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Chairman: Mr. Ali . . . . (Malaysia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Saha

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07-55798 (E)

The meeting was called to order at 10.10 a.m.

Agenda item 128: Proposed programme budget for the biennium 2008-2009 (*continued*)

Capital master plan (A/62/5 (Vol. V), A/62/281 (Part I), A/62/364 and A/62/490)

1. **Ms. Bárcena** (Under-Secretary-General for Management), introducing the Secretary-General's fifth annual progress report on the implementation of the capital master plan (A/62/364), said that, since the submission of the previous progress report, the construction management firm, Skanska Building USA, had been selected, a new Executive Director had been appointed, a lease had been signed for swing space in midtown Manhattan, pre-construction advisory services and value engineering had begun and significant progress had been made with the design of the project.

2. The Administration welcomed the relevant report of the Board of Auditors (A/62/5 (Vol. V)) and fully endorsed its findings. There were three main reasons for the delays and cost overruns highlighted in that report: first, the unique procurement requirements of the construction management contract had necessitated special due diligence on the part of the Organization; second, the process of incorporating blast resistance and enhanced sustainability into the design documents had been time consuming and complex; and, third, significant changes in the leadership of the Organization had altered the chain of command.

3. In order to respond to the provisions of General Assembly resolution 61/251, pursuant to which he had been requested to make every effort to avoid budget increases and to submit to the Assembly for its consideration possible options on how to remain within the approved budget, the Secretary-General was proposing to accelerate the approved strategy IV. His proposal was consistent with the approved strategy IV in that it allowed for the General Assembly and conferencing functions to remain in the United Nations compound in temporary facilities. The Library would be moved out, as planned, and the Library building would be used as additional swing space. Under the accelerated strategy, however, the entire Secretariat building would be emptied and renovated in one phase rather than four, and work on the General Assembly and Conference buildings would be carried out in two rather than three phases.

4. The accelerated strategy would be advantageous because it would reduce risk in three areas. It would diminish the impact of construction on the Organization's activities and reduce the risk of a construction-related incident or accident. It would also obviate the need for pauses in the construction schedule, thereby reducing the likelihood of cost increases. Lastly, it would reduce the risk of unanticipated cost escalation as a result of unexpected increases in inflation because the bulk of the construction contracts would be negotiated and settled in 2008 and 2009 and all the materials would be purchased at 2008 prices.

5. The major advantage of the accelerated strategy, in addition to the fact that it would not require any additional funds or changes to the assessment method or timetable, was the fact that the entire project would be completed by 2013, i.e. in five years rather than seven, thereby significantly reducing the disruption to the Organization's operations.

6. The accelerated strategy had not been proposed earlier for a number of reasons. It was only recently, following the award of the construction management contract in July 2007, that Skanska Building USA had indicated that it could renovate an empty Secretariat building in three rather than six and a half years, at significant savings to the United Nations. Furthermore, although commercial office rents were still climbing, over the past six months it had become clear that a few sites could be obtained at reasonable rates. Lastly, retaining the General Assembly, conferencing functions and the Executive Office of the Secretary-General in the existing compound would mean that only 1,700 additional staff would need to be moved off site.

7. The proposed accelerated strategy IV, if implemented, would keep the project within the approved budget of $1.876 billion. When compared with the cost of pursuing the approved strategy IV, the added cost of leasing additional swing space would be more than offset by the cost savings expected from the implementation of the accelerated renovation schedule. Moreover, existing assessments would provide adequate funds for the execution of the project, and the construction manager would not therefore require the letter of credit unless the schedule of payments fell behind.

8. Regardless of the strategy selected, the plan was already over budget. Accordingly, the Office of the

Capital Master Plan, working in partnership with Skanska, was ready to undertake a robust value engineering exercise with a view to reducing costs without compromising the quality or sustainability of the project. The scale of the value engineering needed was similar to that required for most complex projects in the pre-construction phase, and was perfectly feasible. The designs would be modified as necessary to ensure that the approved budget was maintained.

9. The proposed accelerated strategy IV would not alter the design or appearance of the renovated Headquarters complex. It simply modified the phasing of the project. Given the Organization's partial occupancy requirements and its demanding operational and security needs, flexibility was essential. The Secretary-General must be able to respond to new information and new market conditions expeditiously while staying within the approved overall budget and retaining the original method of financing.

10. **Mr. Rey** (Board of Auditors), introducing the report of the Board of Auditors on the capital master plan for the year ended 31 December 2006 (A/62/5 (Vol. V)), said that the Board had noted that the implementation of the capital master plan had been delayed by about a year on account of the time taken by the General Assembly to reach a decision on the project; the addition of new options that increased the project's complexity; the inadequate planning schedule; and the delay in filling the position of Executive Director. Those delays and changes had increased the projected cost of the plan by at least $148 million, and the Administration had advised that that estimate would be subject to further revision based on the evolving schedule of works.

11. The Board was particularly concerned about the findings of the draft risk assessment study conducted by the programme management firm, which had pointed to the absence of geotechnical and exploratory surveys of the structures and materials of the existing buildings and studies on blast protection. There was therefore a risk that, when such surveys and studies were carried out, the proposed foundation and structures might need to be strengthened, resulting in further delays and additional costs.

