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SUMMARY RECORD OF THE 32nd MEETING

Chairman: Mr. SENGWE (Zimbabwe)

later: Mr. ALOM (Vice-Chairman) (Bangladesh)

later: Mr. SENGWE (Chairman) (Zimbabwe)

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 121: UNITED NATIONS COMMON SYSTEM (E/1993/119 and Add.1; A/50/30 and Add.1; A/51/30; A/C.5/50/23; A/C.5/51/24 and A/C.5/51/25 and Corr.1)

1. Mr. BEL HADJ AMOR (Chairman of the International Civil Service Commission, introducing the report of the International Civil Service Commission (ICSC) for the year 1996 (A/51/30), drew attention, in connection with the review of the Noblemaire principle, to chapter III of that report and to chapter III.A of the report for the year 1995 (A/50/30) and the addendum thereto (A/50/30/Add.1). A number of studies conducted by the Commission in 1994 and 1995 had culminated in the following conclusions and recommendations: (a) the Noblemaire principle, which had been the basis for determining competitive Professional salaries ever since the time of the League of Nations, remained applicable; (b) in accordance with the Noblemaire principle, in order to be competitive, United Nations system salaries should be compared with those of the national civil service identified as the most highly paid; (c) after comparing the remuneration of the civil services in Germany and Switzerland with that of the current comparator, the United States Federal Civil Service, the Commission had concluded that the German civil service was the most highly paid, but had nonetheless decided that conditions were not suitable for a change in the comparator civil service; (d) a comparison showed that the salary scales of the Organization for Economic Cooperation and Development (OECD) and the World Bank were much higher than those of the United Nations; and (e) since the General Assembly had requested the Commission to study the Noblemaire principle with a view to ensuring the competitiveness of United Nations salaries, the Commission had concluded that the German civil service should ultimately be used as a reference point for managing the margin. In the light of those findings, the Commission recommended an increase in the remuneration for staff in the Professional and higher categories that would restore the margin to 115, the desirable mid-point of the range approved by the General Assembly. That adjustment would reduce imbalances and compression in the scale, in response to the mandate established by the General Assembly in resolutions 47/216 and 48/224.

2. At its fiftieth session, the General Assembly had requested the Commission to reconsider two technical refinements it had introduced in the measurements of the margin: the weighting process used to reflect the comparator's special pay systems in the comparison, and the inclusion of bonuses and performance awards. It had also requested the Commission to clarify its conclusions regarding the highest paid national civil service. At its session in spring 1996, after a careful examination, the Commission had concluded that its decision in favour of the equal weighting approach had been fully justified. It maintained that that was the most effective approach in meeting the competitiveness requirements of the Noblemaire principle; was consistent with the use of dominance reduction elsewhere in the remuneration system; was simple and transparent; and, as a relatively moderate approach among all the weighting methods the Commission had examined, would not distort the comparison process.

3. The Commission had also reaffirmed the validity of its decision regarding the inclusion of some of the comparator's bonuses and performance awards in margin calculations. As the amount of those bonuses and awards was significant, their exclusion would raise issues of equity and validity in the comparison. If

performance bonuses were introduced in the common system -- as the Commission had recommended -- they would be factored into the equation on the United Nations side. Moreover, the Commission's decision should be viewed in the larger context of the Noblemaire review, which aimed to restore the competitiveness of the common system.

4. Following interviews with German officials, it had become apparent that differences could not be eliminated without substantially changing the methodology which had been applied to all potential comparators. Although the German civil service was better remunerated, its situation was uncertain and the Commission therefore did not recommend that the complex process of changing the comparator should be undertaken at the present stage. The situation should, however, be monitored. Those conclusions were set out in an addendum to the Commission's report for the year 1995 (A/50/30/Add.1).

5. At its session in July/August 1996, the Commission had recommended an overall average adjustment of approximately 4.1 per cent, effective 1 March 1997, with actual amounts varying at different points of the scale, in order to meet restructuring requirements. The difference between the 4.1 per cent and the average increase of 9.2 per cent recommended in 1995 was not the result of any change in the margin methodology agreed on by the Commission in 1995. Rather, it was attributable to the increase in November 1995 in the post adjustment at the base city, New York, which had included one-time technical adjustments to the treatment of a number of components of the post adjustment index.

6. The General Assembly now had before it all the elements it needed to take a decision on a matter which was of vital concern to the system. The Commission's studies had all been carried out in a technically rigorous manner, using predefined and approved methodologies; it was to be hoped that the same could be said of any alternative proposals. Despite the financial difficulties experienced by the United Nations and its Member States, the system must be capable of attracting and retaining staff of the very highest calibre. Otherwise, the requirements of the Charter would not be met and the system would lose its raison d'être.

