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FIFTH COMMITTEE
49th meeting
held on
Monday, 4 December 1978
at 3 p.m.
New York

SUMMARY RECORD OF THE 49th MEETING

Chairman: Mr. KOBINA SEKYI (Ghana)

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

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The meeting was called to order at 3 p.m.

AGENDA ITEM 100: PROGRAMME BUDGET FOR THE BIENNIUM 1978-1979 (continued)

Administrative and financial implications of the draft resolution submitted by the Third Committee in document A/C.3/33/L.21/Rev.1 concerning agenda item 87 (A/C.5/33/65)

1. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that in his report (A/C.5/33/65) the Secretary-General had indicated that the adoption of the draft resolution on the World Assembly on the Elderly contained in document A/C.3/33/L.21/Rev.1 would not lead to any additional appropriations for the biennium 1978-1979. Any financial implications that might arise beyond the current biennium would be taken up by the General Assembly at a later session. The Fifth Committee might wish to inform the Assembly that the adoption of that resolution would not lead to any additional appropriations at the present stage.

2. Mr. SADDLER (United States of America) said that, in the course of the discussions in the Third Committee on the subject of the World Assembly on the Elderly, his delegation had mentioned that the United States Congress had authorized funds to support the World Assembly. While that indicated congressional interest, it did not constitute a commitment on the part of his Government to provide the funds. It would consider the problem at the appropriate time when the amount of funding required was known and the procedures for the World Assembly were established. Since no additional appropriations were being requested at the present stage and since the Advisory Committee was recommending that the Fifth Committee should take note of the Secretary-General's report, his delegation suggested that any future statement of financial implications submitted in connexion with that item should be more precise.

3. The CHAIRMAN said that, if he heard no objection, he would take it that the Committee wished to request the Rapporteur to report directly to the General Assembly that, should it adopt the draft resolution contained in document A/C.3/33/L.21/Rev.1, no additional appropriations would be required for the biennium 1978-1979 and the first year of the biennium 1980-1981.

4. It was so decided.

AGENDA ITEM 113: FINANCING OF THE UNITED NATIONS PEACE-KEEPING FORCES IN THE MIDDLE EAST (continued)

(a) UNITED NATIONS EMERGENCY FORCE AND UNITED NATIONS DISENGAGEMENT OBSERVER FORCE: REPORT OF THE SECRETARY-GENERAL (continued) (A/33/373, A/33/391; A/C.5/33/45, A/C.5/33/L.21, A/C.5/33/CRP.3)

5. The CHAIRMAN stated that the Controller's replies to the questions raised by the representative of the Soviet Union were contained in document A/C.5/33/CRP.3. The paper submitted by the Secretary-General with regard to the application of

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(The Chairman)

article IV of the United Nations Financial Regulations to the financing of the peace-keeping operations was contained in document A/C.5/33/45 and the related comments and recommendations of the Advisory Committee were to be found in paragraphs 33 to 37 of its report (A/33/391). The final part of the third preambular paragraphs of draft resolutions A and B contained in document A/C.5/33/L.21 should be amended to read: "33/13 A of 3 November 1978 and 33/13 B of 1 December 1978".

Draft resolutions A and B in document A/C.5/33/L.21

6. Mr. OKEYO (Kenya) announed that his delegation wished to join the sponsors of the draft resolutions contained in document A/C.5/33/L.21.

7. Mr. SAFRONCHUK (Union of Soviet Socialist Republics) thanked the Controller for the answers which he had supplied in document A/C.5/33/CRP.3, but said that they only partially satisfied his delegation's concern; they were not substantive and were far from being complete. While the Controller had indicated that, during the audit, instances had been found of excess purchases of equipment and also of shortages, he had failed to state, whether there had been any losses due to incorrect use of material and equipment and, if so, the amount of such losses. He had likewise failed to provide a figure for the write-off of material losses in 1976 and 1977. His delegation consequently reserved the right to request copies of the internal auditors' reports during any future discussion of the item, since it believed that it would be useful for the Committee to have the figures before it.

8. Mr. MINCHEV (Bulgaria), speaking in explanation of vote before the vote, reiterated the position of principle of his Government with regard to the financing of United Nations peace-keeping forces and its serious concern at the extremely dangerous development of the situation in the Middle East in that regard. Any solution to the Middle East problem should be based on the total withdrawal of Israel from all territories occupied in 1967, and respect for the inalienable rights of the Palestinian people, including the right to establish their own independent State. The peace-keeping forces should be financed on the basis of minimum outlays and maximum savings in resources, in accordance with General Assembly resolutions. In that respect, the Secretary-General should submit thorough and complete accounts of expenditure already incurred, and information on expenditure to be incurred in the future. The presence of United Nations peace-keeping forces in the Middle East was of an exclusively temporary nature and should not impede the solution of the problem. He noted that expenses were still being incurred as a result of the separate agreement reached in September 1975 by Israel and Egypt. His Government would not participate in financing additional expenditure which was the direct result of that separate agreement, and would not therefore be in a position to support the proposals for financing the United Nations Emergency Force (UNEF) and the United Nations Disengagement Observer Force (UNDOF) for the forthcoming period.

