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SUMMARY RECORD OF THE 23rd MEETING

Chairman: Mr. DINU (Romania)

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

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<u>The meeting was called to order at 3.35 p.m.</u>

AGENDA ITEM 111: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (<u>continued</u>) (A/47/11)

1. <u>Mr. BEN HAMIDA</u> (Tunisia) said that the States Members of the Organization should fulfil their financial obligations under the Charter, but those obligations should not be viewed in isolation from domestic and international economic realities. As the General Assembly had indicated in resolution 46/221 B, debt was one of the factors which should be taken into consideration in determining the scale of assessments. The burden of funding the Organization's activities should be distributed fairly and should not impose exorbitant financial obligations, in particular on the developing countries.

2. Tunisia was not opposed a priori to taking national income into account in determining the scale of assessments but thought that consideration should also be given to data which provided a true picture of the evolution of national and per capita income, at both national and world levels. For a new definition to be reliable and justified it must be based on actual economic and financial possibilities, both existing and potential.

3. With regard to the various options for determination of the scale, his delegation thought that adequate techniques for the calculation of certain elements such as parity of purchasing power were not yet available, nor were exchange rates stable and predictable, owing to the uncertainties in the financial markets. Furthermore, it was not appropriate for the Committee on Contributions to concern itself with matters which appeared to fall outside its mandate. As a subsidiary organ of the General Assembly the Committee could not take the place of the Assembly or the Fifth Committee. Accordingly any conceptual change in the scale of assessments would have to be considered first by the General Assembly and then put into practice by the Committee on Contributions.

4. <u>Mr. DJACTA</u> (Algeria) said that, despite the repeated appeals by the General Assembly and Member States, the Committee on Contributions had not managed to establish an appropriate methodology for an equitable scale of assessments which would actually reflect the principle of capacity to pay for every Member State. The economic and financial situation of Member States, in particular the developing countries, must be taken into consideration in order to mitigate the negative effects of the present methodology. Per capita income statistics did not of course reflect actual capacity to pay, and by reducing the contributions of a number of developed countries to the detriment of some developing countries, in particular the middle-income ones, the resulting methodology had proved itself imperfect and, more importantly, unfair.

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(Mr. Djacta, Algeria)

5. The Committee on Contributions had not been able to formulate precise recommendations or reach agreement on the future of the scheme of limits. In his delegation's opinion, until the Committee reached a consensus on that issue it would seem better to retain the scheme as an important regulator preventing big distortions from one scale to the next. The practice of making special adjustments to correct imbalances should also be retained.

6. The scheme of limits resulted in the allocation of a large number of points among the Member States whose contributions lay between the upper and lower limits, thus considerably eroding the principle of capacity to pay. The time had perhaps come to ask the Committee on Contributions to look at the possibility of reallocating those points without affecting the developing countries. The debt adjustments of many countries were often reduced or even completely offset by the reallocation of points resulting from the application of the upper and lower limits. The debt factor should therefore be taken into account in the scheme of limits by granting bigger reductions and paying special attention to the situation of the countries which used a large part of their income for debt repayment.

7. The need to integrate criteria of stability and continuity in the scale methodology had meant that 10 years had initially been chosen as the base statistical period. The advantage appeared theoretical, for the best way to determine the capacity to pay of Member States was to use the most recent data on their economic and financial situation. The use of a shorter period would also reflect their capacity to pay better. It should be remembered that in various resolutions the General Assembly had requested the Committee on Contributions to study the possibility of taking into account the particular situations of certain developing countries. Unfortunately that study had never taken place. The inability of the Committee to adopt unanimous recommendations in response to various General Assembly resolutions was also a cause for concern. Perhaps the best methodology would be to use a different procedure for taking decisions in the Committee. Many delegations, including his own, believed that the present methodology did not reflect the principle of capacity to pay; hence the need to use devices such as the scheme of limits, debt adjustment and special adjustments. The imperfections of the methodology had an effect on the policy-making organs and the specialized agencies, whose habit of using the United Nations scale of contributions was beginning to be undermined. It was therefore a matter of urgent necessity to improve the United Nations methodology so that it could serve as a model for the other international organizations.

8. Mr. KARBUCKZKY (Hungary) said that his delegation was convinced that the technical character of the Committee on Contributions should be preserved and that the Fifth Committee should provide it with political guidelines rather than technical details that tied its hands. The methodology was developing in the right direction, and was becoming simpler and more transparent and stable over time, as requested by the General Assembly in its resolutions. The Fifth Committee should encourage that progression by deciding on the retention or

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(Mr. Karbuckzky, Hungary)

inclusion in the methodology of the following aspects: a base period acceptable to the whole membership, probably 10 years; uniform exchange rates; a debt-adjusted income concept; a low per capita income allowance formula, adjusted for world per capita income, probably with a gradient of 100 per cent; and the phasing out of the scheme of limits on the basis of any of the approaches indicated by the Committee on Contributions.

9. With respect to the assessments of the new Member States, given the limited options available to the Committee on Contributions a fair solution for some necessarily meant unfair treatment of others. In such a situation only a political decision by the Fifth Committee could offer any prospect of fair treatment for those new Member States, former Republics of the Soviet Union and Yugoslavia, whose realities had changed drastically.