12. The Board also took the view that, owing to delays in filling posts, there were insufficient human resources to manage the project. Indeed, as at 15 March 2007, the vacancy rate within the Office of the Capital Master Plan was 21 per cent. Furthermore, the Facilities Management Service had not yet adapted its resources to the needs of the project.

13. Lastly, the Board had noted that, of the five recommendations made in its report for the year ended 31 December 2005 (A/61/5 (Vol. V)), three had been fully implemented while two were still under implementation.

14. **Mr. Saha** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/62/490), pointed out that, as at September 2007, the cost of the capital master plan had been estimated to exceed the approved budget by $219.6 million. However, Skanska Building USA had conducted an evaluation with a view to avoiding budget increases, on the basis of which it had been determined that significant benefits would accrue from expediting the phasing of the renovation.

15. In his report, the Secretary-General had indicated that, in order to bring the plan back to within the approved budget parameters, savings would also need to be identified through a value engineering exercise. At the present stage, however, Skanska was not yet required, nor was it able, to provide firm pricing in writing.

16. The Advisory Committee took the view that the planned value engineering exercise was worth pursuing. It was also of the opinion that the costs associated with replacing furniture and equipment, which had not been included in the budget, should be considered in the context of discussions on the plan.

17. Although there were uncertainties and risks connected with the process of implementation, the Advisory Committee saw merit in the accelerated strategy IV, taking into account the information and assurances provided in the Secretary-General's report regarding the reduction of the time frame for completion of the project and the maintenance of its costs within the approved budget. Accordingly, the Advisory Committee recommended that the General Assembly should approve the accelerated strategy IV.

18. **Ms. Mesquita** (Portugal), speaking on behalf of the European Union; the candidate countries Croatia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process countries Albania, Bosnia and Herzegovina,

Montenegro and Serbia; and, in addition, Armenia, Liechtenstein, Moldova, Norway and Ukraine, stressed the importance and urgency of the capital master plan and called on the Secretary-General to give it his full and personal support.

19. The European Union had been concerned to learn that the implementation of the capital master plan had been beset by delays and cost overruns. In that connection, it agreed with the Advisory Committee that the recommendations of the Board of Auditors were pertinent and focused, and hoped that they would be implemented expeditiously. The Secretariat would be expected to provide updated information on the status of implementation of those recommendations, in particular the recommendation relating to the long-awaited establishment of the advisory board.

20. Following the approval by the General Assembly at its sixty-first session of a construction plan and a funding mechanism, the European Union had trusted that the project would move forward rapidly. Nevertheless, the Secretary-General's new proposals seemed logical and pragmatic. The accelerated strategy IV promised to bring the cost of the project back to within the approved budget of $1.87 billion by expediting the construction schedule and reducing safety, security and operational risks.

21. The European Union also stressed the importance it attached to the Secretary-General's renewed commitment to keep the costs of the plan within the approved budget and financing schedule set out in General Assembly resolution 61/251. It had serious concerns about the potential consequences of additional delays in the implementation of the plan and looked forward to further clarification of the concept of value engineering. Timely and transparent communication from the Secretariat would be of the essence in that regard. Full details of the implications of the new proposals for swing space and for a more environmentally sustainable, "greener" United Nations should also be provided. Lastly, the Secretariat should take advantage of the opportunity afforded by the renovation to conduct a study on streamlining the space used for its activities.

22. **Mr. Chaudhary** (Pakistan), speaking on behalf of the Group of 77 and China, noted with concern that a number of actions taken by the Secretariat had undermined General Assembly mandates and decisions, resulting in delays in the implementation of the capital master plan. Those delays, which had damaged the image of the United Nations, explained the 13 per cent increase in the projected costs of the plan and were the reason it remained essentially unimplemented. The current condition of the Headquarters complex continued to endanger the health and safety of representatives of Member States, Secretariat staff and other individuals.

23. The Group of 77 and China concurred with the recommendations of the Board of Auditors and the related observations and recommendations of the Advisory Committee. The Board's recommendations should be implemented expeditiously and, as requested by the Advisory Committee, the Board should validate the implementation of its recommendations in its forthcoming report on the capital master plan. It was imperative to avoid further delays and cost overruns and to ensure compliance with the mandates of the General Assembly. In that connection, and reaffirming the provisions of General Assembly resolution 61/251, the Group of 77 and China called on the Board of Auditors and the Office of Internal Oversight Services (OIOS) to continue to report on the implementation of the plan.

24. The accelerated strategy IV proposed by the Secretary-General was based on cost, risk and operational considerations and highlighted significant benefits associated with expediting the phasing of the renovation of both the Secretariat and Conference buildings. Under the new strategy, the Secretariat building would be empty during the renovation, thereby eliminating potential health and safety hazards. Paramount consideration should also be given to the safety, security and health of United Nations staff during their relocation to the leased swing space.

25. According to the Secretary-General, expediting the project involved calculating the balance of available real estate opportunities, construction costs and projected escalation at a given time. The Advisory Committee, however, had been informed that the construction management firm was not yet required, nor was it able, to provide firm pricing in writing and that, as Skanska acquainted itself with the design documents, the total project estimate would be fine-tuned and adjusted as necessary. That situation raised serious questions about the financial assumptions used as the basis for the projected costs of the accelerated strategy. It also cast doubts on the Organization's ability to keep the project within the approved budget

and to distribute the assessments over the entire duration of the project.