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9. Mr. RICHTER (German Democratic Republic), speaking in explanation of vote before the vote, said that on 23 October 1978 and 30 November 1978 the Security Council had taken decisions to renew the mandates of UNEF and UNDOF on the grounds that conditions in the area made it impossible to withdraw those Forces. However, his delegation wished to point out that that situation was entirely due to the continued occupation of Arab territories by the Israeli aggressor and the latter's unwillingness to abandon a policy that endangered international peace and security. It was a matter of concern that UNEF, which had been established on an interim basis, was in danger of assuming a permanent character. It was well known that his country advocated the establishment of a just and lasting peace in the Middle East and a comprehensive settlement based on the decisions of the Security Council, which called for the withdrawal of Israeli troops from all occupied Arab territories, the restoration of the inalienable right of the Arab people of Palestine to self-determination, including the establishment of their own State, and the safeguarding of the existence and security of all States in the region, including Israel. It went without saying that such a solution would require the participation of all the States concerned. It was on that basis that his delegation had agreed to the deployment of United Nations peace-keeping forces in the Middle East, but it could not agree to those forces undertaking duties agreed outside the negotiating mechanism of the United Nations. It could not therefore contribute to the additional expenses for UNEF resulting from the agreement of 4 September 1975 between Egypt and Israel, and could not consequently support the draft resolutions contained in document A/C.5/33/L.21.

10. Mr. HOAN (Viet Nam) said that, for reasons it had already explained on various occasions, the Government of the Socialist Republic of Viet Nam could not accept any responsibility for the financing of United Nations peace-keeping forces in the Middle East, and would not therefore participate in the vote on the draft resolutions contained in document A/C.5/33/L.21.

11. At the request of the representative of the Union of Soviet Socialist Republics, a recorded vote was taken on section I, paragraph 1, of draft resolution A.

In favour: Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Bhutan, Burundi, Canada, Chad, Chile, Colombia, Costa Rica, Denmark, Dominican Republic, Ecuador, Egypt, Finland, France, Gabon, Germany, Federal Republic of, Ghana, Greece, India, Indonesia, Israel, Italy, Japan, Kenya, Kuwait, Liberia, Madagascar, Malaysia, Mali, Mauritania, Morocco, Netherlands, New Zealand, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Poland, Portugal, Romania, Senegal, Sierra Leone, Singapore, Somalia, Spain, Sudan, Sweden, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Upper Volta, Uruguay, Venezuela, Yugoslavia, Zaire, Zambia.

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Against: Afghanistan, Albania, Bulgaria, Byelorussian Soviet Socialist Republic, Czechoslovakia, German Democratic Republic, Hungary, Iraq, Mongolia, Syrian Arab Republic, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics.

Abstaining: Cuba.

12. Section I, paragraph 1 of draft resolution A was adopted by 72 votes to 12, with 1 abstention.

13. At the request of the representative of the Union of Soviet Socialist Republics, a recorded vote was taken on section II of draft resolution A.

In favour: Argentina, Australia, Austria, Barbados, Belgium, Bhutan, Burundi, Canada, Chad, Chile, Colombia, Costa Rica, Denmark, Dominican Republic, Ecuador, Egypt, Finland, France, Gabon, Germany, Federal Republic of, Ghana, Greece, India, Indonesia, Israel, Italy, Japan, Kenya, Kuwait, Liberia, Madagascar, Malaysia, Mali, Mauritania, Morocco, Netherlands, New Zealand, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Poland, Portugal, Romania, Senegal, Sierra Leone, Singapore, Somalia, Spain, Sudan, Sweden, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Upper Volta, Uruguay, Venezuela, Yugoslavia, Zaire, Zambia.

Against: Afghanistan, Albania, Bulgaria, Byelorussian Soviet Socialist Republic, Czechoslovakia, German Democratic Republic, Hungary, Iraq, Mongolia, Syrian Arab Republic, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics.

Abstaining: Cuba.

14. Section II of draft resolution A was adopted by 71 votes to 12, with 1 abstention.

15. A recorded vote was taken on draft resolutions A and B as a whole.

In favour: Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Bhutan, Brazil, Burundi, Canada, Chad, Chile, Colombia, Costa Rica, Denmark, Dominican Republic, Ecuador, Egypt, Ethiopia, Finland, France, Gabon, Germany, Federal Republic of, Ghana, Greece, Guyana, India, Indonesia, Israel, Italy, Japan, Kenya, Kuwait, Lebanon, Liberia, Madagascar, Malaysia, Mali, Mauritania, Morocco, Netherlands, New Zealand, Nicaragua, Niger, Norway, Oman, Pakistan, Papua New Guinea, Peru, Philippines, Poland,

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Portugal, Qatar, Senegal, Sierra Leone, Singapore, Somalia, Spain, Sudan, Sweden, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Upper Volta, Uruguay, Venezuela, Yugoslavia, Zaire, Zambia.

Against: Albania, Iraq, Syrian Arab Republic.

Abstaining: Afghanistan, Bulgaria, Byelorussian Soviet Socialist Republic, Cuba, Czechoslovakia, German Democratic Republic, Hungary, Mongolia, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics.