10. It was difficult to make distinctions among Member States on the basis of their representations. Inflated national income figures applied in each case, and it was a matter of political judgement whether or not to take into account that some of them had belonged to a particular State against their will. In paragraph 70 of its report, the Committee indicated the transitional nature of the assessments recommended for those States and foresaw considerable adjustments in the next scale. The sooner that next scale was approved, the more timely relief could be. The General Assembly should urge those new Member States to exercise their right to submit their own national data, which the Statistical Office could then use in computing their assessments.

11. Mr. WU Gang (China) said that a majority of the Member States accepted, in general, the basic factors underlying the current methodology, but hoped to see an improved methodology that would better reflect their capacity to pay. On the whole the package agreed upon in General Assembly resolution 46/221 B, paragraph 3, while not perhaps totally satisfactory, better reflected the capacity to pay of Member States. His delegation supported the establishment of the low per capita income allowance formula with a gradient of 100 per cent and with average world per capita income as the upper limit, since that would avoid arbitrary increases and decreases and would make the formula simpler and more transparent.

12. His delegation endorsed the phasing out of the scheme of limits, given that the distortions that arose from its application ran counter to the principle of capacity to pay. However, many technical difficulties existed in such a process, and the Committee on Contributions had been divided regarding the time period needed to phase out the system, hence the three approaches outlined in paragraph 11 of the Committee's report. Since the phasing out would be affected by many unstable factors and by hypothetical data, the General Assembly could not base its decision on the illustrative scales proposed, and it would be impossible for the Committee to avoid the allocation of additional points to the developing countries. In order to facilitate the process of phasing out, a principle should be established whereby the allocation of additional points to the developing countries was avoided, while

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(Mr. Wu Gang, China)

the Committee should be left to work out the specifics in future scales of assessments. The views of some Committee members referred to in paragraph 13 of the report merited further consideration. As the scale of assessments should be relatively stable, the 10-year statistical base period should remain unchanged for a long time after the phasing out of the scheme of limits.

13. While other factors should be considered in determining the scale of assessments, such as social and economic indicators, no such indicators had actually been applied, as it was difficult to obtain data in that area and to perform the necessary calculations. Furthermore, the application of some indicators was unfavourable for certain developing countries. Thus, the only effective way of mitigating the special difficulties of certain countries was through ad hoc adjustments. The concept of distributing average national income weighted by per capita national income was logical, since it was based on the principle of capacity to pay and, with some improvements in terms of the concept and its attendant calculations, could open up new ways of determining the scale.

14. With regard to the views expressed in paragraph 36 of the report, his delegation was of the opinion that the principle of determining the scale of assessments on the basis of capacity to pay should not be called into question, so that there was no need to review the principle. The inclusion of political or other non-technical factors would simply make the issue of the scale more complicated. It was understandable that some Member States were not pleased by the proposals of the Committee on Contributions relating to the assessments for the former Republics of the Soviet Union (including Belarus and Ukraine) and of Yugoslavia (A/47/11, chap. IV). In view of the complexity of the issue, it needed to be resolved through consultations among the countries concerned, so that the Fifth Committee could, as always, reach a consensus.

15. Mr. DEINEKO (Russian Federation) said that the methodology for the calculation of the scale of assessments was extremely complex from a technical viewpoint, and that the recommendations put forward by the Committee on Contributions in its report (A/47/11) represented a further step in the right direction. In particular, his delegation supported the Committee's view regarding the guidelines on uniform exchange rates laid down by the General Assembly and their application in calculations of assessments. His delegation also supported the Committee's decision to keep under review that aspect of its work relating to the examination of alternative income concepts, since it affected a promising means of taking maximum account of the capacity to pay of Member States. In addition, the report of the Statistical Division represented a step forward in the further development of the price-adjusted rates of exchange (PARE) methodology, and he welcomed the intention of the Committee to continue work in that area. Regrettably, the Committee's work on phasing out the scheme of limits could not be regarded as satisfactory, given the clear guidance of the General Assembly in its resolution 46/221 B, paragraph 2 (a).

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(Mr. Deineko, Russian Federation)

16. His delegation, in common with many others, considered it necessary to continue refinement of the methodology for the apportionment of expenses. Nevertheless the current methodology, adopted by the General Assembly, was applied uniformly to all States, and, in particular, to those which had formed part of the Soviet Union and of Yugoslavia. He was thus surprised by the assertions that the Committee on Contributions had fallen into inaccuracies, deviations and blunders. Such assertions were based on misrepresentations of the facts. With regard to the statement that the Committee on Contributions had erroneously treated Ukraine and Belarus as new States and unjustifiably reviewed the previously assessed rates for those States, it should be noted that the Committee on Contributions had never before established the rates for the Ukrainian SSR and the Byelorussian SSR on the basis of the current methodology; what had been established in the past had been the assessment for the Soviet Union as a whole. Only after the Committee had established the scale for all States, but for two, had the assessment of the Soviet Union been divided into three parts, one for the Soviet Union proper, another for the Ukrainian SSR and another for the Byelorussian SSR, in accordance with an agreement reached in 1946 that reflected the post-war period. That was noted by the Committee in its report and had been recognized by the representative of Ukraine.

