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FIFTH COMMITTEE
28th meeting
held on
Monday, 2 November 1981
at 10.30 a.m.
New York

SUMMARY RECORD OF THE 28th MEETING

Chairman: Mr. BRODODININGRAT (Indonesia)

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

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Distr. GENERAL
A/C.5/36/SR.28
9 November 1981

ORIGINAL: ENGLISH

The meeting was called to order at 10.45 a.m.

AGENDA ITEM 109: UNITED NATIONS PENSION SYSTEM (continued) (A/36/9, A/36/624)

1. Mr. MAJOLI (Italy) said that all of the matters dealt with in the report of the Joint Staff Pension Board (A/36/9) were of considerable importance for the morale of the international staff of the United Nations system, who should be able to face the prospect of their years in retirement without anxiety.
2. His delegation fully agreed with the Advisory Committee's recommendation that the draft resolution proposed by the Pension Board in annex IX to its report should be adopted.
3. The latest actuarial valuation of the Pension Fund revealed a disturbing trend; in only two years the actuarial imbalance had risen from \$121 million, or 0.37 per cent of the total payroll, as at 31 December 1978 to \$722 million, or 1.54 per cent of the total payroll as at 31 December 1980. The Standing Committee of the Board would seek to identify appropriate remedial measures acceptable to all concerned. In view of the reluctance of the General Assembly to approve any increase in expenditure, it was unlikely that deficiency payments would be required of member organizations in accordance with article 27 of the Regulations of the Pension Fund. Among the other measures identified the Advisory Committee to which consideration might be given were increasing the contribution rate, discontinuing the practice of refunding to member organizations half of their contributions in respect of staff leaving before completing five years of pensionable service, increasing the interest rate used in computing the lump-sum commutation, reducing the rate of accumulation of pension entitlements, recruiting staff at a younger age and at the same time increasing the age of retirement, and reviewing the current adjustment system to ensure that there was no unjust enrichment from remedies no longer required. If the age of retirement in the United Nations and other member organizations was increased to 62, as in FAO, the actuarial imbalance would be reduced by more than \$300 million; if it was raised to 65, the actuarial deficit would be entirely eliminated. In any event, his delegation shared the Advisory Committee's hope that specific remedies would be recommended by the Board to the General Assembly at its thirty-seventh session.
4. Another difficult issue on which the General Assembly would have to take a decision at the next session was that of establishing a special index for pensioners. The Advisory Committee had concurred with the view that the matter required further study. It was to be hoped that the suggested time-table would be adhered to and that all concerned would co-operate fully in that

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(Mr. Majoli, Italy)

endeavour so that specific proposals could be submitted to the thirty-seventh session.

5. Mr. LANDAU (Austria) said that there were a number of matters relating to the financial soundness of the pension system, especially the Fund's worsening actuarial position, which would have to be dealt with, if not at the current session, then in the very near future.

6. The development of a special index for pensioners was a complex and highly technical matter, and his delegation therefore agreed with the International Civil Service Commission that more time was needed before specific recommendations could be submitted to the General Assembly. However, the matter must be given priority so that specific proposals could be submitted to the thirty-seventh session.

7. On the subject of remedial measures to correct the actuarial imbalance, there remained the question whether there was a single answer to that very complex problem or whether the solution would not lie in the development of a combination of measures in the areas referred to in paragraph 23 of the Advisory Committee's report (A/36/624). He noted with great interest the Advisory Committee's view that, if all organizations followed the practice of FAO, which had a retirement age of 62, the actuarial imbalance would be reduced by more than \$300 million. While article 27 of the Regulations provided for deficiency payments from member organizations to restore the actuarial balance, his delegation agreed with the Advisory Committee that the Board should, if possible, focus on alternative solutions.

8. His delegation was gratified that the Pension Board had recommended two limited adjustments in the benefit structure, in response to General Assembly resolution 35/215 A, to aid pensioners who had retired in the early years of the Fund and as a result received pensions that remained inadequate despite subsequent adjustments. The adjustments reflected a concern for meeting pressing social needs first, and it was fitting for the General Assembly to act as the social conscience of the pension system.