26. The proposed accelerated strategy IV would reduce the current cost overrun by only $30 million, leaving further savings of $190 million to be identified through value engineering. The Group of 77 and China looked forward to receiving more detailed information about the latter concept and sought concrete assurances that any steps taken in that regard would not compromise the quality, durability and sustainability of the renovated materials and the original design of the Headquarters complex and that no decision would be taken on those issues without the prior approval of the General Assembly.

27. The Group of 77 and China fully supported the Advisory Committee's recommendation that the costs associated with the capital master plan should be considered in the context of discussions on the plan, and looked forward to receiving additional information on that issue. Since the activities giving rise to those costs had been known to the Secretariat since the adoption of strategy IV in 2006, a cost estimate must already have been prepared. The Group also looked forward to receiving further details of the three types of sustainability initiative mentioned in the Secretary-General's report, particularly those initiatives that could result in even greater project performance, as well as the related cost estimates and justifications.

28. The Group of 77 and China took the view that the accelerated strategy and the value engineering concept could have been submitted in 2006 and it was therefore concerned about the possibility of further revisions to the accelerated strategy IV. Accordingly, when implementing that strategy, the Secretary-General should endeavour not only to mitigate the current cost overrun of $219 million but also to lower the total cost of the project. In that regard, the Group drew attention to an error in paragraph 48 of the Secretary-General's report, in which the word "recommendation" had been used instead of "request" or "mandate". The Group trusted that an appropriate corrigendum would be issued.

29. Although the Group of 77 and China had always supported the option of vacating the Secretariat building throughout the renovation process, consistently highlighting the potential problems associated with renovating an occupied building, it had agreed to the phased approach suggested by the Secretary-General. An urgent decision was now needed on the new proposals currently before the Committee. In order to restore the credibility of the project, guarantee the availability of resources and remedy the unacceptable health and safety deficiencies of the Headquarters complex, clear, transparent and responsible decision-making would be essential. In that regard, more frequent interaction between the Secretariat and Member States was required, through, inter alia, regular briefings, more frequent reporting and the posting of information on the website of the capital master plan.

30. **Ms. Lisson** (Australia), speaking also on behalf of Canada and New Zealand, said that she had been surprised to learn that the Fifth Committee was being asked to reconsider its decision on a strategy for completing the capital master plan, a decision that had come after years of difficult negotiations. She agreed, however, that the proposed revised implementation strategy was the best way forward, because it would reduce risks and help to avoid further cost escalation.

31. The accelerated strategy still left the capital master plan some $190 million over budget. Her delegation wished to receive an update on the progress of the value engineering exercise intended to redress that cost overrun. She also sought the Secretary-General's assurance that if the accelerated strategy was approved, the project could be delivered within the budget agreed the previous year. Furthermore, the proposed advisory board should be established to provide effective leadership. She hoped to see some real progress in the following year on the implementation of the capital master plan.

32. **Mr. Fermin** (Dominican Republic), speaking on behalf of the Rio Group, said that many countries in the region had fully paid their assessments for the capital master plan. In that connection, he reaffirmed that the General Assembly and the Fifth Committee were the bodies that had the authority to approve the strategy and costs.

33. The Rio Group was deeply concerned about the lack of progress on the project. The change of Executive Director and lack of leadership and cooperation by Secretariat departments were no excuse for the failure to fulfil mandates established by the General Assembly.

34. There could be no increase in the cost of $1,876.7 million or any change in the distribution of

the assessments stipulated in General Assembly resolution 61/251. Many of the States in the Rio Group had opted to make multi-year payments over five years, and that system of payments had been approved by the General Assembly.

35. The General Assembly had clearly stated in paragraphs 11 and 12 of resolution 61/251 that the project must remain within the approved budget. Nonetheless, the Advisory Committee had noted in paragraph 11 of its report (A/62/490) that there was a projected cost overrun of some $219.6 million. His delegation was concerned that, even if costs could be reduced through an accelerated strategy IV, the expense of leasing additional space and building a larger temporary conference facility might exceed the potential savings. The Rio Group looked forward to hearing the Secretariat's explanation of how the value engineering exercise might keep costs within the approved budget. Moreover, it could not approve the accelerated strategy until the Secretary-General explained the possible savings it would afford.

36. He asked for clarification of the associated costs for furniture and equipment referred to in paragraph 21 of the Advisory Committee's report, and for an explanation of the delay in establishing the advisory board that the General Assembly, internal and external auditors and the Advisory Committee had repeatedly requested.

37. The Rio Group wished to hear in greater detail how the Secretariat planned to ensure the proper storage and handling, for the duration of the reconstruction project, of the works of art, murals, artefacts and other precious objects that Member States had donated to the United Nations.

38. Given the failure to implement General Assembly mandates, great efforts would have to be made to restore confidence in the project. That could only be done through greater transparency and accountability to the Member States.

39. **Mr. Tawana** (South Africa), speaking on behalf of the African Group, said that the reports before the General Assembly indicated that the Secretariat had not taken immediate steps to commence work on the refurbishment of the Headquarters building after approval of the capital master plan. The project was one year behind schedule and $219 million over budget, partly owing to the absence of an Executive Director to provide strategic leadership. The problem of vacancies, particularly in senior posts, jeopardized the implementation of mandates and must be avoided at all costs. He hoped that the recent appointments of an Executive Director and a project manager would speed the implementation of the plan.

