staff Pension Fund, the recent dramatic developments that had occurred in stock markets all over the world might have shifted interest away from the significant gains which had been made over the last five years to concern about the impact those events might have on the current and future financial situation of the Fund.

40. The nineteenth actuarial evaluation of the Fund showed a reversal of the trend of progressive reductions in the actuarial imbalance, which had increased from 3.01 per cent of pensionable remuneration as at 31 December 1984 to 4.4 per cent as at 31 December 1986. It should be recalled that, at the end of 1982, the imbalance had reached a peak of 8.41 per cent of pensionable remuneration. Owing to that situation, in 1982 and 1983 the General Assembly had approved a number of economy measures recommended by the Board, including an increase in the rate of contribution from 21 to 21.75 per cent. Subsequently, at the request of the General Assembly, comprehensive reviews had been undertaken of the levels of pensionable remuneration and pensions of staff in the Professional and higher categories. As a result, the scale of pensionable remuneration had been reduced twice, in January 1985 and again in April 1987. The total reduction had ranged from 1.3 per cent at the P-1 level to 24.2 per cent at the USG level. Other measures had been the placement of ceilings on the highest level of pensions and on the amount of the lump-sum commutation; the placement of a cap on the extent by which pension payments under the dollar track could exceed the amounts under local currency track, in the two-track pension adjustment system; and a reduction in the frequency of adjustments of benefits.

41. Those actions indicated the extent to which the pension system had been changed in response to the actuarial imbalance and to the concerns of Member States regarding the levels of pensions. Those actions had helped to reduce the imbalance, but decline had stopped and the imbalance had begun to increase again owing to events over which neither the Fund nor the participants had any control,

(Mr. Fulcheri)

such as a declining trend in the rate of growth of participants, interest accruing to the actuarial imbalance, the decline in value of the United States dollar and the considerable loss of income to the Fund due to the reductions in pensionable remuneration of staff in the Professional and higher categories.

42. In 1983, the Board had recommended an increase in the rate of contribution from 21 to 24 per cent, to be implemented over four bienniums. The first slice of the increase had been implemented on 1 January 1984. At its fortieth and forty-first sessions, the General Assembly had deferred consideration of any further increases. The Board and the Committee of Actuaries believed it essential that the rate of contribution be increased. The Board had therefore unanimously decided to recommend an increase in the rate of contribution to 22.50 per cent. In its report, the Advisory Committee reiterated its agreement with that recommendation. The financial implications of the measure for all organizations of the common system were estimated at \$9.5 million a year. The corresponding figure for the United Nations regular budget would be \$2.3 million a year. The Board had also reaffirmed its previous recommendation that the contribution rate should reach 24 per cent by 1990. Continuous deferment of those measures would only serve to increase the actuarial imbalance and, therefore, the future cost of corrective action. Two other considerations should be borne in mind as well: first, participants had incurred the main burden of previous measures taken to reduce the imbalance and had also had significant reductions made in their pension benefits; secondly, the revised scale of pensionable remuneration which had gone into effect on 1 April 1987 would yield savings estimated at \$9 million a year. The Board considered it indispensable for the long-term health of the Fund that appropriate funding be provided for the pension system.

43. In response to resolution 41/208, the Board had continued to monitor the operation of the two-track pension adjustment system. As in 1986, it had concluded that no change should be made in the "120 per cent cap" provision. Lowering the "cap" would yield minimal financial savings and would require new transitional measures that would introduce further complications into the system and possibly additional administrative expenses.

44. With reference to the inequalities in benefits resulting from different dates of separation from service, the period of stability envisaged by the General Assembly in resolution 41/203 had been disrupted by recent economic developments. In a number of locations, the 36-month average exchange rates used to determine the initial amount of the local-currency-track pension had significantly declined, in some locations at the rate of 1 per cent per month. That had happened at a time when, because of the impact of the recent reductions in pensionable remuneration and the accompanying transitional measures, the United States dollar pension amounts were static or decreasing, and it had led to a substantial and continuing decline in the prospective local-currency-track pensions of participants in the Professional and higher categories who had recently retired or would retire in certain countries.

(Mr. Fulcheri)

45. The table in paragraph 58 of the report indicated the extent of the decline which had already taken place, as well as the projected annual decline up to 1 January 1991, in six countries which accounted for some 78 per cent of the beneficiaries being paid on the local track. The anomalous situation had produced the absurd consequence that staying in service longer could result in a lower pension entitlement. To prevent that happening, staff members had been making greater use of the early retirement option. The Administrative Committee on Co-ordination (ACC) had expressed its concern to the Board that the anomaly, coupled with the recent erosion of pension benefits, would continue to induce an increasing number of staff members to take early retirement. The International Civil Service Commission, faced with a similar problem of declining levels of take-home pay in local currency in certain locations, had taken action to mitigate the situation. The General Assembly should do no less in respect of pensions.