9. His delegation fully supported the adoption of the draft resolution recommended by the Pension Board in its report.

10. Mr. STUART (United Kingdom) said that his delegation supported the proposed supplementary measures for pensioners who had retired in the early years of the Fund and for others who were of advanced age. The proposed measures related to a small and diminishing category of pensioners; the problem was thus truly transitional and the cost of the benefits insignificant in relation to the Fund's actuarial imbalance. The case in favour of the adjustment was, on social grounds, compelling. However, his delegation was opposed to any further liberalization

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(Mr. Stuart, United Kingdom)

of benefits until the actuarial balance was restored. In that connexion, it was regrettable that in recent years the Pension Board and the General Assembly had ignored all the warning signals. He endorsed the Advisory Committee's view that, in seeking to restore the actuarial balance, the Board should focus on measures which did not involve increasing the contribution rate or invoking article 27 of the Regulations. Part of the solution might be to increase the age of retirement and reduce the frequency of adjustments for cost-of-living increases. United Nations pensioners were in a very privileged position in that respect as compared with pensioners of the comparator civil service, and indeed with pensioners generally.

11. His delegation agreed with the Advisory Committee that the General Assembly should adopt the draft resolution proposed by the Pension Board in its report.

12. Mr. HOLBORN (Federal Republic of Germany) said that the proposed supplementary measures should apply only to those pensioners who had no source of income other than their United Nations pension.

AGENDA ITEM 100: PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1982-1983 (continued)
(A/36/6 (vols. I and II), A/36/7, A/36/38)

First reading (continued)

Section 12. Economic Commission for Latin America

13. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that, while the Secretary-General had submitted an estimate of \$61,227,400 for the Economic Commission for Latin America (ECLA), the Advisory Committee was recommending the approval in first reading of \$60,349,300, or a reduction of \$878,100.

14. The first item on which the Advisory Committee had focused its attention had been the perennial question of the vacancy rate in ECLA. The situation there was not substantially different from that prevailing in the Economic and Social Commission for Asia and the Pacific (ESCAP), which had already been discussed by the Committee. Since the Fifth Committee had approved the reduction recommended by the Advisory Committee in respect of the estimate for ESCAP, there was no reason why it should adopt a different approach to the reduction of \$628,400 recommended by the Advisory Committee on account of the high vacancy rate in ECLA.

15. The Advisory Committee was also recommending a reduction in the estimate for policy-making organs, since it had been informed that it had been decided to postpone the twentieth session of the Commission, originally scheduled for 1982, until the 1984-1985 biennium. That would lead to a reduction of \$240,000. However, the Advisory Committee had also been informed by the representatives of the Secretary-General that the Commission's Committee of the Whole would hold a session in 1982 in lieu of the Commission's regular session, at an

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(Mr. Mselle, Chairman of the Advisory Committee
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additional cost of \$19,000. Thus, the Advisory Committee recommended in paragraph 12.14 of its report a net reduction of \$221,000 in the estimate for policy-making organs.

16. Paragraph 12.17 contained the Advisory Committee's observations regarding the use of consultants. On the basis of the information it had received, the Advisory Committee had concluded that the Secretary-General's estimate could be reduced slightly, by \$28,700.

17. Lastly, he drew attention to the Advisory Committee's comments regarding the redeployment of posts in paragraph 12.6 to 12.8 of its report.

18. Mr. IGLESIAS (Executive Secretary, Economic Commission for Latin America) said that the recommendations of the Advisory Committee seemed entirely to the point, in view of the recurrent problem of vacant posts in the Commission. The Commission was now pursuing a more active recruitment policy, with the aim of filling posts more rapidly; it was his hope that the vacancy situation would improve markedly over the coming months.

19. He was very concerned to secure financial stability and, if possible, increased funding for the Latin American Institute for Economic and Social Planning (ILPES) and the Latin American Demographic Centre (CELADE) and was engaged in consultations with Governments on that problem.

20. In an effort to maintain the Commission's effectiveness, action was being taken in five directions. A considerable degree of flexibility was being used in redeploying posts and resources from completed programmes to meet new requirements. Environmental activities had begun to be carried out at the regional level, in order to reduce costs. Efforts were being made to mobilize bilateral resources; he was engaged in consultations with a number of donor countries, seeking to draw their attention to areas where assistance was required, particularly the Caribbean, and a number of commitments had been received. The Commission would be holding a session of the Committee of the Whole in 1982, at which it would analyse and draw conclusions about ECLA's activities. Lastly, following the Montevideo session earlier in the year, he was informally consulting Governments in the region on the possibility of holding a pledging conference for the Commission.