16. Draft resolutions A and B as a whole were adopted by 76 votes to 3, with 10 abstentions.*

17. Mr. KHAMIS (Algeria), speaking in explanation of vote after the vote, said that his delegation had not participated in the vote because it was still awaiting instructions from its Government; it would express its opinion in the vote on the relevant resolutions in a plenary meeting of the General Assembly.

18. Mr. PEDERSEN (Canada) requested that the question of the application of article IV of the United Nations Financial Regulations to the financing of the peace-keeping operations should be deferred pending the preparation of the draft resolution on the subject.

19. The CHAIRMAN concurred with that request.

AGENDA ITEM 112: UNITED NATIONS PENSION SYSTEM (continued) (A/33/9, A/33/375; A/C.5/33/L.16 and L.23)

(a) REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (continued)

(b) REPORT OF THE SECRETARY-GENERAL (continued) (A/C.5/33/7; A/C.5/33/L.22 and L.24)

20. Mr. SERRANO AVILA (Cuba) introduced draft resolution A/C.5/33/L.22. For the most part, the text was a reiteration of the provisions of General Assembly resolutions 31/197 and 32/73 A. Since on 30 June 1978 direct investments in developing countries had amounted only to just over $43 million, operative paragraph 1 of the draft resolution reiterated the request to the Secretary-General to redouble his efforts to ensure that resources held invested in shares of transnational corporations were reinvested in developing countries. The request had been prompted by the statement in paragraph 4 of the Secretary-General's report (A/C.5/33/7) that the increase in the proportion of investments related to developing countries had been achieved by committing a significant portion of the Fund's annual cash flow to investment in developing countries. The aim of the

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* The Romanian delegation subsequently informed the Secretariat that it had intended to vote in favour of draft resolutions A and B as a whole.

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(Mr. Serrano Avila, Cuba)

draft resolution was to ensure that such investment was not restricted to current cash flow. It therefore used the term "reinvested". It did so because in paragraph 8 of the Secretary-General's report there was a statement to the effect that future increases would necessarily be at a slower pace than in the past two years owing to the reduced amount of cash flow that would be available for the purchase of bonds. It was vital, therefore, that the amount available for investment in developing countries should be increased by reinvesting, to the greatest extent practicable, the proceeds from the sale of shares of transnational corporations.

21. Mr. HOUNA GOLO (Chad), introducing draft resolution A/C.5/33/L.24, said that the sponsors had noted with satisfaction the efforts made so far by the Secretary-General to contact institutions and Governments in Africa with a view to increasing the Fund's investments there. They had also noted the reported increase in the Fund's investments in developing countries from $124 million on 30 June 1977 to $165 million on 30 June 1978, which represented a 33 per cent increase over a period of one year. They had been gratified to learn, moreover, that in the same period the proportion of investment in developing countries had risen from 9.5 per cent to 11.4 per cent, and to 29 per cent of the entire bond portfolio.

22. The Secretary-General and the Investments Committee were to be congratulated on their efforts to review the Fund's investments in transnational corporations, as requested in General Assembly resolution 31/197. In percentage terms, there had been a decline in investment in transnational corporations, thus freeing funds for investment elsewhere.

23. All the information received from the Secretary-General suggested that, with a little effort, the principles governing investment of the Fund's assets, namely safety, profitability, liquidity and convertibility, could be met in the developing countries, including those in Africa. The sponsors therefore urged the Secretary-General, in consultation with the Investments Committee, to continue his efforts in that direction. Although investment in the developing countries had risen, the increase was small and not very encouraging in absolute terms, since the baseline from which the percentage increase had been calculated was very low. Of the total portfolio of $1,439 million on 31 March 1978, only $165 million was invested in development and only $43 million had been invested directly in developing countries. Investments in Africa totalled only $6.7 million, or .46 per cent of the Fund's total resources.

24. The sponsors were glad to learn that, in response to the efforts of the Secretary-General, some financial institutions in Africa had stated that they would shortly be able to issue bonds in convertible currencies that would meet the Fund's requirements. The sponsors had therefore been encouraged to submit draft resolution A/C.5/33/L.24, and representatives should have no difficulty in supporting it.

(Mr. Houna Golo, Chad)

25. He announced that the delegations of Madagascar, the Niger and the United Republic of Cameroon had joined the list of sponsors. Regarding the text of the draft resolution, he said that the initial words "The Fifth Committee" should be replaced by "The General Assembly" and that the word "already" should be deleted from the second operative paragraph.

26. Mr. SAFRONCHUK (Union of Soviet Socialist Republics) introduced his delegation's amendment (A/C.5/33/L.23) to the draft resolution on the United Nations Joint Staff Pension Fund contained in the report of the Advisory Committee on Administrative and Budgetary Questions (A/33/375). The amendment would constitute a second preambular paragraph to the draft resolution in annex II. In proposing the amendment, his delegation had based itself on the statement in paragraph 25 of document A/33/375 that the Advisory Committee agreed with the Pension Board's conclusion that the total estimated actuarial cost of its proposals would be within that of the present dual scheme, and that therefore the proposal would satisfy the requirement laid down by the General Assembly that the new scheme should not require an increase in the present or future financial liabilities of Member States. His delegation felt that that opinion of the Advisory Committee should be reflected in the draft resolution itself.