7. In 1996, the Commission had also conducted a comprehensive review of pensionable remuneration and pension entitlements for the Professional and higher categories of staff. No change was recommended in the existing methodology for determining pensionable remuneration for any category of staff. The Commission had also finalized a common staff assessment scale for all categories of staff, which was expected to reduce income inversion. In addition, it had reviewed the levels of the education grant and dependency allowances for staff in the Professional and higher categories and recommended a modest inflation-linked increase.

8. In response to resolution 47/216, ICSC had reviewed the functioning of the mobility and hardship scheme. The Commission had concluded that the scheme was functioning satisfactorily and that the costs were reasonable, and had recommended a minor change in one element of the mobility and hardship matrix. During that review, the Commission had also reconsidered the basis for setting and adjusting hazard pay and had decided that, for staff in the Professional and higher categories, hazard pay should be delinked from the base/floor salary

level and maintained for the time being at its current level. It had taken a number of steps to improve the technical operation of the post adjustment system and to enhance the underlying principle of equity in purchasing power. Cost-of-living survey results had been approved for the seven headquarters duty stations and Washington, D.C. The Commission's working group on the operation of the post adjustment system had held two meetings and received instructions to give priority to identifying elements of pay which should not be adjusted for local inflation. The Commission had begun consideration of a post adjustment index which would reflect the cost of living of all staff assigned to Geneva and would take up the question again in the context of its programme of work for the following year. Finally, the Commission had initiated a review of arrangements for appointments of limited duration.

9. The Commission continued to act with its usual integrity, objectivity and impartiality. As for allegations of politicization, its reports showed that it was independent to a fault. In seeking to reconcile diametrically opposed viewpoints, it always listened to all parties.

10. In conclusion, he said that the Commission would warmly welcome the return of the staff representatives, whose contribution and insights it had always valued highly. Although it continued to brief the staff on all developments, it hoped for the resumption of a more active dialogue.

11. Mr. KITTANI (Special Adviser to the Secretary-General), speaking on behalf of the Secretary-General in his capacity as Chairman of the Administrative Committee on Coordination (ACC), noted that the changing missions of the United Nations organizations had led to an unparalleled expansion in the responsibilities of their staff, including mobility in both function and location and the performance of new and complex tasks, often in insecure living and working environments. More than ever, the Secretary-General and the executive heads of the organizations of the common system required the support of Member States in order to ensure the highest standards of efficiency, competence and integrity, in accordance with the Charter of the United Nations. In that connection, ACC had repeatedly stressed the need to restore competitive conditions of service system-wide in order to attract and maintain staff of the highest calibre.

12. Member States must accord the highest priority to the search for solutions to the financial crisis. Secretariats were sparing no efforts to improve management and contain costs. In a joint statement adopted at the latest session of ACC (A/C.5/51/25), all the executive heads had reaffirmed their individual and collective commitment to pursue the reform effort in order to respond to the changing international environment and the evolving demands of Member States. Far-reaching management reforms were being introduced in the organizations of the system and significant intergovernmental reforms and other organizational changes were being pursued. Flexibility and innovation in staff management would be crucial to the success of those efforts. Restoring competitiveness in conditions of service must be viewed as an integral part of the reform process. ACC was confident that Member States would support those essential efforts.

13. ACC fully endorsed the conclusions of ICSC with regard to the measurement of the margin and the national civil service comparator. It also strongly

supported the Commission's decision to restore the margin of United Nations-United States net remuneration to its desirable mid-point of the range of 110-120. For the second consecutive year, application of the methodology had established a net remuneration which was below the lower limit of the range established by the General Assembly in resolution 40/244.

14. ACC hoped that progress would be achieved in two areas: on the one hand, efficiency, enhanced performance, including managerial performance, and structural and management reform; and, on the other, active pursuit by ICSC of the measures required to restore competitive conditions of service through the rebuilding of the Noblemaire principle. In urging the General Assembly to take action on the ICSC recommendations during the current session, the Secretary-General and his colleagues in ACC reiterated their responsibility for the management of the cost structure in their respective organizations. Every effort would be made to absorb the financial implications of implementing the ICSC recommendations. That would give a clear signal of support for ongoing efforts to retain staff of the highest calibre. By taking action on the recommendations, the General Assembly would also give renewed impetus to the broader processes under way to reform management and maximize efficiency, productivity and cost-effectiveness.

15. At a time of budgetary cutbacks and other measures affecting job security and conditions of service, the concerns of the staff must be articulated at all levels, including that of ICSC. The absence of dialogue with duly recognized staff representatives in the Commission was a major gap and an obstacle to reform of the common system.