46. The Board believed that, just as measures were taken during the period 1981 to 1984 to place a "cap" on the extent by which pension payments under the dollar track could exceed the amounts under the local-currency track at a time when the dollar had risen significantly in value and dollar pensions were also increasing, there was currently a need to deal with the reverse phenomenon by introducing a "floor" to protect the initial local-currency pension from being eroded beyond tolerable limits by the depreciation of the United States dollar at a time of static or decreasing dollar pension amounts.

47. The Board believed that it would be premature to consider fundamental changes in the pension system, given the continuing uncertainties regarding global economic developments and their impact on exchange rates. In any event, any substantial modifications of the current system would have to encompass the issue of the appropriate level of pensionable remuneration. As the next review of pensionable remuneration would not be undertaken until 1990, the Board had decided to recommend interim measures applicable until the end of that year and aimed at placing a "floor" under the initial local-currency pension amount for staff members in the Professional and higher categories retiring during the period 1987-1990 (A/42/9, paras. 61-73 and tables 1 to 6 of annex XI).

48. The Consulting Actuary estimated that the interim measures would increase the current imbalance by 0.11 per cent of pensionable remuneration. At the same time, he had indicated that the interim measures, if adopted, would produce some offsetting savings to the extent that they reduced the incidence of early retirement.

49. The Board recognized that some might think it inappropriate to recommend measures at the present time which would increase the actuarial imbalance of the Fund. However, the issue was one of equity and obligation. To allow the progressive deterioration of a participant's prospective pension benefit because of factors entirely beyond his or her control would certainly be inequitable. Member organizations had an obligation to ensure that their pension systems provided reasonable protection against the erosion of the value of the prospective pensions of their staff. The decisions taken in recent years on pension levels had been

(Mr. Fulcheri)

based on conditions in the comparator civil service, namely, the United States Federal Civil Service. It was not his intention to question the importance of such comparisons but it should be recognized that the United Nations pension system operated in a global context and had to ensure the adequacy of pensions world-wide. Recent events served to underscore that need.

50. With regard to the size and composition of the Board, the latter was proposing to increase the number of its members from 21 to 33 and to make consequential changes in the size and composition of the United Nations Staff Pension Committee, effective from 1 January 1988. In so doing, it was attempting to address all of the concerns expressed in the Committee and in the governing bodies of other member organizations, 14 of which, responding to the invitation of the Assembly, had submitted views on the subject for transmission to the General Assembly. Those views were reproduced in annex VI of the report.

51. The recommendation on the size of the Board and on the allocation of seats among member organizations provided for a substantial percentage increase in the number of members and alternate members representing the General Assembly, for additional seats for member organizations which had lost seats in the past, and for additional seats for other organizations on a rotating basis. The recommendation reflected the consensus reached by the Board after extensive discussions and negotiations.

52. Concerning the administrative expenses of the Fund, he expressed the hope that, in considering the proposals of the Board, the Committee would take into account the nature and scope of the activities covered. Since 1981, the number of beneficiaries and the number of monthly periodic payments had increased by 60 per cent and 70 per cent respectively. Moreover, numerous changes had been made in the pension system and had had an impact on the work of the Fund's secretariat. As the United Nations and other organizations reduced staff, the workload of the Fund's secretariat would increase. Similarly, in the area of investments, staffing needs and other resources must relate to the tasks involved.

53. Concerning the application for membership in the Fund received from the World Tourism Organization (WTO), he said that, since the report had been prepared, the General Assembly of WTO had adopted revisions to its staff regulations with a view to bringing them in line with the common system of salaries, allowances and other conditions of service. A recommendation on the application of WTO for membership would be made to the General Assembly at its forty-third session.

54. Mr. FORAN (Assistant-Secretary-General for General Services), introducing the report of the Secretary-General on the investments of the Fund (A/C.5/42/13), said that, while it had been traditional, in both the Pension Board and the Fifth Committee, to review the investments of the Fund on the basis of investment returns through 31 March of the year in question, for obvious reasons he would also discuss recent events in the financial markets as they affected the investments of the Fund and would update to 30 October 1987 some of the information contained in the Secretary-General's report.

(Mr. Foran)

55. The investment strategy of the Fund was geared to the long term, and any assessment of its performance should therefore be based on an analysis of the investment returns over a substantial period, including the period since its inception. Such a long-term investment strategy and objectives should not be forgotten in times of uncertainty or crisis. Recent events in the financial markets of the world could not at the current stage be fully assessed, nor could definitive conclusions be drawn as to what repercussions they would have for the long-term investment prospects for the Fund. That having been said, most analysts were of the opinion that the favourable investment conditions which had prevailed for the past five years would not continue.