17. The representative of Ukraine had raised the question of changes in his country's national income. It was obvious that that income had grown significantly, not only in the past year but in the 45 years since the rate had been set, which naturally made it outdated. Why the rate had not been changed earlier was a legitimate question, but it had had no practical meaning as long as Ukraine and Byelorussia had formed part of the USSR. Now that the Soviet Union no longer existed there was nothing to which to apply the 1946 formula. Consequently, since Ukraine and Belarus had ceased to be part of the USSR and had become independent States, the Committee could not change their rates but must determine them for the first time, in accordance with its mandate and the general principles of the current methodology, taking into account national income figures in order to determine the States' capacity to pay. In apportioning the assessment of the former USSR between the States that had emerged in its place, the Committee had used the available official data on the national income and population of the former Soviet republics. Incidentally, the data for the Baltic States had coincided with the data provided independently by those States themselves. Accordingly, the argument that the Committee on Contributions had treated Ukraine and Belarus as new Members of the United Nations was irrelevant.

18. The Russian Federation considered that the scale of assessments recommended by the Committee on Contributions was the best solution to the existing problems and supported the proposal that it should be adopted. It shared the opinion expressed in the report that the recommendations were "an unavoidable transitional step" (A/47/11, para. 70) and expected that, in future, the rates of assessment of the States in question would be adjusted. His delegation was ready to cooperate constructively with the Committee on

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(Mr. Deineko, Russian Federation)

Contributions and other interested Member States in providing the necessary information and improving the scale methodology so that it would better reflect the capacity to pay of Member States.

19. Mr. FERJANI (Libyan Arab Jamahiriya) said that the current methodology for calculating the scale of assessments, in addition to being complicated and unclear, was far from being just or equitable, since it did not take into account the difficult economic circumstances of the developing countries. Nor did it take into account the dependency of those countries on only one or a few sources of income or the fluctuations in the prices of their commodities, which were often derived from non-renewable resources. The Committee on Contributions had been trying ever since it had been established to elaborate a scale methodology which duly reflected the capacity to pay of countries and was acceptable to all Member States, but that objective had not yet been attained.

20. The low per capita income allowance formula had been established to mitigate the difficulties of the very low-income countries. Thus, it was not a technical formula but a means of mitigation. Furthermore, using a 100 per cent gradient was not justified since it might result in too much instability in the rates of assessment of the various Members and unfairly penalize countries with small populations or small-size economies. Instead, a gradient of not more than 85 per cent should be used. An adjustment in the upper per capita income limit was neither politically nor technically justified. In that connection, his delegation endorsed the views expressed in paragraphs 9 and 10 of the report of the Committee on Contributions.

21. There was no doubt that the scheme of limits should be phased out gradually. However, it was difficult to choose between the various methods outlined in the report, and it would therefore be advisable for the Committee to indicate clearly which method it recommended for the elimination of the system. The next scale methodology should be based on a 10-year statistical base period, with a ceiling of 25 per cent and a floor of 0.01 per cent, and should take into account the special economic circumstances of the developing countries. It was also necessary to find a way of avoiding the allocation of additional points to the developing countries.

22. With regard to the possibility of adopting alternative methodologies, the approaches referred to in paragraph 30 of the Committee's report, although used in many other organizations, were not suitable for an organization like the United Nations, for the reasons set out in paragraph 32 of the report. Some of the methods raised questions of a purely political nature while others involved essentially technical questions. In that context, it should be stressed that per capita national income did not necessarily reflect the real capacity to pay of Member States. That was determined by many very different factors, linked to the special circumstances of each country, which should be taken into account.

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23. Mrs. SLATER (United Kingdom), speaking on behalf of the European Community and its member States, said that it would not be appropriate for the Fifth Committee to substitute political judgements for the objective advice of the Committee on Contributions. The statement of the representative of the Netherlands on behalf of the European Community at the previous session of the General Assembly had contained a clear exposition of the principles which guided the European countries' approach to the scale of assessments. In short, the position of the Twelve, which in total accounted for over 30 per cent of the regular budget and which had a tradition of full and prompt payment of their assessments, was that the expenses of the Organization should be apportioned on the basis of States' capacity to pay and that that capacity to pay should be derived from verifiable, reliable and comparable national income data. The scale was not a mechanism of global taxation or a means of redistributing resources. It should be reasonably stable and its operation should be predictable. The current methodology had become overcomplex and obscure and the European Community hoped that an early decision would be taken to start eliminating the current distortions.

24. Her delegation had studied with interest the report of the Committee on Contributions on the work mandated by paragraphs 7 (a) to (e) of resolution 46/221 B and shared the conclusion that there were a number of technical problems with regard to the application of the scale methodology. It also noted that the Committee on Contributions proposed to continue its work on price-adjusted rates of exchange, which might add valuable rigour to national income calculations. With regard to the model scale derived from weighting national income by per capita national income, that approach had a fundamental technical flaw which would make it unacceptable as a future basis for the scale: simply put, as a multiplicative weighting, it distorted the relativities in a way that negated entirely the principle of objective and consistent measurement of capacity to pay.