16. Mr. Alom (Bangladesh), Vice-Chairman, took the Chair.

AGENDA ITEM 122: UNITED NATIONS PENSION SYSTEM (A/51/9 and Corr.1; and A/51/644; A/C.5/51/4)

17. Mr. CHOTARD (Chairman of the United Nations Joint Staff Pension Board), introducing the report of the United Nations Joint Staff Pension Board (A/51/9), said that it reflected the institutional and operational development of the United Nations Joint Staff Pension Fund as a major autonomous inter-agency entity in the United Nations system and provided considerable information on the global operations of the Fund.

18. Pursuant to requests by the General Assembly, the Board, in close cooperation with ICSC, had carried out comprehensive reviews of the methodology for determining the pensionable remuneration and consequent pensions of staff in the Professional and higher categories and in the General Service and related categories, as well as a review of the special index for pensioners. Other issues addressed in the report included the suspension of benefits in cases of re-employment in a member organization of the Fund for periods of less than six months, entitlement to survivor's benefits for spouses and former spouses, and the possible withdrawal of the Interim Commission for the International Trade Organization/General Agreement on Tariffs and Trade (ICITO/GATT), now the World Trade Organization.

19. Concerning the operations of the Fund, the Pension Board had noted with satisfaction that the Board of Auditors, having examined the accounts of the

Fund, had placed an unqualified opinion on the financial statements of the Fund (A/51/9, annex III). In implementation of previous audit observations and pursuant to General Assembly resolution 49/224, the Secretariat of the Fund had already taken, and had under consideration, a number of measures to strengthen the monitoring and control procedures for the payment of benefits from the Fund. An internal audit function for the Fund had been implemented, as had been recommended by the Board of Auditors and endorsed by the General Assembly; that task was currently being carried out by the Office of Internal Oversight Services. The Board had considered the procurement arrangements for the Fund and had decided to recommend that the General Assembly should request the Secretary-General to continue to make the United Nations machinery for contracting and procurement available to the Fund, and that recommendations emerging from such arrangements should be submitted directly to the Secretary of the Fund for decision. It was important and desirable that the Fund, having reached a level of maturity, should have the necessary independence required to carry out its administrative and financial activities.

20. Turning to the actuarial valuation of the Fund as at 31 December 1995, he noted that the actuarial assumptions used differed from those that had been used in the previous valuation. The most significant changes made for the Regular Valuation were an increase in the assumed real rate of return of the Fund's investments from 3 to 3.5 per cent and reduction in the inflation assumption from 6 to 5 per cent annually, coupled with the use of an explicit assumption as to the cost of the two-track system of 1.9 per cent of pensionable remuneration. Under the Regular Valuation assumptions, the actuarial imbalance had decreased from 1.49 per cent as at 31 December 1993 to 1.46 per cent as at 31 December 1995, a decrease of 0.03 per cent. In assessing the significance to be attached to the actuarial deficit, the Consulting Actuary and the Committee of Actuaries had examined the impact of various elements on the valuation results and had concluded that there continued to be no need to take action to reduce the projected actuarial imbalance at the current time (A/51/9, para. 38).

21. The positive returns on investments during each of the previous 14 years bore ample testimony to the quality of management of the Fund's investments. He drew the Commission's attention to the observations that had been made in the report of the Board of Auditors (A/51/9, annex III) regarding the non-recognition, by some Member States, of the tax-exempt status of the investment income of the Fund. In that regard, the Board had recommended that the General Assembly should renew its appeal to those Member States which had not already done so, to exempt the Fund's investment income from direct taxes.

22. As for the administration of the Fund, the actual administrative costs for the biennium 1994-1995 had amounted to $12.4 million, which represented 0.81 per cent of the benefit payments. The Committee of Actuaries had noted that that percentage compared favourably with the administrative costs incurred by other pension plans and social security systems; that was particularly significant considering the size, worldwide scope and administrative complexity of the United Nations pension plan. The Fund's budget for the biennium 1996-1997, as approved by the General Assembly in 1995, had not included some of the staffing proposals for the Investment Management Service (IMS), pending further review by the Board. At its July 1996 session, the Board had decided to recommend approval of two new posts at the P-5 level and conversion of four temporary posts to established posts (A/51/9, para. 330). In the absence of a

consensus on the issue of the reclassification of the post of Chief of IMS, the Board had decided to revert to the matter at its next session. It had also approved additional resources for investment custodial fees, based on the contractual linkage of those fees to the market value of the Fund's investment portfolio. Additional resources had also been requested under administrative costs, amounting to $463,000 at 1996 rates, to meet, inter alia, the estimated costs of adapting and enhancing the Fund's computer operations in conjunction with the shifting of the United Nations mainframe operations from the New York Computer Service to the International Computing Centre in Geneva (A/51/9, para. 319). The additional resources of approximately $1.2 million that had been requested in the supplementary estimates would be chargeable directly to the Fund and would have no direct impact on the United Nations programme budget. Despite those expenses, administrative costs remained very low in relation to the size of the Fund's operations.