56. Concerning the investments of the Fund, he said that their market value on 30 October 1987 had been \$6,642 million, representing a decline of 5.3 per cent compared with their market value of \$7,016 million on 31 March 1987. On 30 October 1987, 48 per cent of the Fund's portfolio had been invested in United States dollars and 52 per cent in other currencies, a balance which provided a protection against currency fluctuations. At the same time, in order to provide greater stability for the Fund, the fixed-income sectors, namely, bonds, real estate and short-term investments, had been increased. It should be pointed out that the market value of the Fund's investments had increased from \$2.4 billion on 31 March 1982 to more than \$7 billion on 31 March 1987, after which it had declined, as he had mentioned, to \$6.6 billion. The recent decline must be viewed in relation to the steady increases since 1982.

57. As a consequence of the Fund's policy of diversification, by sector and currency, which had been followed for a number of years, and of its applying safety as its first priority in the selection of every asset, the investments appeared to be in a comparatively good position vis-à-vis other pension and investment funds. The return for the year ending 31 March 1987 had been 24.7 per cent, which, after adjusting for inflation, represented a real rate of return of 22 per cent. The events of the past few weeks would not alter the fact that the year had been the fifth year in a row for which the Fund had had positive returns and the five-year period had been the best in the Fund's history.

58. The value of investments connected with development as at 30 June 1987 had reached \$990.5 million, which represented an increase of 26.4 per cent over the 1986 figure and 18 per cent of the total book value of the Fund.

59. In paragraph 16 of his current report (A/C.5/42/13) and in paragraph 16 of the report which he had submitted the previous year (A/C.5/41/1), the Secretary-General had pointed out that it was unlikely that the favourable investment conditions which had prevailed would continue and it was therefore possible that rates of return would in future be lower or even negative. That did not mean that the Fund had had advance knowledge of what was going to happen in the markets but only that there had been an awareness that the exceptionally favourable conditions of recent years could not continue indefinitely. The Fund had accordingly adopted a defensive strategy by realizing profits, primarily from the equity sector, and putting those profits in short-term investments or bonds. Since 1985, \$1.6 billion of capital gains, or profits, had been so invested. That strategy had contributed to the comparatively good position of the Fund.

60. Mr. ABRASZEWSKI (Poland), referring to paragraph 16 of document A/C.5/42/13, asked what steps would be taken to minimize the negative effects of the weakening of world markets on the Fund's investments. In his view, the Fund might approach other like institutions which found themselves similarly affected by the world financial situation in order to obtain information.

AGENDA ITEM 122: PERSONNEL QUESTIONS (continued) (A/42/636; A/C.5/42/7 and A/C.5/42/14)

61. Mr. EHMEDAH (Libyan Arab Jamahiriya) said that the process of administrative reform stipulated in resolution 41/213 was very important. It was to be hoped that the recruitment policy was being applied in accordance with the principles of the Charter of the United Nations. The legitimate claims of many Member States were currently being ignored to the advantage of a minority of States. Documents A/C.5/42/7 and A/42/636 indicated that the number of posts subject to geographical distribution was limited. Out of a total of 10,235 posts, only 3,489 were subject to geographical distribution. That proportion should be increased.

62. Out of 49 new posts filled in the period covered by the reports, only one had been occupied by a staff member from an unrepresented country and only seven posts had been given to underrepresented countries. In addition, the distribution of posts in the higher categories was unacceptable. Some countries had a monopoly on the distribution of the posts in those categories. His delegation requested the Secretary-General to overhaul the administrative structures and to ensure the implementation of General Assembly resolutions 35/210 and 41/206 with a view to ending the control which certain countries exercised in that area.

63. There was no national from his country in a senior-level post in the Secretariat, where there was a total number of seven staff members of Libyan nationality, a figure which was not even at the mid-point of the desirable range. Recruitment procedures must be reviewed and changed so that all Member States could participate in them and monitor the appointment mechanisms, in order to eliminate those which had been established without impartiality and through pressure exerted by certain countries.

64. The cases of detention of international civil servants were due to a lack of respect for the privileges and immunities which such persons should enjoy on account of their status and, therefore, a lack of respect for the international organizations to which they belonged. The information in document A/C.5/42/14 was disturbing and his delegation urged the parties concerned to co-operate with the Secretary-General in order to put an end to the practices in question. In that regard, he condemned the practices to which the Zionist entity subjected the staff of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) in the West Bank, the Gaza Strip and southern Lebanon. He also called upon the United States to lift the restrictions on the official and private travel of officials of certain nationalities because that constituted lack of respect for the international organizations to which they belonged, and he urged the General Assembly and relevant bodies to continue their efforts to put an end to that illegal practice directed against international civil servants.