40. The African Group welcomed the proposed establishment of an advisory board, and trusted that its membership would be based on broad geographical representation.

41. An accelerated strategy IV could have a positive impact on the implementation of the plan, which should begin quickly. He wished to have assurances, however, that the costs would remain within the approved budget and that the quality of the work would be guaranteed.

42. **Mr. Guerber** (Switzerland) said that the capital master plan should be implemented at minimum cost and as quickly as possible, without compromising the quality of the renovation or the safety of staff members. The new building should be equipped with environmentally friendly technology and other equipment that would reduce maintenance costs and improve working conditions. The accelerated strategy IV met those priorities and would also help to reduce risks arising from the construction process. Moreover, the value engineering exercise currently under way would reduce the costs of the project, which should and could be carried out within the approved budget.

43. Although he was convinced that the accelerated strategy IV was a step in the right direction, some might perceive it as yet another chapter in a lengthy process that had placed a strain on the nerves of many delegations. The rapid establishment of an advisory board would go a long way towards strengthening confidence in the new strategy. The board could also act as an effective intermediary between the Office of the Capital Master Plan and Member States if further changes to the strategy became necessary.

44. The Secretariat should pursue its plan to encourage innovative businesses to use the Headquarters building as a showcase for their energy efficient and environmentally friendly building management products. That was an original idea with the potential for cost savings.

45. Finally, the gifts that the Organization had received from Member States were an important part of its history and should be preserved, whether or not they

could be removed to storage during renovation, and they should be given an appropriate place on the renovated United Nations campus.

46. **Mr. Mukai** (Japan) said that his delegation understood the importance and urgency of the capital master plan. He had therefore been disappointed to hear that the project was a year behind schedule and that the delay had increased the total cost by $219.6 million over the approved budget. Further delay might reduce Member States' trust in the Secretariat's planning and management capabilities.

47. He understood that the main objective of the accelerated strategy IV was to make up for lost time. The most pressing task, however, was to ensure that the estimated cost overrun was absorbed within the budget and to avoid further overruns. He approved of the proposed strategy, provided that the Secretary-General kept his commitment to stay within the approved budget level and maintained the current schedule of assessments.

48. His delegation wished to have clarification on the actual contents of the value engineering exercise, the timing and amount of a series of guaranteed maximum prices, the reliability of forward pricing of cost escalation, and the replacement of furniture and equipment.

49. **Mr. Tarrisse da Fontoura** (Brazil) said that the fate of the murals titled "War" and "Peace", located in the Headquarters building, were of particular interest to his delegation, because they had been painted by the Brazilian artist Candido Portinari. Visitors saw "War" upon entering and "Peace" upon leaving the building, signifying that the essence of the United Nations mission was to transform suffering into hope and war into peace. He wished to have detailed information on the measures planned by the Secretariat for the physical preservation of the murals during the renovation.

50. **Mr. Acharya** (India), said that Member States had been persuaded to adopt strategy IV for the capital master plan by dint of detailed briefings and extensive negotiations, and he was therefore surprised not only that the project was currently facing a delay and a cost overrun, but also that a new accelerated strategy IV was being proposed as a better way to proceed. While he approved of the merits of the accelerated strategy as described, he wondered why those elements, which had existed previously, had not been incorporated into the original strategy. The Organization should be vigilant, and assess and mitigate the risks of the chosen strategy in order to avoid similar adjustments in the future. The recommended construction surveys and project studies should be carried out prior to the start of construction to ensure the safety and security of the structure.

51. He was disturbed by the comments in paragraph 5 of the Advisory Committee's report (A/62/490) concerning the lack of commitment to the project on the part of some United Nations departments, which had led to the cost overrun and delay in implementation. The capital master plan belonged to everyone: Member States, their peoples and the United Nations staff. Total commitment and cooperation on the part of all departments involved was not just an expectation, but an imperative. All department heads had the duty to ensure that they delivered whatever was required of them for the effective and efficient implementation of the plan. He hoped that the newly appointed Executive Director would provide the leadership required to overcome the challenges.

52. The economic validity of the proposed accelerated strategy IV was indisputable. The planned value engineering was worth pursuing, but should be closely monitored and should not be at the expense of quality.

53. His delegation called for increased procurement opportunities for vendors from developing countries for the project. In keeping with the call in General Assembly resolution 61/251 for transparent procurement processes, no unnecessary restrictive clauses should be placed in tender documents that might exclude those vendors on insubstantial grounds.

54. **Mr. Golovinov** (Russian Federation) said that he was deeply concerned by the information in the reports before him about significant delays in implementing the capital master plan and an increase in the estimated costs. He took note of the proposed changes to strategy IV for the implementation of the plan and welcomed the Secretariat's efforts to keep the project within the approved budget and deadlines. He was surprised, however, that the "unlikely event" referred to in paragraph 12 of General Assembly resolution 61/251 of a cost overrun and delay in the work schedule had already occurred before construction had even begun.

55. As it considered the proposed accelerated strategy IV, therefore, his delegation would be looking for convincing guarantees that, once approval had been

given, the capital master plan would quickly proceed to the practical stage, with no further proposals or reconsiderations of strategy in the near term.