23. Although in the comprehensive reviews of the pensionable remuneration and consequent pensions of staff in the Professional and higher categories and in the General Service and related categories, differences of opinion had arisen within the Board and ICSC, as well as between the two bodies, with respect to certain aspects of the pensionable remuneration methodologies, there had been general agreement to continue the current income replacement approach and the methodologies related thereto. The only changes which had been recommended in the current arrangements related to the development of a common scale of staff assessment for pensionable remuneration purposes, to be applied in respect of all staff (paras. 152 to 159). In that regard, the full cooperation between ICSC and the Board must continue so as to ensure a harmonious future evolution. It was therefore vital that the Commission should take into account the observations and conclusions of the Board on the various technical issues on which its competence was fully recognized.

24. With regard to the pension adjustment system (A/51/9, chapter VII), the Board had noted with satisfaction that the actual emerging costs of modifications to the two-track pension adjustment system had remained in line with the initial cost estimates presented to the General Assembly. Both ICSC and the Board had concluded that no change should be made at the current time in the procedures for the calculation of the special index for pensioners. After considering an extensive analysis of the issue of variations in pension amounts under the local currency track according to dates of separation, the Board had agreed with its Secretary that such variations were unavoidable and that any attempt to control them would not only be costly but would also complicate the already highly complex pension adjustment system. It had also decided to defer consideration of a possible change in the method for determining cost-of-living adjustments of pensions in award because of the cost implications at a time when the fund continued to have a long-term actuarial imbalance. The Board had also decided to recommend two changes in the pension adjustment system related to the determination of local currency track pension amounts in countries such as Argentina, Brazil and Uruguay where significant changes had been introduced in the relationship between the local currency and the United Nations dollar. The Board had decided to recommend a special measure for application in such cases, as described in paragraphs 204 to 213 and in annex XV to its report. The Board had also decided to recommend a revision of paragraph 26 of the pension adjustment system to provide greater specificity in setting criteria under which the local currency track pension amounts might be discontinued.

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25. Referring to problems related to the implementation of the Transfer Agreements between the United Nations Joint Staff Pension Board and the Governments of the former Union of Soviet Socialist Republics, Ukrainian Soviet Socialist Republic and Byelorussian Soviet Socialist Republic (A/51/9, chapter VIII), he said that, over the past five years, the Fund had received complaints from former participants covered by the three Transfer Agreements that, contrary to the terms of those Agreements, transferred pension rights in the Fund had not led to increases in their pension benefits under the applicable national pension or social security schemes. At the request of the Board, the Secretary had initiated contacts with the Governments concerned to determine the extent to which the problems that had arisen could be resolved. Only the Permanent Mission of the Russian Federation had responded to requests to designate a contact person for discussions. The talks had ultimately led to an agreement to follow a step-by-step approach in addressing the concerns of all former Fund participants in the former Soviet Union, Ukrainian Soviet Socialist Republic and Byelorussian Soviet Socialist Republic, covering not only those who had entered the Fund on or after 1 January 1981, but also those who had entered the Fund before that date. The proposed agreement between the Board and the Russian Government would provide periodic pensions to a defined and limited group of former participants in the Fund who were Russian citizens and who met other eligibility criteria. The cost of the prospective periodic pensions would be met by the Russian Government through payments to the Fund, in ten instalments, to cover the actuarial costs involved; if payments were not made according to the terms of the proposed agreement, its implementation would be suspended. The proposed agreement was a first step towards a comprehensive resolution of the concerns of former participants in the Fund who were nationals of the various States which had formerly been part of the Soviet Union. The Board hoped that, in its resolution on the United Nations pension system, the General Assembly would address the importance of taking further steps in respect of those former participants who had not been covered by the first proposed agreement, including those from countries other than the Russian Federation. He urged the Governments of the other States concerned to enter into discussions with a view to concluding similar agreements with the Board.