65. Mr. OHMURA (Japan) noted with concern that during the past year the number of appointments from unrepresented and underrepresented countries had been very small, amounting to only 16 per cent of the total. Japan, which was the Member State the furthest below the mid-point of its desirable range, had many times, together with other Member States, urged the speedy implementation of the principle of equitable geographical distribution of posts. However, almost half of the Member States were always outside their desirable ranges and, even in accordance with the proposed new formulas, more than 40 per cent of the Member States would remain there.

Accordingly, before discussing the modification of the current methodology for determining ranges, measures should be taken to achieve the current targets for all Member States. One way to do that would be to refrain from applying the recruitment freeze to the unrepresented or underrepresented countries, giving them priority whenever possible. It would also be useful to hold competitive examinations, which were the most effective tool for improving the underrepresentation of certain countries and attracting young and competent candidates. He trusted that the candidates who had been selected in the 1985 competitive examinations and were still awaiting offers of employment would be recruited in due course.

66. Any discussion of desirable ranges required consideration of political factors, technical studies and the search for a solution acceptable to all Member States by consensus.

67. The concept of parity was evolving and should be considered in conjunction with the contribution, membership and population factors. The desirable ranges had initially been established on the basis of the first two factors, but with greater emphasis on the contribution factor. Later, a population reserve for each region had been introduced in order to compensate for reductions in the contributions of some Member States when their per capita income had fallen below a certain level. Gradually, more emphasis had been given to the membership factor at the expense of the contribution factor, and currently the weights given to the three factors were 56 per cent for the contribution factor, 36.8 per cent for the membership factor and 7.2 per cent for the population factor. In considering parity, account should be taken of the historical development of the system of desirable ranges and the fact that the population factor had originated from the contribution factor. Consequently, it would be more appropriate to consider parity as the balance between the contribution factor (50 per cent) and the membership and population factors (50 per cent).

68. According to the calculations provided in the annexes to document A/C.5/42/7, the shift of weight from the contribution factor to the membership factor would result in the allocation of an additional one and a half posts, at the very most, to each Member State. On the other hand, the criterion used for dividing up the population factor among countries rather than regional groups would have a more significant impact. Under the formulas used in the report, only 79 Member States would benefit, of which a mere handful would receive the bulk of the reserve posts. It would accordingly be advisable to distribute the posts reserved to date for each region in a more equitable manner. It should also be pointed out that the figures used to allocate the population factor were different from those used to calculate the contribution factor and that it would be more appropriate to use the actual population figure for determining both those factors.

(Mr. Ohmura, Japan)

69. The application of the new desirable range should be gradual in order to avoid excessive variations. It was not appropriate to introduce a formula such as that used in columns C and F in the annexes to the document under consideration because even the Member States which were currently at or below their mid-point would suddenly become overrepresented. Furthermore, under the formulas used in columns A through F in the report, certain countries would receive increases which were two to three times their current ranges. A method should be introduced which would mitigate such excessive increases and decreases and would apply to all Member States, so that the maximum increase would be twice the current desirable range and the Member States which were currently at or below their mid-points would not be overrepresented.

70. When a zero-sum solution was sought, as in the case of the scales of assessment, it was very difficult to find one which was acceptable to all Member States. Therefore, all Members should make concessions in a genuine spirit of give and take. The new formula should remain in effect for an extended period, at least until all Member States were brought up to the lower limit of their desirable ranges.

71. The efforts by the Secretary-General had made it possible to improve the situation concerning the recruitment of women and the increase in the number of Japanese women staff members had helped considerably to rectify Japan's underrepresentation.

72. The proposal to establish an office of Ombudsman in the United Nations should be discussed in the context of the overall administration of justice with a view to eliminating the backlog of cases and reducing the number of staff complaints. Although the objective should not be to establish an office of Ombudsman, if that was done, the Ombudsman should be designated by the Secretary-General, after consultation with the staff, from a pool of qualified external candidates or former staff members who had no vested interests and should be approved by the General Assembly. In order to determine the usefulness of such an office, an honorary, part-time Ombudsman could be appointed on a trial basis. If the office of Ombudsman was established, it would be necessary to eliminate the groups which currently investigated discrimination complaints and other grievances, in order to simplify the recourse and grievance procedures and free the staff from the burden of taking part in those procedures. Although the primary role of the Ombudsman would be to advise the Secretary-General at the early stage of a dispute, the Ombudsman should also be empowered to make recommendations to the Secretary-General and report to the General Assembly on the administration of justice. Furthermore, when the Ombudsman considered it appropriate, a case could be brought directly to the Administrative Tribunal without being referred to the Joint Appeals Board. The office of Ombudsman should not be part of the Department of Administration and Management, which represented the Secretary-General in recourse and grievance procedures, so that its functions would be separate from those of the administration.

The meeting rose at 5.55 p.m.