56. The main element of the accelerated strategy appeared to be the opportunity to lease additional swing space in Manhattan to house a large number of Secretariat staff members temporarily, a possibility that had not existed previously. He wished to have details on the building that the Secretariat proposed to lease and on the status of negotiations with the building owner.

57. Given the scope of the project and the proposed delegation of broad powers to the project managers, it was especially important that United Nations rules and procedures, as well as General Assembly resolutions on financing, budgets and procurement, should be followed unconditionally. It was crucial that the Office of Internal Oversight Services and the Oversight Committee should keep a close watch over the bidding process that was about to begin to secure subcontractors.

58. The United Nations should also look at how other international organizations (such as the Council of Europe and the World Intellectual Property Organization) had created specialized ad hoc intergovernmental bodies to oversee large-scale construction projects.

59. **Mr. Afifi** (Egypt) said that the failure to meet the schedule for the capital master plan had not only resulted in cost overruns but had affected the credibility of the project and the image of the United Nations. The reasons behind the failure must be carefully assessed to prevent further delays.

60. The General Assembly, in its resolution 61/251, had requested the Secretary-General to submit to it for its consideration possible options on how to remain within the approved budget. It would have been preferable if Member States had been presented with several options rather than a single “take it or leave it” option. Noting that the accelerated strategy IV decreased the overrun by a mere $30 million, he wondered how the strategy would make it possible to remain within the approved budget.

61. It was disappointing that the fifth annual progress report on the capital master plan was considerably less informative than previous reports. His delegation would have welcomed further information on, inter alia, the advisory board, sustainability issues and procurement. It was nevertheless willing to consider the proposed accelerated strategy and hoped that it would indeed expedite the project.

62. **Mr. Corman** (Turkey) said that his delegation attached great importance to the renovation of the United Nations Headquarters complex. It welcomed the appointment of the Executive Director and the appointment of staff to temporary positions in the Office of the Capital Master Plan and other departments. It also appreciated the progress achieved in pre-construction advisory services, design work and the acquisition of off-site swing space. It was, however, concerned that the implementation of the project had been delayed by approximately one year and that that delay had had financial implications, as set forth in the report of the Board of Auditors (A/62/5 (Vol. V)).

63. Although it was not ideal to make serious changes in the approach to such a comprehensive project within a year of its approval, he agreed with the Advisory Committee that there was merit in the accelerated strategy IV and he was confident that the Secretary-General would adhere to the assurances in his report in relation to the reduction of the time frame for completion of the project and to the maintaining of its cost within the approved budget. He also agreed that construction activity in a fully empty building was more efficient, less risky and less expensive than the previous approach.

64. **Ms. Bárcena** (Under-Secretary-General for Management) explained that the report of the Board of Auditors (A/62/5 (Vol. V)) covered the period from 1 January to 31 December 2006. During the past few months, considerable progress had been achieved on many of the actions mentioned in the report. Further information would be provided at a subsequent meeting.

Agenda item 135: United Nations common system (A/62/30, A/62/30/Corr.1, A/62/336 and A/62/353)

65. **Mr. Rhodes** (Chairman of the International Civil Service Commission), introducing the report of the International Civil Service Commission (ICSC) for the year 2007 (A/62/30 and Corr.1), said that, in accordance with the General Assembly’s request that the Commission should play a lead role in the development of new approaches to human resource

management as part of the reforms in the United Nations common system, the Commission had focused on modernizing and strengthening the international civil service and developing a more strategic relationship with the organizations of the common system.

66. The Commission had provided timely responses to the requests in General Assembly resolutions 61/239, section D, and 61/274, the details of which were contained in the annual report. The report also set forth, in annex VII, an action plan to strengthen the role and functioning of the Commission. The action plan addressed the development of the Commission's policy capacity over time, strategies to strengthen the consultation process with organizations and staff, and modalities to expedite decision-making. The Commission would continue to review its strategies and restructure itself to bring about changes in the common system.

67. The Commission had committed itself to developing closer relationships with all stakeholders in order to achieve more coherent and effective human resource management across the common system. Member States and the different organizations of the common system had indicated that priority consideration should be given to issues such as performance management, mobility and measures to promote increased productivity and efficiency.

68. Pursuant to General Assembly resolution 61/274, the Commission had considered the Secretary-General's comprehensive proposal on appropriate incentives to retain staff of the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia. While it recognized the Tribunals' exceptional mission and the merits of the Secretary-General's proposal, the Commission had concluded that special financial incentives were not appropriate because they were not provided for in the common system and as such would set a precedent, and that there was sufficient latitude within the existing contractual framework to alleviate uncertainty with regard to future employment. The Commission had made certain suggestions to assist the management of the tribunals in utilizing the tools already available to them.

69. The Commission had recommended that the base/floor salary scale for staff in the Professional and higher categories should be adjusted upward by 1.97 per cent, with effect from 1 January 2008. The adjustment would be implemented through the standard consolidation procedure of increasing base salary and commensurately reducing post adjustment multiplier points.

70. The net remuneration margin between the United Nations staff and that of the United States federal civil service in Washington, D.C., for the calendar year 2007 stood at 114.0, which was 0.1 percentage point higher than the margin estimate contained in the annual report for 2007 (113.9). That was because the margin level had been updated using the actual post adjustment multiplier for New York for September to December 2007, which turned out to be slightly higher than the projections available at the time of the issuance of the report.