26. With reference to the General Assembly’s request to the Board that it should examine the possibility of suspending pension benefits in cases of re-employment in a member organization of the Fund for periods of less than six months (A/51/9, paras. 252-261) he said that, in the absence of detailed background information and precise objectives, the Board had assumed that the General Assembly had wished it to consider possible alternative formulations for article 40 of the Fund’s Regulations, without modifying the provisions concerning eligibility for entry into the Fund under article 21 of the Regulations. Some members had expressed concern over the possibility of using the Fund’s Regulations, which applied to all 18 of its member organizations, to impose United Nations policy objectives and perspectives on the other member organizations. It had also been noted that there were major administrative obstacles to using the Fund as a means of controlling any system of re-employment of former participants in the Fund. While problems related to an employment policy could not be redressed through a social security policy, concern had been expressed over continuing abuses in the re-employment of retirees in certain member organizations of the Fund. Representatives of some governing bodies had therefore suggested that a provision should be included in the current article 40 of the Regulations of the Fund which would recognize that

the employing organization might require a former participant in receipt of a benefit from the Fund to agree to request, as a condition of employment, that the Fund should temporarily suspend or otherwise limit the payment of the pension during the period of re-employment. Such an arrangement, if pursued, would place responsibility for the enforcement of the measure on the employing organization rather than on the Fund. The Board had decided to defer further consideration of the possible amendment to article 40 pending consideration and action by the General Assembly on the report on the re-employment of retirees which it had requested the Secretary-General to submit at the current session. He hoped that, in its resolution on the United Nations pension system, the General Assembly would address some of the parameters which the Board should take into account, such as the minimum period of re-employment which would give rise to the suspension of a pension benefit.

27. With regard to the provisional application for membership in the Fund from the International Tribunal for the Law of the Sea, the Board had recommended approval of the application, subject to confirmation that the Tribunal participated in the common system of salaries and other conditions of service of the United Nations and its specialized agencies (A/51/9, para. 304). The Board had further decided to delegate to the Standing Committee the consideration, in 1997, of a possible application from the International Seabed Authority for membership in the Fund, and to formulate its recommendation to the General Assembly at its fifty-second session (para. 305).

28. In conclusion, he said that the matters requiring action by the General Assembly were: amendments to article 28, paragraphs (d) and (g), of the Regulations of the Fund; changes in the pension adjustment system, as set out in annex XV to the report; concurrence with the proposed agreement between the Russian Federation and the United Nations Joint Staff Pension Board; a request to the Secretary-General to continue to make United Nations machinery for contracting and procurement available to the Fund; approval of the admission to membership in the Fund of the International Tribunal for the Law of the Sea; approval of the additional staffing and other resources recommended by the Board in respect of the administration of the Fund, including the investment operations; and renewal of the request of the Member States which did not currently grant tax exemptions for the investments of the Fund to do so as early as possible.

29. Mr. Sengwe (Zimbabwe) resumed the Chair.

30. Mr. CONNOR (Under-Secretary-General for Administration and Management), introducing the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund for the period from 1 April 1994 to 31 March 1996 (A/C.5/51/4), said that, since the purpose of the Fund was to seek retirement benefits for its participants, management of the Fund's investments continued to be guided by the principles of safety, profitability, liquidity and convertibility.

31. With regard to the economic and investment conditions that had prevailed during the period under review, most economies in the major regions had continued to undergo structural reforms aimed at liberalizing trade and investment and reducing budget deficits. By historical standards, worldwide inflation had been low, but the financial markets had been very volatile. Many

of the major stock markets in the world had reached record high levels during the period under review because of declining interest rates and strong cross-border capital flows.

32. As for the investment performance of the Fund, the market value of the Fund's assets had increased by 24 per cent to $15,539 million as at 31 March 1996. Total investment return for the year to 31 March 1995 had been 8.7 per cent, representing a real rate of return of 5.6 per cent after adjustment by the United States consumer price index. For the year ended 31 March 1996, the real rate of return had reached an all-time high of $17,005 million, representing an annualized increase of 15.2 per cent since 31 March 1996.

33. Both the investment returns and the Fund's investment strategy should be viewed from a long-term perspective. Short-term investment results, which were largely influenced by the volatility of the financial markets, were not in themselves particularly meaningful. Investment diversification was another important strategy for reducing risk and improving returns over long periods of time. The Fund's investments were diversified not only by geographical region by also by currency, a policy which was aimed at protecting the Fund against the uncertainties and volatility of the financial market.

34. The Secretary-General continued to implement the resolutions of the General Assembly by investing in developing countries in accordance with established investment criteria. As at 30 June 1996, direct and indirect investments in developing countries accounted for 14.8 per cent of the Fund's assets at book value. Approximately 41 per cent of those holdings were denominated in currencies other than the United States dollar.

35. For many years the Fund had been served by a single global institutional adviser. In section VII of resolution 49/224, however, the General Assembly had requested the Secretary-General to review the arrangements for the provision of institutional advice. In response, the Secretary-General had conducted a worldwide competitive bidding to identify one or more advisers to provide the Investment Management Service with research, economic analyses and analyses of securities, markets and sectors. Eleven institutions had submitted acceptable responses within the deadline, and the Secretary-General had approved three of them - one in the United States, another in Europe and a third in the Asia and Pacific region - to provide the Fund with non-discretionary advice. The new advisers were well-established, highly reputable and financially sound institutions with expertise in the markets in which the Fund had investments.