27. Mr. OKEYO (Chairman of the United Nations Joint Staff Pension Board) expressed the hope that the Committee would support the recommendations contained in the Pension Board's report and said that the Board would continue its efforts, both independently and together with the International Civil Service Commission, to prepare proposals for submission to the next session which would be in line with the interests of all concerned. It was the responsibility of Member States to ensure that staff members who had dedicated their energies to the organizations of the system had a decent life after retirement; their only guarantee of economic security was a viable and rational pension system. The Board's recommendations to the current session represented its best effort in the present highly complex circumstances.

28. The representative of Belgium had asked how there could be 43,176 participants in the Pension Fund as at 31 December 1977 when on that date there had been only 33,980 posts in all the organizations. That apparent discrepancy was due to the fact that the latter figure did not include posts in IFAD, UNDP, UNHCR, UNICEF, UNITAR, UNCTAD/GATT, ICSC, the United Nations University, the World Food Programme and the International Computing Centre, whose staff were eligible to participate in the Pension Fund. A fuller explanation could be found in paragraphs 13 to 18 of the Advisory Committee's current report on administrative and budgetary co-ordination (A/33/309).

29. The representative of Romania had requested additional information regarding a number of the Board's proposals. First, with respect to the financial implications of the proposed system of pension adjustment, he gave assurances that the Board had consulted closely with its actuarial advisers in order to satisfy itself that its proposal would not create any additional liabilities over those of the existing scheme. The Advisory Committee had agreed with the Board's conclusions on that matter.

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(Mr. Okeyo)

30. As to the reasons for the three changes in the benefit system proposed by the Board in paragraphs 50 to 54 of its report, he drew the attention of the representative of Romania to previous reports of the Board and the Advisory Committee which contained references to those issues. In particular, the recognition of service beyond 30 years had been considered by the Advisory Committee to be a matter of equity (A/10335, para. 7). The minor improvement in early retirement benefits for participants retiring after 30 years of contributory service was proposed merely to keep up with the provisions of national civil service retirement schemes. With respect to the improvement in deferred retirement benefits, the proposed change would merely correct an anomaly or oversight created when early retirement benefits had been improved for participants retiring after 25 years of contributory service without making a similar change for participants retiring after 25 years of service but before age 55.

31. With regard to the reasons for keeping the administrative expenses of the Fund separate from its investment expenses, he said that the Pension Review Group in a report to the General Assembly in 1960 (A/4427) had recommended that the practice of charging investment costs against investment yields was reasonable but that administrative expenses should be either borne directly by the budgets of the participating organizations or charged against the Fund itself.

32. The representative of the United States had sought clarification regarding a proposed amendment to administrative rule J.2 (c) (A/33/9, annex VIII). The purpose of that amendment was not to introduce a new protective measure for participants separating after less than five years of contributory service; such participants would not receive any more protection under the amended rule than they had under the existing rule. The sole purpose of the change was to eliminate the additional protection provided through the use of United Nations operational rates of exchange as an alternative to the commercial rates. That arrangement, which had been intended essentially for those entitled to periodic benefits, was no longer deemed necessary in the light of the new adjustment system. No profit to the participants could result from the proposed amendment.

33. The representative of the United States had also sought his (Mr. Okeyo's) understanding of the effect of the amendment proposed by the Federal Republic of Germany (A/C.5/33/L.16). According to his interpretation, in the case of beneficiaries whose entitlements had begun during the calendar year 1978, the initial pension payable on 1 January 1979, through the application of the transitional measures affecting all existing pensioners on 31 December 1978, would be no less in local currency than it would have been had the entitlement begun on 1 January 1978, based on the participant's period of contributory service on his actual date of separation; no retroactive adjustment would be applied to pension payments made before 1 January 1979. He sought confirmation from the representative of the Federal Republic of Germany as to whether his understanding was correct. The omission of such a provision from the Board's proposal could be explained in terms of the Board's attempt to adhere to previously established principles with regard to the non-retroactive nature of pension adjustment schemes stressed in

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(Mr. Okeyo)

earlier reports of the Advisory Committee. It had also been felt that, as in the past, no one should benefit at one and the same time from provisions intended as transitional measures for existing pensioners and from measures intended for future pensioners only. Otherwise a precedent might be established for setting up a special class of pensioners every time future changes were made in the benefit system, namely, those pensioners retiring in the year preceding the change.

34. Lastly, the United States representative had asked whether the Pension Fund would need to hire additional staff or incur overtime expenses if the amendment in document A/C.5/33/L.16 was adopted. Implementation of the amendment, if his interpretation of it was correct, would require the examination of all periodic benefits which had commenced in 1978 - about 2,000 in number - in order to compare the entitlements of such beneficiaries on 1 January 1979 with the new minimum guarantee. The increased workload would necessitate additional expenditure of approximately $56,000 in 1979, which could be absorbed if the Board's estimate of administrative expenses in 1979 was approved unchanged, without the reduction recommended by the Advisory Committee.

35. Mr. DEBATIN (Assistant Secretary-General for Financial Services, Controller) said that, in view of the vital interest which the Committee took in the question of the Pension Fund's investments, it would be useful to review the framework within which decisions concerning the assets of the Pension Fund were made.