71. Regarding the harmonization of language incentives, the Commission had found that the various approaches adopted by the different organizations effectively met their operational needs and should therefore be maintained. Paragraph 65 of the annual report set forth certain general guidelines to be observed by organizations when reviewing or developing programmes to improve multilingualism.

72. The Commission continued to monitor the pilot study of the broad banding/pay-for-performance project which was being conducted in five volunteer organizations. During a series of open discussions, it had become apparent that there were differences in respect of what the organizations had been able to accomplish and that the project was in danger of slowly grinding to a halt. Since the project's three-year testing period was about to end, the Commission had decided to request its secretariat to conduct a comprehensive evaluation, stressing the lessons learned. It was expected that the results of the evaluation would be available in 2008.

73. The Commission had also examined the need to harmonize leave entitlements in the common system. It intended to continue its review of the education grant methodology and would report on the outcome at the sixty-third session of the Assembly.

74. Details of the Commission's decisions regarding post adjustments were provided in paragraph 39 of the 2007 annual report and information on the salary survey conducted in London was provided in paragraphs 45 to 49. Pursuant to General Assembly resolution 59/268, the Commission had also continued

to monitor the progress of the Senior Management Network. It was particularly interested in the planned development activities and had asked to be provided with specifics on training programmes for new Senior Management Network members.

75. Contractual arrangements in the common system organizations and the harmonization of entitlements paid to common system staff on duty in hardship duty stations had been included in a supplement to the Commission's annual report for 2006. The Commission was ready to provide any additional information that might be required for the Committee's consideration of those issues.

76. Lastly, the United Nations/United States grade equivalency studies had not been completed. At the request of the Commission, the Commission's secretariat and the secretariat of the Chief Executives Board were exploring alternative approaches for carrying out the studies.

77. **Ms. Nowlan** (Chief of Service III, Programme Planning and Budget Division), introducing the statement submitted by the Secretary-General in accordance with rule 153 of the rules of procedure of the General Assembly on the administrative and financial implications of the decisions and recommendations contained in the report of the International Civil Service Commission for the year 2007 (A/62/336), drew the Committee's attention to paragraphs 26 to 30 of the ICSC report (A/62/30), which dealt with the base/floor salary scale as it related to separation payments and the financial implications thereof. Paragraphs 4 and 5 of the Secretary-General's statement (A/62/336) provided details on the financial implications of a 1.97 per cent upward adjustment in the common system salary scale for staff in the Professional and higher categories for the proposed programme budget of the United Nations and the proposed budgets for the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia for the biennium 2008-2009.

78. Paragraph 8 of the Secretary-General's statement indicated that the requirements for the proposed programme budget and the proposed budgets of the two Tribunals for the biennium 2008-2009 would be reflected in the recosting of the corresponding proposed budget estimates for the biennium 2008-2009 prior to determination of the appropriations to be adopted by the General Assembly in December 2007.

79. **Mr. Saha** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee on Administrative and Budgetary Questions (A/62/353), said that, in accordance with its past practices, the Advisory Committee had confined its consideration of the financial implications of the recommendations contained in the report of the International Civil Service Commission (A/62/30 and Corr.1) to those submitted to the General Assembly by the Secretary-General in his statement (A/62/336). The Advisory Committee had not commented on the recommendations themselves or on their underlying methodology.

80. The Secretary-General had indicated that the financial implications for the United Nations proposed programme budget for the biennium 2008-2009 resulting from the recommendations of the International Civil Service Commission related to the proposed upward adjustment of the current base/floor salary scale for staff in the Professional and higher categories by 1.97 per cent would be reflected in the recosting of the proposed programme budget for the biennium 2008-2009 prior to determination of the appropriations to be adopted by the General Assembly. The Advisory Committee had no objection to the Secretary-General's proposal.

81. **The Chairman**, in accordance with General Assembly resolution 35/213, invited a representative of the Federation of International Civil Servants' Associations (FICSA) to make a statement.

82. **Mr. Larson** (Federation of International Civil Servants' Associations) recalled that, in 1998, the General Assembly had mandated the International Civil Service Commission to review its consultative process and working arrangements. One of the outcomes of that review had been a decision to change rule 22.2 of the rules of procedure, which governed the Commission's reporting to the General Assembly. According to the new rule, the Commission would submit to the General Assembly an annual report that included, inter alia, a summary of the positions adopted by the staff representatives and the Consultative Committee on Administrative Questions, if those positions differed from the conclusions of the Commission. He was disappointed that the current report (A/62/30) did not

contain such a summary but trusted that the omission would be corrected in future reports.

83. The Federation of International Civil Servants' Associations (FICSA) strongly supported a harmonized and coherent common system and hoped that any flexibility accorded to the administrations did not result in a wide variation in conditions of service. The Federation fully supported an equitable and merit-based common system in which merit was the key criterion for selection and advancement. The determination of merit must be fair and transparent.

84. The Federation was concerned about the Commission's decision not to approve special financial incentives for the International Criminal Tribunal for Rwanda and the International Criminal Tribunal for the Former Yugoslavia. Its position was outlined in its statement, the full text of which had been circulated to Committee members.