36. One area of some concern, however, was the need for more resources to ensure the most effective management of the Fund's investments, particularly in view of the sophistication and volatility of the financial markets. The current in-house staff of the Investment Management Service consisted of 24 individuals; nine were at the Professional level but only six were actively involved in making investment decisions. Given the tremendous responsibility involved (millions of dollars were handled on a daily basis), the level of staffing was extremely low. He therefore hoped that the Committee would review the staffing arrangements to permit the early implementation of the recommendations of the Office of Human Resources Management in that connection.

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37. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on the United Nations pension system (A/51/644), said that the Advisory Committee shared the view of the Board, as stated in paragraph 51 of the Board's report (A/51/9), that the results of the valuation, as at 31 December 1995, were satisfactory. However, in the light of the actuarial situation of the Fund, the Advisory Committee believed that, at the current juncture, a cautious approach should be taken with regard to any further improvement in benefits that might lead to a review in the rate of contributions. With regard to the interest (discount) rate applicable to lump-sum commutation of periodic benefits under article 28 (g) of the Regulations of the Fund, the Advisory Committee was of the view that caution should be exercised so that any change in the current interest rate did not further increase the actuarial imbalance.

38. With regard to the investments of the Pension Fund, given the uniqueness of the Fund's portfolio and its requirement to minimize investment risk, the establishment of a benchmark to compare the Fund's performance must be done with caution and the approach followed must take into account the criteria of safety, profitability, liquidity and convertibility, principles which had been repeatedly advocated by the Advisory Committee, the Pension Board and the General Assembly.

39. On the subject of membership of the Investments Committee, the Advisory Committee wished to recall the principle that, as in the case of membership of other expert committees, no two members should be nationals of the same State, and the members should be selected on the basis of broad geographical representation, personal qualifications and experience. The Advisory Committee had requested the Secretary-General to report to the General Assembly on the application of that principle to the membership of the Investments Committee.

40. Turning to the financial statements of the Fund and the report of the Board of Auditors, he said that the Advisory Committee welcomed the measures taken by the Secretary of the Board to strengthen the verification process and hoped that those measures would be implemented in a cost-effective and pragmatic manner.

41. On the subject of pensionable remuneration, the Advisory Committee noted that the Board had agreed to recommend that the General Assembly should maintain the use of the 46.25 per cent grossing-up factor for staff in the Professional and higher categories and 66.25 per cent of the net pensionable salary for grossing-up purposes applicable to the General Service staff and related categories. On the question of the development of a common scale of staff assessment, the Advisory Committee shared the views expressed by the representatives of the governing bodies represented on the Board to limit, in the current time of budget stringencies, potential additional costs to Member States that might result from the proposals under consideration.

42. Paragraphs 284 to 300 of the Board's report (A/51/9) dealt with the possible withdrawal of the Interim Commission for the International Trade Organization/General Agreement on Tariffs and Trade (ICITO/GATT) from membership of the fund. The Advisory Committee viewed that possibility with regret and recommended that the General Council of the World Trade Organization (WTO) should take into account the potentially serious implications of a withdrawal from the Fund prior to reaching a decision on the matter.

43. On the subject of administrative expenses, the Advisory Committee noted that the Investment Management Service had experienced difficulty in recruiting and retaining high-quality staff and it proposed to revert to that issue in the context of its examination of the administrative budget of the Fund for the biennium 1998-1999. The Advisory Committee had no objection to the Board's decision, pursuant to article 15 (b) of the Regulations of the Fund, to submit revised estimates for the biennium 1996-1997, amounting to $41,395,500.

44. Mr. BOGAYEVSKIY (Ukraine) said that his delegation would welcome clarification regarding certain aspects of the implementation of the Transfer Agreements between the United Nations Joint Staff Pension Board and the former Union of Soviet Socialist Republics, Ukrainian Soviet Socialist Republic and Byelorussian Soviet Socialist Republic.

45. Recalling the statement by the Secretary of the Pension Fund that the ideal solution to the problems that had arisen in the implementation of the Transfer Agreements would involve the return to the Pension Fund of the sums credited to the State budget of the Soviet Union and the full re-establishment of pension rights in the Fund, he wondered whether all the possibilities had been explored for reaching that solution. The proposed agreement between the Government of the Russian Federation and the Board did not re-establish the pension rights of former participants. It would be interesting to know the legal basis on which the Board had participated in that arrangement and whether there were any contradictions between the provisions of the proposed agreement and the Fund's regulations or administrative rules.