36. The Regulations of the Fund spelled out the scope and purposes of the Fund and provided a concise statement of investment policy. Article 4 of the Regulations stipulated that the assets of the Fund were to be used solely for the purpose of providing benefits to participants, while article 18 specified that the assets of the Fund should be held in the name of the United Nations and kept separate from the other assets of the Organization. Investment decisions were to be made by the Secretary-General, after consultation with the Investments Committee and in the light of the views of the Pension Board. The statements of principle contained in the Regulations indicated clearly the limits imposed on the Secretary-General in that respect; he was duty-bound to ensure that investments were made with a view to obtaining maximum returns.

37. The General Assembly in a landmark decision had spelled out the criteria to be followed in making investment decisions, namely, safety, profitability, liquidity and convertibility. Those criteria reflected the recognition that the purpose of the Fund was to provide a secure and sound basis for guaranteeing present and future pensions.

38. Diversification had become a feature of the Fund's investment policy in recent years, reflecting the international nature of the Fund. The Fund had

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(Mr. Debatin)

diversified in terms of the composition of its portfolio, the currencies in which investments were made and the regions in which it invested.

39. As to the composition of the Fund's portfolio, assets were invested in equities (shares of companies) and bonds. The latter provided for fixed-interest income, and by careful observation of the market, the Secretary-General was constantly endeavouring to obtain higher yields. In view of past and current market trends, the Fund had increased its investments in bonds, which currently accounted for almost 40 per cent of the total portfolio. Equities, on the other hand, provided greater protection against inflation than bonds, and although the stock market had been sluggish in recent years, investment in equities continued to be an indispensable pillar of the Fund's investment policy.

40. The question had been raised as to whether the Fund should invest some of its assets in gold. In that connexion, he stressed that gold did not produce a current return. The Secretary-General could, of course, have invested in shares of gold mining companies, but as most of those companies were situated in South Africa, he had eschewed such investments, for obvious reasons. In 1973 the French Government had introduced a 7 per cent State bond indexed to gold, which provided an opportunity for the Fund to participate, to some extent, in the gold market. Accordingly, in June 1978 the Fund had decided to purchase $3.26 million of such bonds, a decision which was proving highly profitable.

41. With respect to diversification of currencies, three years earlier, 80 per cent of the Fund's assets had been in United States dollars; and today 35 per cent of its investments were in currencies other than the dollar. Thanks to that deliberate policy, the Fund had been spared substantial losses resulting from changes in currency relations. There were those who thought that the Fund might have done even better if all its assets had been invested in one of the currencies which had recently appreciated substantially, vis-à-vis the dollar. Such a policy would be unwise and irresponsible. The Fund could not engage in speculation of any kind; rather it had to pursue the long-term objective of guaranteeing a safe and secure financial basis for future pensions. Accordingly, the Fund had endeavoured to steer a safe middle course in its efforts to diversify the currencies in which its assets were invested.

42. With regard to the geographical diversification of investments, whereas in 1960 99 per cent of the Fund's assets had been invested in the United States, as at 30 September 1978 that proportion had declined to 40 per cent. Geographical diversification should not, however, be confused with diversification of currencies; a total of $342 million in investments outside the United States was denominated in United States dollars.

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(Mr. Debatin)

43. Development-related investments had been increased during the 12-month periods ending 30 June 1977 and 30 June 1978, in the latter case by 33 per cent. It was true that investments in developing countries accounted for only 11.4 per cent of total assets; but it should be borne in mind that the Fund's diversification policy was limited by the fact that it must rely on new resources, to increase the proportion of development-related investments in its portfolio. Thus, in the year ending 30 June 1978 the Fund had made long-term investments of $111 million and of that amount a relatively high proportion (38 per cent) had been invested in developing countries. As a result, almost one third of the Fund's bond portfolio was currently invested in development-related issues, particularly bonds of three large development institutions - the World Bank, the Asian Development Bank and the Inter-American Development Bank.

44. It had been said that not enough had been done to increase direct investment in developing countries. In a single year, however, such investments had risen from $18 million to $43 million, representing more than a doubling of existing investments. Investment entailed a tremendous degree of risk, and decisions could be made only on the basis of a careful analysis of future market trends. The Fifth Committee should be mindful of that fact and should not seek to impose new directions on an investment policy which had over the past two years demonstrated its success.

45. With regard to active investment management, the Fund had carried out substantial swapping transactions, resulting in profits of $4 million in 1977. To date in 1978, a profit of $13 million had been made as a result of swapping transactions.

46. The representative of Romania had asked a question regarding the quality of the Fund's investments. He assured the Committee that the Board of Auditors had complete access to the books of the Pension Fund and had carefully scrutinized the quality of its assets. That representative had also asked a question regarding the information certified correct by the Controller in statement I of annex I to the report of the Pension Board (A/33/9). In that connexion, he emphasized that the responsibility of the Office of the Controller was limited to the cash balances and investments of the Fund only. The Pension Fund secretariat was responsible for accounts relating to benefits payable and the Secretary of the Board was responsible for certifying the correctness of those accounts.

47. The representative of the Soviet Union had observed that investments in the shares of United States companies had declined substantially in value. It should be recalled that the accounts of the Pension Fund reflected profit and loss in market value as well as on sales. Despite the loss in market value of investments in United States equities, such investments were currently yielding income of 9.5 per cent.