21. Mrs. HOUSHOLDER (United States of America) noted that the projected rates of inflation used in costing ECLA activities - for example, in table 12.3 of the proposed programme budget - varied considerably from activity to activity. She requested an explanation.

22. Mr. CULLEN (Argentina) confirmed his delegation's support for the activities of the Commission, which he believed must be given adequate funding. He agreed with the Advisory Committee's recommendations, and he shared the Executive Secretary's concern over the current levels of voluntary funding for what were,

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(Mr. Cullen, Argentina)

in fact, essential activities. In conclusion, he voiced his delegation's satisfaction at the fact that resources for human settlements activities had been included in the budget proposals for the coming biennium.

23. Mr. CORDEIRO (Brazil) said that his delegation could agree to the recommendations of the Advisory Committee. The estimates relating to ECLA showed one of the largest increases in the entire set of budget proposals, involving a rise of nearly 100 per cent between the current biennium and the forthcoming one. As the Advisory Committee explained in paragraphs 12.2 and 12.3 of its report, that increase was an example of how inflation adversely affected the budget. His delegation urged the Advisory Committee to verify whether the inflationary trends assumed by the Secretary-General in drawing up the budget proposals were in fact borne out by experience and whether, accordingly, it could later recommend further reductions in the appropriations required.

24. The Advisory Committee was right to recommend, in paragraph 12.17 of its report, a reduction in the estimate for travel, contacts between the ECLA secretariat and the consultants it engaged in various countries could perfectly well be made by mail. As for the redeployment of posts, his delegation had full confidence that the Executive Secretary would act strictly in accordance with the specific interests of the countries of the region.

25. Mr. PEREZ (Chile) said that his delegation was in full agreement with the budget proposals relating to ECLA.

26. The Advisory Committee stated, in paragraph 12.3 of its report, that salaries for local-level staff in Santiago, expressed in United States dollars, had been climbing rapidly because of inflation coupled with a steady rate of exchange for the Chilean currency. He wished to explain that his Government's policy was to hold inflation, which at one time had reached an annual rate of almost 1,000 per cent, to a level of about 12 per cent a year, comparable to rates of inflation world-wide. In its view, a fixed exchange rate for the Chilean currency was essential to the success of that policy.

27. Mr. VOSS RUBIO (Uruguay) reaffirmed his delegation's support for ECLA and for the Secretary-General's estimates; no effort should be spared in pursuit of the Commission's ends and objectives.

28. Mr. MARTORELL (Peru) expressed support for the budget proposals relating to ECLA submitted to the Fifth Committee. With regard to the comments on the redeployment of posts within the Commission made by the Advisory Committee in paragraph 12.8 of its report, he said that his delegation had complete confidence in the proposals put forward by the Executive Secretary. He would agree to the Advisory Committee's recommendations, but trusted that they would not affect the Commission's over-all ability to accomplish its tasks.

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29. Mr. BEGIN (Director, Budget Division) said that the inflation rates shown in table 12.3 of the proposed programme budget, to which the United States representative had referred, represented the combined effects of inflation on the amounts indicated in the preceding three columns of the table. It was, therefore, difficult to determine specific inflation rates from those figures.

30. It was in Latin America that the United Nations had to cope with the highest rates of inflation. In calculating the revised resource base for 1982-1983, the Secretariat had tried to use figures which, while providing a realistic assessment of requirements at the end of 1983, nevertheless were based on a reasonable allowance for inflation. As explained in paragraph 12.114 of the proposed programme budget, in the case of the Mexico Office an inflation rate of 10 per cent had been assumed for salaries and common staff costs, while an additional 20 per cent had been allowed for all other items of expenditure. As a result, however, the budget proposals did reflect different rates of inflation for different programme activities.

31. The recommendation of the Advisory Committee for an appropriation in the amount of \$60,349,300 under section 12 for the biennium 1982-1983 was approved in first reading without a vote.

Section 10. Economic Commission for Europe

32. Subject to the necessary adjustments that might be required as a result of subsequent decisions of the Fifth Committee on the relevant recommendations of the Committee for Programme and Co-ordination, an appropriation in the amount of \$26,888,400 under section 10 for the biennium 1982-1983 was approved in first reading without a vote.