85. With respect to the evolution of the United Nations/United States net remuneration margin, FICSA noted with dismay that the average margin level for the previous five years had been below the desirable midpoint of 115, currently standing at 112.3. The proposed 1.97 per cent adjustment of the base/floor salary scale did not yield an increase in take-home pay, since it was implemented on a no loss/no gain basis by deducting a percentage of post adjustment. The Federation called on the General Assembly to restore pay competitivity to the United Nations system.

86. The Federation appreciated the Commission's ongoing monitoring of the progress in the development of a Senior Management Network and asked whether criteria had been developed to evaluate the effectiveness of the Network as well as the Leadership Development Programme.

87. With regard to the General Service headquarters salary surveys, FICSA was grateful to the Commission for having accommodated the varying experiences during the survey process in each of the headquarters duty stations. Further comments on the ongoing review of the pay and benefits system and its various components were contained in the full text of the FICSA statement.

88. The Federation would participate in the ICSC working group responsible for conducting a comprehensive assessment of the pilot study to identify practices in performance management that could be used to formulate guidelines on improving performance management in the common system. Based on research conducted in the public sector, the Federation was firmly against performance pay in an international civil service. Further details on its position would be presented in the working group. In the meantime, it noted the position of the Joint Inspection Unit contained in paragraphs 42 and 43 of its 2004 report entitled "Managing Performance and Contracts: part III of the series on managing for results in the United Nations system" (A/59/632).

89. The Federation regretted the Commission's decision to grant organizations extensive flexibility in implementing certain leave entitlements and noted that flexibility had led to unequal leave provisions. Paternity leave, for example, ranged anywhere from three days in some organizations to four weeks in others. There were also wide variations in the way in which organizations rewarded the knowledge and use of languages. The Federation was of the view that any award for language knowledge and use should be pensionable.

90. The Federation took note of the Commission's decision to continue its review of the education grant methodology. It seriously regretted, however, that ICSC had not approved the sound recommendations of the working group to simplify and streamline the methodology. The Fifth Committee should bear in mind that any attempt to reduce the education grant would make it much more difficult for the organizations to recruit qualified people with families.

91. Despite the Commission's intention to "consider ways to further strengthen itself and to maximize its ability to support the General Assembly in guiding the common system", the changes to the ICSC rules of procedure negotiated by the tripartite working group of staff representatives, representatives from organizations and ICSC had never been fully implemented.

92. The Commission had recognized the need for both coherence and flexibility in the common system. While FICSA understood the need for more tailored approaches to human resources management in the different organizations, it cautioned that flexibility should not undermine the "commonality" of the common system. Coherent conditions of service were particularly important, given that staff were required to be mobile.

93. The long-stated purpose of reforming the Commission was to establish a more active dialogue with staff representatives and the organizations. The Federation hoped that the consultation procedure would evolve into a real partnership and it would continue to do its part for the sake of the common system.

94. **Ms. Mesquita** (Portugal), speaking on behalf of the European Union, the candidate countries Croatia, the former Yugoslav Republic of Macedonia and Turkey, the stabilization and association process countries Albania, Bosnia and Herzegovina, Montenegro, and Serbia, and, in addition, Armenia, Liechtenstein, Moldova, and Ukraine, said that the European Union emphasized the Commission's importance as a central body for keeping the common system together. It welcomed the speedy work done by the Commission on contractual arrangements, the harmonization of conditions of service, and retention incentives for the International Criminal Tribunals for Rwanda and the Former Yugoslavia but requested an explanation of the slowness of the progress of the pilot project on broad banding/reward for contribution. The European Union commended the Commission for improving its working methods and drew attention in that connection to the decisions on strengthening the Commission contained in General Assembly resolution 61/239. In its further work the Commission should formulate recommendations on steps to achieve gender balance in the common system, especially at the senior levels. The common system bound the United Nations family together and was an important factor in standardizing rules and regulations: the potential of staff mobility, for example, which would be impossible without the common system, should be explored further. All delegations depended heavily on the Commission's expertise and negotiating skills, not just for decision-making but also in pushing back frontiers. The European Union would continue to give the Commission the necessary backing.

95. **Mr. Farooq** (Pakistan), speaking on behalf of the Group of 77 and China, said that the Group reaffirmed its support for the Commission's role and acknowledged its efforts to make that role relevant for the General Assembly and the common system. It welcomed the new user-friendly format of the ICSC report, the action plan for 2008-2009, and the strategy for strengthening the Commission.

96. The Group endorsed the Advisory Committee's recommendations on the upward adjustment of the base/floor salary scale and the recosting of the proposed programme budget for the biennium 2008-2009. The Commission's work on field staffing, the entitlements of internationally recruited staff at non-family duty stations, contractual arrangements and retention incentives for the staff of the two International Criminal Tribunals would be critical to the General Assembly's decisions on those questions. The Commission's recommendations on improving transparency and accountability and geographical representation in the management of human resources were also welcome. The Group sought assurances that the methodology used by the Advisory Committee on Post Adjustment Questions was in accordance with internationally agreed principles, and it looked forward to the completion of the ICSC review of the education grant methodology.