48. Lastly, with regard to the Soviet representative's question regarding the implementation of the recommendations of the Board of Auditors, he indicated that a separation of controlling functions had been instituted in the Office of the Controller, improvements had been made in audit procedures, and steps had been taken to computerize the investment programme of the Fund in order to ensure comprehensive and full control of all assets.

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49. Mr. SCHMIDT (Federal Republic of Germany) announced that the United Kingdom had become a sponsor of the amendment submitted by his delegation (A/C.5/33/L.16). The Chairman of the Pension Board had correctly understood the intention of the amendment: payments were to be made only from 1979 onwards, not retroactively.

50. Mr. GARRIDO (Philippines) asked for a precise estimate of the additional expenditure which the amendment would involve. His delegation agreed with the Chairman of the Pension Board that the establishment of a special class of pensioners would be undesirable, but it also agreed with the Federal Republic of Germany regarding the interpretation of the draft resolution as currently drafted. He would like to have more information on the terms on which benefits would be awarded to pensioners.

51. Mr. KEMAL (Pakistan) noted that the Pension Board's failure to take into account the effects of the new scheme upon staff members retiring in 1978 had evidently been deliberate. The amendment proposed by the Federal Republic of Germany therefore represented an addition to what the Pension Board had envisaged, rather than the simple correction of an oversight.

52. The proposal in document A/C.5/33/L.16 contained a retroactive element in that payments would be made to pensioners who had retired in 1978. He wished to have information on how the new scheme would affect those who had retired in 1978 without the change proposed by the Federal Republic of Germany; that information should include the worst possible case, namely, one in which currency exchange rates were such as to cause maximum loss in the value of the benefit. Similar information should also be supplied with regard to staff members who had retired in 1977 and earlier, for it was possible that they might suffer still greater hardship. Unless the departure from principle represented by the amendment achieved the objectives of equity and fairness, his delegation could not support it.

53. Mr. SADDLER (United States of America) drew attention to the fact that his delegation had asked three questions in connexion with the draft resolution before the Committee. One had been answered by the Chairman of the Pension Board, but his delegation would require answers to the other two questions before it could take part in any vote on the matter.

54. Mr. STUART (United Kingdom) maintained that it was no more illogical to distinguish between two groups of existing pensioners than it was to distinguish between present and future pensioners, as the representative of Pakistan apparently preferred to do. The United Kingdom believed that, since the "floor" for pension levels was to be established on the basis of values obtaining on 1 January 1978, all pensioners who had retired since that date should benefit by the provision, and it had therefore become a sponsor of the draft amendment submitted by the Federal Republic of Germany.

55. The Pension Board had estimated that the new scheme would result in a saving of actuarial value of about $6 million. The estimated cost of the provision suggested in the amendment was between $1 million and $2 million; which meant that, if the amendment was adopted, the cost of the new scheme would be some $4 million or $5 million below that of the existing pension adjustment scheme.

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56. Mr. WILLIAMS (Panama) asked how nationals of Latin American countries retiring before 1979 would be affected by the new scheme.

57. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), speaking with reference to the amendment of the Federal Republic of Germany, stated that he had requested information from the Secretariat and that, as he had not yet received that information, he would answer the questions raised by the delegation of the United States at the following meeting.

58. Mr. SAFRONCHUK (Union of Soviet Socialist Republics), speaking on a point of order, observed that it was the Controller's job to answer questions raised by delegations concerning the financial and administrative implications of any proposal. The Chairman of ACABQ should then comment upon the answers provided by the Controller.

59. Mr. PAEZ ESPITIA (Colombia) said that owing to the depreciation of the dollar United Nations pensioners who had retired some years ago could no longer maintain their standard of living. He therefore supported the draft resolution before the Committee.

60. The CHAIRMAN suggested that the Committee should defer further consideration of the item until the additional information requested by delegations was available.

61. It was so decided.

62. The CHAIRMAN invited the Committee to consider the draft resolution submitted by Cuba in document A/C.5/33/L.22.

63. Mr. SADDLER (United States of America) said that the Cuban draft resolution on investments by the United Nations Joint Staff Pension Fund in transnational corporations and in developing countries was somewhat similar to previous resolutions approved at the thirty-first and thirty-second sessions. However, operative paragraph 1 contained a new element; there was no provision in General Assembly resolutions 31/197 and 32/73 A requesting the Secretary-General to reinvest in developing countries Pension Fund assets held in transnational corporations. The United States delegation considered that the Secretary-General was entrusted with the task of investing the assets of the Pension Fund, after consultation with the Investments Committee, in whatever way he believed would be advantageous to the Fund's financial operations. It did not believe that the General Assembly should place any limitations on the Secretary-General's ability to invest in sound, safe and profitable investments. If the Secretary-General wished to invest in transnational corporations he should have full freedom to do so, and there should be no restrictions on where the Pension Fund assets were invested so long as the criteria of safety, profitability, liquidity and convertibility were applied. He hoped that the representative of Cuba would amend the language of operative paragraph 1 concerning the reinvestment of Pension Fund assets in transnational corporations, not only in the interests of accuracy, but also in the interests of the Pension Fund.