Section 28. Administration, finance and management

33. Mr. WILLIAMS (Panama) said that his delegation had intended at the preceding meeting to vote in favour of the Cameroonian proposal and not to abstain.

Vienna International Centre (A/36/7/Add.1)

34. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the Advisory Committee's report (A/36/7/Add.1), said that one of the agreements negotiated between the United Nations, IAEA and the Austrian authority was on the establishment and administration of a Common Fund for financing major repairs and replacements at the Vienna International Centre. As far as he knew, that was the first time a fund of that kind was being established. Paragraphs 1 to 9 of the report provided a brief historical

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background of the subject and, as could be seen from those paragraphs, the Agreement on the Common Fund had been signed before the views of the Advisory Committee were known even though when the Committee had received the text of the agreement it had expressed the view that the agreement should not be signed before its comments were received. The Committee had expressed its regret that no attempt had been made by the Secretariat to ascertain whether it had any comments, reservations or suggestions to make. Paragraphs 4 and 5 of the report referred to communication between the Advisory Committee and the Under-Secretary-General for Administration, Finance and Management.

35. The original comments by the Committee, submitted as stated in paragraph 4 of document A/36/7/Add.1, had been aimed at amending the text of the Common Fund Agreement so as to correct unclear drafting, omissions and other deficiencies which, if not corrected, could lead to confusion and disagreement among the parties. But since the agreement had been signed as it stood, the only course of action open to the Advisory Committee was to report the whole matter to the Assembly along with its interpretation of various key elements. The fact that the Committee put forward its own interpretation did not necessarily resolve the inconsistencies in the text, because only actual amendments could have done that. The Committee had simply tried to resolve ambiguities in favour of the United Nations.

36. It should be pointed out that since the Advisory Committee's report was not an analysis of the Agreement with a view to recommending changes, but merely a record of the Committee's interpretation of the Agreement, the Committee had seen no need to include in its report an explanation of the ambiguities. The Committee was assisted in that approach by the "clarifications" and assurances given to it by the Secretary-General.

37. Paragraphs 10 to 13 of the Advisory Committee's report sought to deal with the contradiction between Articles 2 and 3 of the Agreement. Article 2 made reference to principles by which the United Nations and the Agency would be responsible for certain minor repairs and for any repairs (major or minor) made necessary by faulty operation and inadequate maintenance. The Government would be responsible for all repairs (major or minor) made necessary by force majeure or by faulty material, design, labour, and so on. The subsequent definition of major and minor repairs in article 2 thus had no relation to a division of responsibility, since both the United Nations and the Government could be responsible for major as well as minor repairs. The letter sent to the Secretary-General (A/36/7/Add.1, para. 4) had suggested a reorganization which would have put the definitions of major and minor repairs in a less confusing place. For example, bearing in mind the division of responsibility in article 2, one might very well ask how article 3 (2) could require that disbursements should be reimbursed in equal shares. Did the United Nations

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and the IAEA reimburse the Fund for major repair disbursements made necessary by faulty material? Did the Government reimburse the Fund for major repair disbursements made necessary by faulty operation on the part of the United Nations?

38. The proper way to resolve the contradiction would have been to figure out what the policy should be and redraft accordingly. Since that had not been done, the Advisory Committee had arbitrarily chosen to interpret article 3 (2) in the light of article 2 - i.e. as stated in paragraph 12 of its report. The effect of that interpretation was as if the phrase "in equal shares" had been deleted from article 3 (2) and replaced with "in accordance with the division of responsibilities stipulated in Article 2 (1) (b) above". In other words, each and every disbursement from the Fund would not necessarily mean a reimbursement to the Fund by the United Nations.

39. Paragraph 14 of the report sought to answer the question whether the \$225,000 limitation in article 3 (2) (a) was meant as a limit on financial responsibility or as a means to ensure cash flow (on payments for any one-year period). Despite the ambiguous drafting, the Advisory Committee had been assured that it was meant as an absolute limit on liability, and that assurance was reflected in paragraph 4 of the report.

40. In paragraph 15 of its report, the Committee recommended the preparation of a prospective programme of repairs and replacements. The aim of that paragraph was to ensure that ACABQ was involved in reviewing prospective repairs and replacements by the United Nations. And in paragraph 16 the Committee proposed that it should be involved in proposed revisions of the ceiling on financial responsibility.