25. All States were vulnerable to the temptation to approach the item with a narrowly defined national financial interest uppermost in order to ensure that, at worst, their respective shares did not increase and, at best they were reduced. That was a no-win approach to a zero-sum game which had helped to make the current scale so complex that professional statisticians were needed to justify and explain it. If Member States believed they were paying too much for the services offered by the United Nations, she would suggest, with respect, that that was not the way to correct the situation. In most cases, such changes in the scale would have only a minor impact on the actual cost of United Nations membership to the country concerned, compared to the impact of overall increases in the budget and foreign exchange effects, or the cost of maintaining permanent missions at United Nations Headquarters, Geneva and Vienna.

26. With regard to the introduction of appropriate adjustments to the current scale for its remaining two years to take account of the changes in membership of the Organization, the European Community and its member States sympathized with the new Member States and had listened carefully to the representations

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(Mrs. Slater, United Kingdom)

made by some of them. However, in the middle of a scale period, the only practical approach to the legal and technical problems posed by the arrival of the new Member States was that followed by the Committee on Contributions. Accordingly, unless the States concerned could produce alternative agreed proposals during the current session, he would appeal to them to accept the assessments proposed in paragraphs 61 and 63 of the report of the Committee on Contributions as a provisional solution, in the knowledge that their assessments would be fully reviewed on the basis of the most up-to-date data in the preparation of the scale for the period 1995-1997.

27. Mr. GOUDIMA (Ukraine), commenting on the remarks made by the representative of the Russian Federation, said that he was surprised at the suggestion that the period of the past 45 years should be used for assessing contributions, instead of a 10-year statistical base period. It was true that for many years the contributions of the former Byelorussian and Ukrainian Soviet Socialist Republics and of the former Soviet Union had been assessed jointly, with each of them paying a share of the overall total assessed for the former Soviet Union. Year after year, those contributions had been proposed by the Committee on Contributions and approved by the General Assembly. No one could say that Ukraine's contribution was now being assessed for the first time when his country had been one of the founder Members of the United Nations. The Committee on Contributions had had no mandate to reassess the contributions of existing States; those contributions had already been assessed and approved and, in any event, should be maintained until the next scheduled date for the general reassessment of the contributions of all Member States, in other words, 1994. Whatever course events might take, there was no need for a new assessment during the period between two scales. If discrepancies in the contributions of Belarus, the Russian Federation and Ukraine arose between now and 1994, they could be overcome on the basis of the declaration by President Yeltsin that the Russian Federation would take over all the rights and obligations of the former Soviet Union with regard to the United Nations, including its financial obligations.

AGENDA ITEM 114: UNITED NATIONS PENSION SYSTEM (A/47/9, A/47/578; A/C.5/47/8 and A/C.5/47/25)

28. Mr. AITKEN (Chairman of the United Nations Joint Staff Pension Board), introducing the Board's report (A/47/9), said that the Board of Auditors had reported that its examination of the accounts of the United Nations Joint Staff Pension Fund did not indicate significant audit findings and recommendations involving financial issues, that the Fund's secretariat had effectively implemented previous audit recommendations, and that it was generally satisfied with the results of its evaluation. The Board had considered and approved the methodology and actuarial assumptions proposed by the Committee of Actuaries for use in the next actuarial evaluation of the Fund, scheduled to take place in 1993. Bearing in mind the provisions of General Assembly resolution 46/220, which, inter alia, approved biennial consideration of the United Nations pension system, the Board had rescheduled

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(Mr. Aitken)

the next evaluation to be prepared as at 31 December 1993, with subsequent evaluations to be carried out every two years. The Committee of Actuaries would therefore review the actuarial assumptions in 1993 in the light of further experience data.

29. The Board had also addressed two matters related to the transfer of pension rights. The first concerned the development of a pension transfer agreement between the United Nations Joint Staff Pension Board and the Inter-American Development Bank. The previous year, the Board had informed the General Assembly of its intention to negotiate an agreement modelled on the existing agreements with the World Bank and the International Monetary Fund. On the recommendation of the Committee of Actuaries, the Board had approved the transfer agreement contained in annex IV to the report. As required under article 13 of the Fund's Regulations, the concurrence of the General Assembly was requested in order to implement the proposed agreement with effect from 1 January 1993.