97. The Group requested more details on the Commission's continuing pivotal role in the development of the Senior Management Network and the evaluation of its Leadership Development Programme and on its work on leave entitlements; all United Nations organizations should indeed follow the common-system regulations on such entitlements and on work/life balance and health care issues. The Group looked forward to the report on broad banding/reward for contribution. The recommended guidelines on language incentives needed clarification. The policy of improving the language skills of all staff members certainly deserved support, but possession of such skills should not be used as an additional condition of recruitment, placement and promotion: recruitment procedures must comply strictly with Article 101.3 of the Charter.

98. **Ms. Butchart** (Canada), speaking also on behalf of Australia and New Zealand, said that the three delegations emphasized the connection between the work of the Commission and the effective functioning of the organizations of the common system. The Commission had provided specific guidance on two human resources issues: first, its conclusions on the Secretary-General's proposals on contractual arrangements and entitlements provided an important basis for the General Assembly's decisions, and its advice on conditions of service in non-family duty stations helped to clarify the options; and, second, the Commission's recommendations on means of retaining

staff in the International Criminal Tribunals were very helpful, in particular the identification of non-monetary incentives.

99. Since the strengthening of managerial capacity was essential to the effectiveness of the United Nations system, the three delegations welcomed the Commission's work on the Senior Management Network; it was significant that it saw the value of the initiative. The pilot study on broad banding/reward for contribution was a step towards stronger, performance-based management of human resources, but the lack of feedback on the study was disappointing; the Commission's decision to make a comprehensive evaluation was therefore welcome. The three delegations found the Commission's efforts to improve its methods of work encouraging and looked forward to corresponding improvements in its work.

100. **Mr. Fermin** (Dominican Republic), speaking on behalf of the Rio Group, said that the Group reaffirmed the importance of the common system and the Commission's fundamental role in it. Since the staff was the common system's most valuable resource, care must be taken to establish the best possible conditions to attract the best-qualified recruits. The Group noted with interest the improved format of the report. The forthcoming comprehensive evaluation of the pilot study on broad banding/reward for contribution would be welcome, for it appeared that the study's findings were inconclusive. The Group noted the Commission's recommendations on improving language skills and would follow closely its efforts to improve its methods of work, which must not be allowed to affect the independence vital to the fulfilment of its mandate.

101. **Mr. Kovalenko** (Russian Federation) said that his delegation appreciated the volume of work done by the Commission on questions relating to the common system, in particular its informed reaction to the Secretary-General's proposal for the use of financial incentives to retain staff in the International Criminal Tribunals. His delegation endorsed the Commission's advice that such incentives were not appropriate. It also supported the Commission's decision to request a comprehensive evaluation of the pilot study of broad banding/reward for contribution, especially as some of the findings of the study were ambiguous. It was to be hoped that the Commission would be able to offer alternative proposals; further information on the way in which the study had been carried out would be welcome.

102. With regard to allowances and benefits, the Commission might have conducted a review of the practice and experience of national civil services and looked at the United Nations arrangements as a whole with a view to their possible modernization and simplification. His delegation noted the information on the maintenance of the United Nations/United States net remuneration margin within the limits set by the General Assembly, which required no decisions at the present stage. The Commission should continue to monitor the evolution of the Senior Management Network and alert the Member States to any move towards the creation of a separate category of personnel. It was not clear why the report discussed that matter in the section on conditions of service of the Professional and higher categories: the issue of possible exceptions with regard to conditions of service had long been closed.

103. His delegation welcomed the Commission's consideration of ways of strengthening its role and functioning and the formulation of a corresponding action plan. It had serious doubts, however, about the usefulness of issuing the report in the new format, which reduced its value as a work of reference and information.

104. **Mr. Kishimoto** (Japan) reiterated his delegation's support for the common system. He endorsed the Commission's recommendation on the level of the base/floor salary and commended it on its swift response on the question of the retention strategy in the International Criminal Tribunals. The recommendations on contractual arrangements and the harmonization of conditions of service should be considered by the Committee in detail at a later stage in the context of human resources management. The Commission's recommended guidelines on language incentives should not be adopted, for they might introduce a discriminatory factor into the recruitment and promotion procedures. His delegation hoped that the Commission would play a key role in guiding the organizations of the common system towards more effective management and it wished to participate in constructive discussions on how to meet any challenges encountered in that undertaking.

105. **Mr. Shen** Yanjie (China) said that his delegation had four specific comments on the effective work done by the Commission. Firstly, the Commission was to be commended on its efforts to solve the problem of staff retention in the International Criminal Tribunals within

the existing arrangements. Secondly, objective criteria reflecting the need for geographical and gender balance should be laid down in order to prevent selectivity in the appointment of the members of the Senior Management Network. Thirdly, the Commission was right to argue that the organizations of the common system should be allowed to retain their current flexibility of approach with regard to language incentives and requirements so that they could meet their differing operational needs; the proviso contained in paragraph 65 (i) of the report concerning the inclusion of a requirement of proficiency in more than one official language in vacancy announcements only if the operational mandate so required was very important. Fourthly, his delegation appreciated the Commission's efforts to improve its working methods and hoped that it would continue to play an important part in harmonizing the conditions of service in the common system and in the reform of human resources management.

106. **Mr. Rhodes** (Chairman of the International Civil Service Commission) said that the Committee's views constituted an important guide for the Commission. In the informal negotiations he would provide detailed responses to all the comments made and questions raised.

The meeting rose at 12.55 p.m.