64. Mr. STUART (United Kingdom) said that his delegation wished to emphasize its deep misgivings and reservations concerning the implications of the Cuban draft resolution in document A/C.5/33/L.22. The Secretary-General alone was responsible for the management of the investments of the United Nations Joint Staff Pension Fund. As sole manager of the Fund, he had a fiduciary responsibility to the participants and beneficiaries. That responsibility was to maximize the profits of the Fund in the interests of the beneficiaries. In the exercise of that responsibility the Secretary-General had the entire confidence and support of the delegation of the United Kingdom. Moreover, he would in fact be in breach of trust if he yielded to pressure from any quarter to put the interests of the beneficiaries below any other consideration. His delegation noted that draft resolution A/C.5/33/L.22 requested the Secretary-General in operative paragraph 1 to redouble his efforts to switch investments from transnational corporations to developing countries "to the greatest extent practicable and on safe and profitable terms". It had been argued that that proviso made everything all right, since it would ensure that the interests of the pensioners and the interests of developing countries were reconciled.

65. The time had come to speak bluntly. The Secretary-General had stated in his report (A/C.5/33/7) that he had done all he could in 1978 to invest resources of the Fund in stocks and bonds in developing countries on safe and profitable terms without lowering the quality of the investments of the Fund. What he had achieved not only was considerable; it was also implicitly the limit of what could be achieved at present without breach of trust. And the Secretary-General had made it clear that he was constantly on the look-out for opportunities to respond to the wishes of the General Assembly. Therefore no further resolution on the subject was necessary. The question therefore necessarily arose whether the sponsor of the draft resolution understood the grave implications of its proposals.

66. If the draft resolution was approved, the United Kingdom delegation would give the closest attention to the Secretary-General's report at the thirty-fourth session, with a view to ensuring that it contained no evidence of a lowering of the quality of the investments of the Fund as a result of a misguided attempt to respond to the draft resolution.

67. Mr. AKASHI (Japan) said that his delegation already supported investment of Pension Fund assets in developing countries, within the limits of the four criteria of safety, profitability, liquidity and convertibility. It had opposed investments in South Africa and in all areas where there were régimes that had defied resolutions adopted by the General Assembly or the Security Council. Those resolutions must be adhered to very strictly.

68. But Japan had noted in the Secretary-General's report (A/C.5/33/7) that considerable progress had been made in investing Pension Fund assets in developing countries, and looked forward to further progress along those lines. Japan believed that investments in transnational corporations were not only permissible, but should even be promoted, in view of the need emphasized by a number of delegations for substantial hedges against currency fluctuations. He accordingly failed to see the need to add to the existing resolutions on the investment of Pension Fund assets, and his delegation would accordingly abstain from voting on the draft resolution in A/C.5/33/L.22

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69. Mr. ANDERSSON (Sweden) said that his delegation had no objection in principle to investment of Pension Fund assets in developing countries, and indeed was in favour of such investments. But it did not wish to restrict the authority and responsibility of the Secretary-General to invest Pension Fund assets according to the four paramount principles of safety, profitability, liquidity and convertibility. Sweden would accordingly abstain from voting on the draft resolution.

70. Mr. KHAMIS (Algeria) said that his delegation supported the draft resolution and could find nothing objectionable in it. It referred to two previous resolutions adopted in 1976 and 1977. Operative paragraph 1 of General Assembly resolution 31/197, asked the Secretary-General to ensure that Pension Fund assets in transnational corporations should be invested in assets in the developing countries. Operative paragraph 1 of the present draft resolution made the same request. He agreed with the representative of Cuba that, although the Secretary-General had made some efforts in that direction, further efforts to implement the resolution were required. That did not represent any attempt to interfere with the prerogatives of the Secretary-General, since the General Assembly was competent to express wishes on the subject and to ask the Secretary-General to go in the direction of the wishes of the majority. The Secretary-General could be asked to study the question and make increased efforts to invest funds in developing countries.

71. It appeared to his delegation, on reading the Secretary-General's report in document A/C.5/33/7, that there was a contradiction between paragraph 7, referring to investments of $2.7 million in national banks in Algeria, and the figures given in annex III of the same document.

72. Mr. PAEZ ESPITIA (Colombia) said his delegation supported increased investment by the Pension Fund in developing countries.

73. Mr. SIERLA (Finland) said that for the reasons given by the representative of Sweden his delegation would abstain from voting on the draft resolution.

74. Mr. GOLOVKO (Ukrainian Soviet Socialist Republic) said that his delegation considered that assets now invested in transnational corporations should as far as possible be invested in the developing countries, in accordance with the wishes already expressed by the General Assembly, as indicated in the preambular paragraphs of draft resolution A/C.5/33/L.22. He believed that the General Assembly had intended that process to continue. It was mere prejudice to maintain that there were no safe investments in developing countries. Already Pension Fund assets had been invested in those countries on favourable terms, and the Controller had expressed satisfaction concerning those investments. He considered the draft resolution to be very moderate in tone. It merely asked the Secretary-General to redouble his efforts to invest funds in developing countries; there was no categorical formulation indicating that the investment should be in all developing countries. He was merely asked to examine the existing situation, and the draft resolution provided a basis for continuing the efforts he had already undertaken. It was a balanced draft resolution and a valuable contribution towards investment of Pension Fund assets in accordance with the principles of safety, profitability, liquidity and convertibility.