30. The second matter concerned the interpretation and application of the transfer agreements with the former Soviet Union, the former Ukrainian SSR and the former Byelorussian SSR, which had entered into force on 1 January 1981. The report presented statistical and financial data on the 1,647 transfer cases covered by the three agreements and provided information on the representations received from former Fund participants from the three countries concerned, including, in particular, the claim that the transfer of their Joint Staff Pension Fund pension rights had not resulted in commensurate increases in their pension benefits under the national pension schemes. In January 1992, the processing of transfers under the three agreements had been suspended until their future status could be clarified. The Board had expressed sympathy for the former participants and requested its Secretary to pursue, as vigorously as possible, his discussions with the Permanent Missions to the United Nations of the three Governments concerned, with a view to determining the extent to which the concerns of the former participants could be met. The Board had agreed in principle to consider favourably concrete proposals for the reinstatement of the Fund pension rights of clearly delineated groups of former Fund participants from the three countries concerned, if the amounts transferred under the transfer agreements to the USSR Social Security Fund of the former USSR with respect to those former participants were repaid to the Fund, with appropriate interest. If meaningful progress was to be achieved, the readiness of the three Governments concerned to respond to the claims of the former participants and to satisfy them, in whole or in part, was essential.

31. It should be remembered that responsibility for the management of the Fund's investments lay with the Secretary-General and that decisions on the matter were taken in consultation with the Investments Committee and in the light of observations made from time to time by the Board. The Board had expressed concern that outstanding tax refunds due to the Fund were having an adverse impact on the investment returns. Some countries had not yet

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(Mr. Aitken)

recognized the tax-exempt status of the Fund's investments, while others were often late in reimbursing taxes withheld at source.

32. With regard to the administration of the Fund, it should be pointed out that the budget for the biennium 1992-1993 included additional resources to implement administrative and operational changes in the Fund's secretariat, including, in particular, the project for the replacement of its computer systems. The Board had welcomed the progress so far made, particularly the introduction of an optical-disk based imaging system and the development of an integrated computer applications system.

33. With regard to the adjustment of the Board's work programme to conform with a biennial pattern, it had been decided that the Standing Committee would meet in odd-numbered years to consider administrative matters, including the presentation of the proposed budget of the Fund for odd-numbered years. In the light of that decision, the Board had decided that the next comprehensive review of the pensionable remuneration and consequent pensions of staff in the Professional and higher categories should take place in 1996, instead of 1995 as requested in General Assembly resolution 45/242. The Board had also agreed to take up the question of extending the maximum number of years of creditable contributory service in 1994, instead of in 1993 as originally scheduled.

34. The most important policy issue addressed in the report was the comprehensive review of the methodology for determining General Service pensionable remuneration. Two basic methodological approaches had been under consideration. The first would determine General Service pensions in accordance with the practices followed by local employers used in the salary surveys; the second would relate General Service pensionable remuneration, and therefore consequent pensions, to the salaries received while in service.

35. The Committee of Actuaries had advised the Board that a local approach would be replete with difficulties, would be costly, and would ultimately prove to be a futile exercise. That opinion had been confirmed in a pilot study carried out in respect of six locations. The Board had agreed that the local approach should be abandoned in favour of the second approach, namely, relating General Service pensionable remuneration and pensions to salaries while in service. Under the current methodology, the starting point for determining General Service pensionable remuneration was the net base salary, whereas the starting point for determining the pensionable remuneration of Professional staff was the net remuneration in New York, in other words net base salary plus post adjustment.

36. For General Service staff, 100 per cent of the net pensionable salaries were grossed up, using dollar-based staff assessment rates derived from the average of tax rates in some 25 countries. For Professional staff, an income replacement approach was used, under which the pensionable remuneration was set at levels that would yield gross pensions whose ratio to the net remuneration amounts would be comparable to similar ratios in the comparator

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(Mr. Aitken)

service. In that connection, two points should be noted. First, the staff assessment rates for Professional staff, which were based on the average tax rates in the seven headquarters countries, differed significantly from those applicable for General Service staff. Second, for Professional staff, the "tax element" was not applied to 100 per cent of the net remuneration, but only to 46.25 per cent, corresponding to the benefit accumulation rate of an official with 25 years of service. The interim adjustment procedures for the two categories of staff were also different.

37. The participants' representatives believed that the current methodology had proved to be globally satisfactory and were totally opposed to the use of the income replacement approach, believing that it would extend the deficient procedures for Professional staff to the General Service staff. They also believed that, in deriving pensionable remuneration, the practice of excluding a portion of the non-pensionable components from the net salary should be discontinued.

38. On the other hand, most of the members representating the governing bodies felt that the current methodology was not fully satisfactory and had given rise to anomalies and inconsistencies which must be removed. The "income inversion" problem was the most serious and the representatives of the governing bodies, particularly those representing the General Assembly, believed that the income replacement approach would best address the issue. Procedures should be established to reduce the "income inversion" problem, either immediately or gradually over time.

39. The members representing the executive heads had sought to establish a framework for resolving the deadlock between the other two groups represented on the Board. With that in view, the Chairman had proposed a compromise involving a possible return to the use of a single scale of staff assessment for pensionable remuneration purposes, as had been the practice until 1976. Regrettably, the Board had been unable to achieve consensus on that proposal. The representatives of the executive heads and the governing bodies were prepared to accept the proposal in the context of a consensus, but the participants' representatives were not because it involved reductions which they found difficult to accept. In order to assist the International Civil Service Commission (ICSC) and the Fifth Committee in their subsequent reviews, he had asked the three groups to submit written statements of their respective positions, which had been included in annex VIII to the report.