46. The termination of the Transfer Agreement with the former USSR, which was envisaged in the proposed agreement between the Government of the Russian Federation and the Board, led directly to the elimination of a legal instrument contained in all three Transfer Agreements. The Secretary of the Board had expressed the hope that Ukraine and the other States concerned would be prepared to reach similar agreements with the Pension Board. In that connection, he wondered whether the letter and spirit of the proposed agreement between the Government of the Russian Federation and the Board were consistent with article 24 of the Vienna Convention on the Law of Treaties.

47. He also wondered whether the Fund recognized that the Russian Federation was fully responsible for the comprehensive resolution of the problems which had arisen in connection with the implementation of all three Transfer Agreements and should therefore return the appropriate amounts to the Fund.

48. Finally, his delegation would welcome information on the number of former participants in the Fund who were not citizens of the Russian Federation and in which Member States they resided. It would also be useful to know the legal basis for the decision to include in the provisional list of former participants in the Fund who were covered by the proposed agreement with the Russian Federation of four Russian citizens who had transferred their pension rights under the Agreement between the Board and the Ukrainian Soviet Socialist Republic.

AGENDA ITEM 116: PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997 (continued)

Revised estimates resulting from resolutions and decisions of the Economic and Social Council at its organizational and substantive sessions of 1996 (A/C.5/51/20)

49. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), orally introducing the report of the Advisory Committee on the revised estimates resulting from resolutions and decisions of the Economic and Social Council at its organizational and substantive sessions of 1996, said that the Advisory Committee had noted that, according to the report of the Secretary-General (A/C.5/51/20), the requirements were $501,000 under section 13, and $595,000 under section 14. The Advisory Committee had been informed that the additional conference-servicing requirements would amount to $110,100.

50. with regard to the requirements relating to consultants, the Advisory Committee had been informed that three work months at the P-3 level had been estimated under section 13 in relation to resolution 1996/26, at a cost of $18,000; four work months at the P-3 level under section 13 in relation to resolution 1996/27, at a cost of $24,000 for remuneration and $4,500 for travel costs; 14 work months at the P-3 level under section 13 in relation to resolution 1996/28, at an estimated cost of $84,000 for remuneration and $29,500 for travel costs; and 3 work months of consultancy at the P-4 level under section 14, at an estimated cost of $23,400 for remuneration and $12,600 for travel costs.

51. The Advisory Committee recommended that, at the current stage, the Fifth Committee should take note of the estimate of $501,000 under section 13, and of $595,200 under section 14, on the understanding that such additional appropriations as might be necessary would be determined in accordance with the procedures for the use and operation of the contingency fund, taking into account the results of the first performance report on the programme budget for the biennium 1996-1997.

52. In addition, the Advisory Committee believed that certain activities, such as the maintenance of the central repository for information and documentation in relation to the implementation of the Naples Political Declaration and Global Action Plan against Organized Transnational Crime, which was to be updated on a yearly basis, might be of a continuing nature and would therefore need to be integrated into the relevant programmes of work under the programme budget for the biennium 1998-1999.

53. Mrs. RODRÍGUEZ ABASCAL (Cuba) said that her delegation believed that the Committee was in a position to take a decision on the revised estimates contained in document A/C.5/51/20 in accordance with the budgetary procedures set out in General Assembly resolutions 41/213 and 42/211. The Secretariat had not strictly followed established budgetary procedures and, in document A/C.5/51/20, had prejudged the decision to be taken by Member States.

54. Mr. KELLY (Ireland), speaking on behalf of the European Union, said that the European Union intended formally to request, in all the main Committees, that their consideration of all programme budget implications and revised

estimates to be submitted in the coming weeks should be guided by the need to abide strictly by the budgetary procedures contained in annex I to General Assembly resolution 41/213 and in the annex to General Assembly resolution 42/211, procedures which had been repeatedly reaffirmed by the General Assembly. The European Union would also make a formal request for the submission of a statement of programme budget implications before any action was taken on draft resolutions giving rise to financial implications. It was for the Fifth Committee to take action on such matters, and in that connection, he cited paragraph 9 of annex I to General Assembly resolution 41/213.

55. Documents A/C.5/51/20 and A/C.5/51/21 contained revised estimates which, if the Committee so decided, could be dealt with in the context of the revised appropriations which it would be requested to act upon once it had considered the first performance report. However, in the interests of budgetary discipline, he suggested that all statements of programme budget implications should be dealt with together rather than piecemeal. The Committee should also set a deadline for the consideration of statements of programme budget applications and proposals for revised estimates, as called for in section C, paragraph 5, of the annex to General Assembly resolution 42/211, so that it would know precisely what the demands on the contingency fund were likely to be.