41. Paragraph 18 of the report called attention to omissions in the text of the Agreement. Since there was nothing to interpret, the Advisory Committee was merely noting what otherwise could have been corrected in the draft prior to signature.

42. Paragraphs 19 to 21 of the report deal with the Supplement to the Headquarters Agreement, and the Committee's views were limited to the security arrangements therein. Although the Austrian Conference Centre was not inside the Vienna International Centre, it was in close proximity to it and might in fact be physically linked to provide direct access. The holding of a non-United Nations event in the Conference Centre might very well impose an additional security burden on the United Nations, and the Committee's comments in paragraph 20 were meant to ensure that such an eventuality would not result in any additional cost to the United Nations.

43. The text of the Agreement on the Common Fund was annexed to the ACABQ report. In paragraph 22, the Committee indicated the course of action which the Fifth Committee might wish to recommend to the General Assembly.

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44. Mr. PEDERSEN (Canada) said that his delegation shared the Advisory Committee's regret that the Common Fund Agreement had been signed before being submitted to the Advisory Committee. It was important for the General Assembly to take note of the observations made by the Advisory Committee; yet, since the latter was not a party to the Agreement, it was not clear what legal validity those observations might have. If UNIDO were to sign the Agreement as a separate party, his delegation wished to know whether the views of the Advisory Committee would be sought beforehand.

Review and evaluation of the United Nations Language Training Programme (A/C.5/36/2; A/36/7/Add.2)

45. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the report of the Secretary-General (A/C.5/36/2) had been prepared in response to earlier recommendations by the Advisory Committee. Implementation of the recommendations contained in the Secretary-General's report would not require additional appropriations in the biennium 1982-1983.

46. The Advisory Committee recommended that the Secretary-General should submit to it, in 1983, a report of the progress made, together with more refined statistical data.

47. Mr. PEDERSEN (Canada) supported the Advisory Committee's recommendations.

48. Mr. OREBI (Food and Agriculture Organization of the United Nations) said that his organization's regulations required persons who had passed the proficiency examination to take it again every five years, so as to ensure that they had maintained an appropriate level of proficiency and thus were still entitled to additional emoluments. He wished to know whether the proposed charge for repeating levels would apply to staff members who were preparing to retake the proficiency examination for that reason.

49. Mr. PALAMARCHUK (Union of Soviet Socialist Republics) said that the question of language training for staff members was important. Since consultations between delegations on the subject were continuing, he suggested that the Committee should defer a decision until a subsequent meeting.

50. It was so decided.

Activities of the Administrative Management Service (A/36/7/Add.3)

51. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that General Assembly resolution 31/94 C requested the Secretary-General to submit an annual report on the Administrative Management Service to

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ACABQ. The Advisory Committee had, however, concluded that it was no longer necessary to receive annual reports, and had recommended that AMS should be permitted to submit biennial reports, not later than April of the year in which the Advisory Committee was to consider the proposed programme budget for the following biennium. The first such report should be available in the spring of 1983, so that it would be possible for ACABQ to submit proposals on that matter in its first report to the General Assembly on the programme budget for the biennium 1984-1985.

52. Mrs. HOUSHOLDER (United States of America) said that the Administrative Management Service could be useful in increasing the efficiency of the Secretariat. The Advisory Committee should judge the effectiveness of the Service and its recommendations, since it was hard for Member States to do so. Her delegation agreed that closer links between AMS and organs such as the Board of Auditors, the Joint Inspection Unit and the Internal Audit Division would be of benefit, although there should be no duplication of work. Biennial reports on AMS from the Secretary-General to ACABQ would suffice.

53. The CHAIRMAN said that if there was no objection, he would take it that the Committee wished to recommend that the General Assembly should take note of the fourth report of the Advisory Committee (A/36/7/Add.3) and to endorse the Advisory Committee's recommendation contained in paragraph 6 of the report.

54. It was so decided.

ORGANIZATION OF WORK

55. Mr. GREN (Union of Soviet Socialist Republics) said that his delegation was anxious to know the outcome of the consultations between the Chairmen of the Fifth and Sixth Committees with regard to the consideration, under agenda item 107, of the report of the Secretary-General on respect of the privileges and immunities of officials of the United Nations and the specialized agencies.

56. The CHAIRMAN said that it would be more appropriate to consider that matter when the report of the Secretary-General became available.

The meeting rose at 1 p.m.