40. With regard to the pensionable remuneration and pensions of ungraded officials, the Board had complied with the request made by the General Assembly in resolutions 45/242 and 46/192 that it should recommend changes in the Fund's Regulations to incorporate provisions governing the pensionable remuneration of ungraded officials, including the executive heads who were participants in the Fund, and to extend the provisions placing a limit on the highest levels of pensions to cover all participants in the Fund.

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(Mr. Aitken)

41. In order to give those governing bodies which had not yet done so an opportunity to consider the matters referred to them by the General Assembly, the Board had decided to postpone consideration of the amendment to article 54 of the Fund's Regulations, which defined pensionable remuneration for participants in the Fund, until its next regular session in 1994. The Board expressed the hope that all governing bodies would accept and apply the methodology recommended by ICSC and endorsed by the General Assembly, taking into account the need to protect acquired rights.

42. With regard to the level of pensions, the Board had decided to recommend an amendment to article 28 (d) of the Regulations which would extend the limit on the highest level of pensions to ungraded officials who entered or re-entered the Fund on or after 1 April 1993, the proposed effective date of the amendment.

43. In response to the request made by the General Assembly, the Board again considered the pension adjustment system, in the light of the approval by the General Assembly at its forty-sixth session of the modification of the system recommended by the Board. In 1991, the Board had indicated that, in addition to considering a possible change in the "120 per cent cap", it would review two other matters, namely the special index for pensioners and the applicability of the modification of the pension adjustment system to General Service staff. The Board agreed, in principle, that the "120 per cent cap" could be changed with effect from either 1 January 1995 or 1 April 1995, and requested a further study on the level to which the current cap could be lowered, the scope of application of any change, and the transitional measures that would accompany any change introduced.

44. The Board had asked ICSC to include the question of the special index for pensioners in its work programme, with a view to formulating recommendations, in cooperation with the Board, for submission to the General Assembly in 1994. The Board had postponed until its 1994 session consideration of the application of the modification of the pension adjustment system to General Service staff, in order to take into account the outcome of the comprehensive review of the pensionable remuneration of such staff. The Board had decided, however, to recommend a change in the provisions of section E of the pension adjustment system, concerning special adjustments for small pensions, which had remained unchanged since 1981. The Board had proposed updating the schedule of qualifying amounts to reflect cost-of-living changes.

45. Ms. MILLS (Deputy Controller), introducing the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund, said that, considering the world-wide slow-down in economic growth, the volatility of the financial markets and fluctuations in exchange rates, the investment return of 7.6 per cent for the year ending 31 March 1992 could be considered satisfactory. The market value of the Fund's assets had increased from $9,338 million in 1991 to $10,111 million in 1992, which represented an increase of $772 million or 8.3 per cent.

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(Ms. Mills)

46. The Fund had continued its policy of diversification of its investments by geographical region and by currency and had sought to increase its investments in developing countries and development institutions. The Fund currently held investments in 47 countries around the world and in 38 different currencies. In order to protect those investments the Fund had followed a policy of safety first as its first priority in the selection of each asset. Further, in late 1985, the Fund had adopted a defensive strategy whereby realized profits had been held in assets that had potential for appreciation. That approach had contributed to the protection of the Fund against volatility in the world's financial markets.

47. The world economy appeared to be entering a period of lower interest rates, which might benefit the equity markets. Accordingly, the Fund had recently started, cautiously and selectively, to build up the equity sector of its portfolio. Nevertheless, the Fund would continue to maintain a stable level of fixed income securities with high yields so as to ensure a steady stream of income.

48. For a number of years it had been emphasized that the investment strategy of the Fund and its investment returns should be viewed from a long-term perspective. Short-term investment returns were not particularly meaningful for a pension fund such as that of the United Nations, with its long-term objectives and liabilities in several currencies. Short-term results were largely influenced by the volatility of the securities markets, which was difficult to predict and impossible to control. The management of the Fund was geared to maintaining a careful balance between risk and reward expectations over the medium to long-term, rather than taking the risks inherent in seeking very high short-term returns. Any assessment of the Fund's performance should therefore be on the basis of analysis of investment returns over a substantial period, such as five or 10 years, or, even, since its inception.

49. The Fund's diversification did not provide the high returns that a more aggressive approach might produce, but it protected the Fund from the losses that would undoubtedly result from a more narrowly focused, speculative investment strategy. The main objective in the management of the Fund continued to be the preservation of the principal, applying the criteria of safety, profitability, liquidity and convertibility which had been endorsed by the United Nations Joint Staff Pension Board.

50. With regard to the General Assembly's request in its resolution 46/192 that Member States that did not grant tax exemption to the Fund's investments should do so as soon as possible, she noted that most countries in which the Fund had investments had now done so. Over the past year another four countries had granted the Fund tax exempt status and the matter was under consideration by a further eight countries. The Fund had adopted a policy of requiring confirmation of the tax exempt status of its investments in a particular country before initiating direct investment in that country. Overall, satisfactory progress had been made and it was hoped that Member States would continue to respond to the General Assembly's request.