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75. Mr. PEDERSEN (Canada) said he supported diversity of investments by the Pension Fund, including investments in developing countries. However, Canada believed that the authority of the Secretary-General should not be restricted in such a way as to risk undermining the four principles of safety, profitability, convertibility and liquidity. His delegation would accordingly abstain from voting on the draft resolution.

76. Mr. DEBATIN (Assistant Secretary-General for Financial Services, Controller) said he wished first to reply to the question raised by the representative of Algeria. In the Secretary-General's report (A/C.5/33/7) annex III referred to the situation on 30 June 1978, whereas paragraph 7 of the text related to the situation that had obtained on 20 September 1978. Between the two dates additional investments in Algeria had been made.

77. Turning to the Cuban resolution in document A/C.5/33/L.22, he said he wished to emphasize the difficulties to which it would give rise. In the first place, he felt obliged to state that the second preambular paragraph did not repeat the terms of General Assembly resolution 32/73 A, since it omitted any reference to the four requirements of safety, profitability, liquidity and convertibility and also failed to mention the need for strict conformity with the Regulations of the United Nations Joint Staff Pension Fund. In the second place, although operative paragraph 1 referred to General Assembly resolutions 31/197 and 32/73 A, it bore little similarity to any provision contained in those resolutions. In resolution 31/197 the Secretary-General was requested to ensure that the resources which the United Nations Joint Staff Pension Fund held invested in shares of transnational corporations were invested on safe and profitable terms and, to the greatest extent practicable, in sound investments in developing countries. That wording represented two requests: the first was to ascertain that existing investments in transnational corporations were safe and profitable, and the second was that, to the greatest extent practicable, assets should be invested in developing countries. That had been done. In resolution 32/73 A the Secretary-General had been requested, subject to careful observance of the requirements of safety, profitability, liquidity and convertibility, and in strict conformity with the Regulations of the United Nations Joint Staff Pension Fund, to ensure that a larger proportion of the investment of the resources of the Fund was made in developing countries. That also had been done.

78. The present resolution proposed something different, since it asked the Secretary-General to redouble his efforts to ensure that the resources which the United Nations Joint Staff Pension Fund held invested in shares of transnational corporations were reinvested. That request could not be implemented without incurring great losses, since it meant taking funds amounting to $700 million out of transnational corporations and investing them in developing countries. Moreover, it was not in line with the basic mandate embodied in the Regulations of the Fund, which required the Fund's assets to be invested profitably in the light of an investment policy based on the advice of the Joint Staff Pension Board and the Investments Committee.

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(Mr. Debatin)

79. He had a duty to point out to the Committee that adoption of the draft resolution would give rise to major practical and legal difficulties.

80. Mr. SCHMIDT (Federal Republic of Germany), speaking on behalf of the nine countries of the European Economic Community, expressed regret at the yearly appearance of a draft resolution on investments in transnational corporations and developing countries. There had been varying formulations, pressing the point that investments in transnational corporations should be avoided if possible in favour of investments in developing countries. The repetition of that false alternative represented an effort to slow the investment programme of the Joint Staff Pension Fund in a manner that the EEC countries did not consider as being in line with the statutory objectives of the Fund to safeguard and increase the financial means available for pension benefits. The EEC countries had said in the past, and wished to reiterate now, that their Governments would like to seize every opportunity to assist the development of the developing countries by all means available. The EEC countries had often stated that investments in the developing countries were by no means contrary to the objectives of the Fund, so long as those investments were subordinated to those objectives. The partial and one-sided statement in draft resolution A/C.5/33/L.22 was more harmful than helpful, and the EEC countries accordingly could not support it and would abstain from voting.

81. Mr. KEMAL (Pakistan) said that in the past his delegation had supported the idea of investment in developing countries, and it would continue to support any reasonable resolution advocating that policy. However, the last preambular paragraph of the Cuban draft resolution did not accurately reflect the present situation, since it gave the impression that little or no progress had been made in 1978, whereas there had been measurable progress. The investments in transnational corporations had declined in absolute figures from $772 million to $745 million and in relative terms from 61 per cent to 52 per cent of the total portfolio.

82. The same preambular paragraph referred to investments in developing countries of "only just over $43 million". That statement obscured the fact that the increase in those investments, namely from $18 million to $43 million, had been considerable. In general he supported the draft resolution, and the proposal that the Secretary-General should continue the policy advocated by the General Assembly, with due regard for the four principles of safety, profitability, liquidity and convertibility. But he thought that it would be fairer, in recognition of the efforts the Secretary-General had made to increase investments in developing countries, to amend the last clause of the preamble to read: "while investments made directly in developing countries in bonds amounted to just over $43 million on 30 June 1978".

83. Mr. SADDLER (United States of America) proposed the adjournment of the meeting in accordance with rule 76 of the rules of procedure.

84. The CHAIRMAN invited the Committee to vote on the motion to adjourn the meeting.

85. *The motion was adopted by 50 votes to 17, with 21 abstentions.*

The meeting rose at 6 p.m.