56. He asked the Controller how much of the contingency fund for the biennium 1996-1997 remained to be committed and whether the Secretariat could indicate what additional financial requirements were expected to arise from the statements of programme budget implications to be submitted in the coming weeks. Even a tentative figure would be useful.

57. Mr. GELBER (United States of America) said that, with certain minor exceptions, his delegation endorsed the position of the European Union. He fully agreed that the Committee should have all the programme budget implications before it prior to taking any decisions, in order to be able to assess competing demands for resources and make an informed decision on priorities.

58. Mr. TOYA (Japan) said that the revised estimates resulting from resolutions and decisions of the Economic and Social Council needed to be carefully examined. His delegation attached great importance to activities in the area of crime control and international drug control, in particular, follow-up action on firearms regulation for the purpose of crime prevention and public safety, and believed that the budget for those activities should be given high priority in the context of the revised appropriations to be considered after the review of all relevant reports, including the first performance report for the biennium 1996-1997.

59. Mr. SAENZ (Costa Rica), speaking on behalf of the Group of 77 and China, emphasized the importance of the budgetary procedures set out, in particular, in General Assembly resolutions 41/213 and 42/211, and said that the revised estimates contained in documents A/C.5/51/20 and A/C.5/51/21 should be financed from the contingency fund.

60. Mr. TAKASU (Controller) assured the Committee that the Secretariat had not deviated from the established budgetary procedures. The revised estimates

relating to the Economic and Social Council clearly called for the use and operation of the contingency fund.

61. The contingency fund had, since its establishment, been set at 0.75 per cent of the preliminary budget estimates for each biennium; for the biennium 1996-1997, the figure was $20.6 million, of which $1.2 million had been used thus far. In resolution 50/216, the General Assembly had taken note of the fact that a balance of $19,427,000 remained in the contingency fund. The fund was a mechanism which enabled the General Assembly to provide the Secretary-General with resources, within certain limits, to implement legislative mandates not provided for in the proposed programme budget. He cited the provisions of paragraphs 8 and 9 of annex I to General Assembly resolution 41/213 and pointed out that it had always been possible in the past to accommodate additional expenditures from the resources available within the contingency fund and that that was expected to be the case for the current year. General Assembly resolution 42/211 very clearly set out the procedures for the use and operation of the contingency fund; he referred, in particular, to paragraphs 5 and 6 of the annex to that resolution.

62. In the case of the report by the Secretary-General in document A/C.5/51/20, the Committee was not being asked to take action on a statement of programme budget implications, which were issued pursuant to rule 153 of the rules of procedure of the General Assembly. Rather, the Advisory Committee was recommending that the Committee should take note of the revised estimates, on the understanding that any additional appropriations required would be determined in accordance with the procedure for the use and operation of the contingency fund and in the light of the results of the first performance report on the programme budget for the biennium 1996-1997. If the Committee decided to defer the consideration of all programme budget implications until a consolidated statement of those implications or of revised estimates had been prepared, the General Assembly would be unable to finish its work. The course of action recommended by the Advisory Committee would leave the decision-making and negotiation process in the hands of the Fifth Committee.

63. The additional financial requirements arising from statements of programme budget implications expected to be submitted in the coming weeks represented only one aspect of the budgetary issues on which the Committee would have to take action before the end of the current session. Those issues also included the initial appropriations for the contingency fund for 1997, political mandates which had already been authorized and those which were still to be authorized, unforeseen expenses for 1996, and recosting. Some of those issues had been covered in the first performance report for 1996-1997, while others had not.

64. Mr. GELBER (United States of America) said that, although he was grateful to the Controller for his lucid explanation of the operation of the contingency fund, he continued to believe that the Committee should defer action on the Advisory Committee's recommendation until it had a complete picture of the budgetary requirements in respect of all statements of Pension Fund budget implications, so that it would assess priorities. To proceed otherwise would be irresponsible.

65. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) pointed out that the Advisory Committee was not

recommending the authorization of an appropriation, but simply, that the Committee should take note of the Secretary-General's proposals. That procedure had been followed in the past with regard to the decisions and resolutions of the Economic and Social Council. There was currently no draft resolution before the General Assembly awaiting a recommendation from the Fifth Committee on the estimates involved. The Committee would have an opportunity at a later stage to negotiate the issues relating to financing and the priority allocation of resources.

66. If the Committee were to await all the statements of programme budget implications that were forthcoming from the Main Committee before taking action on any of the statements, the General Assembly's work would be seriously delayed.

67. Mr. GELBER (United States of America) said that he required additional time to consult with his Government on the matter.

The meeting rose at 6.05 p.m.