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51. Mr. AL-MAKTARI (Yemen) asked what the principal nature of the investments was and whether the principle of diversification of investments throughout the world had been observed. Further, he wished to know the amount of the Fund's direct investments, whether it invested in developing countries and whether there were plans to invest in the least developed countries. Further, he requested clarification of why the Fund had made use of an outside consultant to calculate the investment yield, when the Organization had experts able to perform that function.

52. Mr. KINCHEN (United Kingdom), speaking in his capacity as representative of the General Assembly on the Board, recalled that the 1991 meeting had not been characterized by a proper sense of order. The representatives of the governing bodies had recognized as much in the statement annexed to the report introduced by the Chairman of the Board. 1992 had seen the renewal of the normal courtesies, but at one point his delegation had considered that it might be necessary to raise the issue of access to the General Assembly building. Fortunately, that had not proved necessary.

AGENDA ITEM 104: PROGRAMME BUDGET FOR THE BIENNIUM 1992-1993

Granting of travel assistance to least developed and other developing countries that are members of the United Nations Commission on International Trade Law (A/46/349, A/47/17 and A/47/454; A/C.5/47/CRP.1)

53. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that, as indicated in the note by the Secretary-General (A/C.5/47/CRP.1), since the United Nations Commission on International Trade Law (UNCITRAL) was an intergovernmental body whose members were nominated directly by their Governments, granting travel assistance would constitute an exception to the existing policy established by the General Assembly and would need to be authorized by the Assembly. It should also be noted that UNCITRAL met annually, that its sessions alternated between New York and Vienna and that its three working groups, composed of all the members of the Commission, each held two sessions a year, either in New York or at Vienna. While UNCITRAL had considered the possibility, as recommended in General Assembly resolution 46/56 B, of holding consecutive meetings of its working groups, it had concluded, for the reasons mentioned in its report (A/47/17), that the idea was impracticable and that the holding of consecutive working group meetings would not result in a lesser number of experts travelling to such meetings or produce savings on travel costs.

54. In that regard, the note by the Secretary-General (A/C.5/47/CRP.1) indicated that the estimated cost of providing travel assistance would depend on the number of eligible representatives under the criteria decided upon and the number of meetings for which assistance would be authorized. It also stated that, if funding was to be provided from the regular budget, it would be necessary to identify activities in the legal programme that would be changed, curtailed or terminated to accommodate related costs, and the wider budgetary implications of establishing new travel entitlements from the

(Mr. Mselle)

regular budget would need to be considered. The Secretary-General also mentioned the possibility, as a means of funding travel assistance within existing resources, of establishing a voluntary fund, i.e. a trust fund, for that purpose.

55. In the opinion of the Advisory Committee, the Fifth Committee would need to address the following questions. Firstly, it must consider whether such travel assistance should be granted. In that connection, the Advisory Committee recalled that, as a special exception to the rules adopted by the General Assembly governing the payment of travel expenses and related expenses of members of United Nations organs, the Assembly, in its resolution 31/93, had authorized the payment of travel expenses to members of the Committee for Programme and Coordination. Secondly, it must decide whether such assistance should be limited to the least developed countries or be extended to other developing countries, in which case there would have to be agreement on the criteria to be applied. Thirdly, decisions would have to be taken on the number of meetings for which assistance would be authorized and whether such assistance would be financed from voluntary contributions or from the regular budget. In the latter case, a statement of programme budget implications would be submitted in the normal manner.

56. Mr. VARELA (Chile) said that his country attached particular importance to the question of travel assistance, since in practical terms it would allow participation by a larger number of countries in the formulation of international trade law norms without domestic budgetary concerns or national priorities preventing their participation. That would mean that the rules, if and when codified, would enjoy more credibility and universal respect. The costs of the proposal were insignificant compared to the benefits of the consolidation of international trade law.

57. Mr. ALVAREZ (Uruguay) endorsed what the representative of Chile had said and added that his delegation was not satisfied with the explanation given in document A/47/454 about the rationalization of the work of UNCITRAL because it understood that there had not been an in-depth study of the various possible ways of rationalizing the functioning of the Commission and its working groups, or of the possibility of the groups holding consecutive meetings. More information should be made available, and UNCITRAL itself should make a more detailed study of the rationalization of its work at an early date, because the funds which might be saved by such rationalization could be used for such a worthy purpose as enabling experts from the majority of the developing countries to attend the Commission's sessions, something that did not happen at present.

58. Mr. INOMATA (Japan) said that the Secretariat had been right to remind the Committee that a review was being carried out of the rules governing the payment of travel and related expenses of representatives attending United Nations meetings. In 1988 the General Assembly had decided to consider that issue in the light of recommendation No. 6 of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and

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(Mr. Inomata, Japan)

Financial Functioning of the United Nations, and at that time the Secretary-General had proposed that payment of travel expenses should be limited to participants from the least developed countries. If memory served, the Advisory Committee had agreed with that recommendation, but the Fifth Committee had not had time to approve it, and in resolution 43/217 IX the General Assembly had decided to defer action. Since the Secretariat was preparing a report for the review of the rules in question, the most appropriate thing would be to defer the adoption of a decision until the report was available, for the financial implications of the proposal by the Sixth Committee amounted to no less than $1.2 million. In any event the decision taken by the Fifth Committee would have to be in line with the findings of the review. The best thing to do for the moment would be to ask the Acting Controller what stage the review document was at.

59. Mr. MICHALSKI (United States of America) said that his delegation fully shared the views of the representatives of Uruguay and Japan on the matter before the Committee. Paragraph 9 of document A/C.5/47/CRP.1 referred to two or three cases in which voluntary contributions had been used to pay the travel expenses of representatives of least developed countries. It might well be possible to contrive to obtain more voluntary contributions for such purposes. His delegation looked forward with interest to the Secretary-General's report for the review of the rules governing travel expenses and thought that until the report was at hand the Committee should not take a decision on the request made by the Sixth Committee.

60. Mr. RAE (India) said that it would have been useful for the Secretariat to have prepared a document on the programme budget implications of the rules on travel expenses so that the Committee could have taken a decision. It was regrettable that the Committee did not have such a document. The issue had been pending for a long time and it was important to resolve it in order to enhance the work of UNCITRAL and thus comply with resolution 46/56 B.

61. Mr. BOIN (France) endorsed what had been said by the representative of India and added that his delegation would regret having to put off the decision pending the issue of the report on travel expenses. It was perfectly possible to take provisional action, but it must be borne in mind that the amounts in question were large: $1,176,000 when all the developing countries were included. His delegation therefore suggested an intermediate solution. The travel expenses of the least developed countries should be paid in accordance with the modalities indicated in the note of the Secretary-General (A/C.5/47/CRP.1). But study of the list of all the developing countries showed that they were not a homogeneous group in respect of level of resources. In order to take that point into account it might be possible to reimburse the expenses of the countries in a first group (having less resources) or limit the number of sessions for which reimbursement was made; for example, in the case of some countries it might be possible to reimburse the expenses for an annual session of UNCITRAL and two working group sessions, or alternatively three working group sessions. That kind of step-by-step

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(Mr. Boin, France)

approach would put an end to the continual deferral of action and meet the legitimate concern not to assume over-large budgetary obligations. It should be made clear that such a measure would be introduced on an exceptional basis and not set any precedent.

62. Mr. ZAHID (Morocco) said that the requirement that least developed and other developing countries that were members of UNCITRAL must request the assistance was extremely important. Only the countries which felt the need would benefit from the measure, and that already constituted a limitation. In his report on the possible ways of assisting the developing countries members of UNCITRAL (A/46/349) the Secretary-General drew attention to the relatively small number of experts from least developed countries who participated in UNCITRAL meetings. There were three or at most four countries which would receive assistance, while in the case of the other developing countries, it was not clear that they all had to request reimbursement of their travel costs. His delegation was ready to work on the basis of the Secretary-General's proposals (A/C.5/47/CRP.1) or on the basis of any negotiable solution; the important thing was to reach a consensus on the issue and take a decision for the short term, for the measure would be adopted as an exception to the rules which would themselves be examined in the light of the report on travel expenses.

63. Mr. IRUMBA (Uganda) said that at least an interim decision must be taken, for the Sixth Committee was awaiting a recommendation from the Fifth Committee so that it could itself take a decision. His delegation was ready to study the various possibilities and thought that although the amount involved was large, that was a relative concept and resources could always be found in other sections of the programme budget.

64. Mr. DUHALT (Mexico) endorsed the view of the representatives of India, France, Morocco and Uganda that the Committee should take a position on the issue; if a decision was deferred the Sixth Committee would have to take a decision on financial issues which really belonged in the Fifth Committee. The ideas put forward by the delegations of France and Morocco were interesting as a preliminary solution. Informal consultations might be held in the light of those proposals with a view to taking a formal decision later.

65. Mr. SPAANS (Netherlands) said that the Sixth Committee had acknowledged the competence of the Fifth Committee on the issue and that it was therefore unlikely that the Sixth Committee would take a decision of its own accord, for that would set a very dangerous precedent. His delegation would have no problem if the question was considered in informal negotiations but it would like the Secretariat to indicate when the review report would be issued.

66. Mr. BAUDOT (Acting Controller) said that the present situation was made extremely complicated by the large number of exceptions to the established rules and that, although the report would be issued shortly, there was no certainty that it would make a clear recommendation to the General Assembly. The only definition of category of country which had been accepted by the General Assembly was that of least developed country.

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ORGANIZATION OF WORK

67. The CHAIRMAN said that several communications had been received from the Federation of International Civil Service Associations (FICSA) and from the staff regretting the deferral of consideration of items 113 and 114, concerning the pension system and the report of the International Civil Service Commission (ICSC) until after their representatives had left New York and requesting that the items should be considered at an earlier date than envisaged in the programme of work. Unfortunately, owing to delays in the processing of the relevant documents and the fact that the President of ICSC could not bring forward the date of his introductory statement to the Committee, it was not possible to agree to that request. Accordingly, if there was no objection, he would take it that the Committee agreed that the programme of work should remain unchanged.

68. It was so decided.

The meeting rose at 6.25 p.m.