United Nations

A/C.5/53/SR.18

General Assembly
Fifty-third session

Official Records

Distr.: General
19 November 1998

Original: English

Fifth Committee

Summary record of the 18th meeting
Held at Headquarters, New York, on Monday, 2 November 1998, at 3 p.m.

Chairman: Mr. Armitage (Vice-Chairman) .... (Australia)
later: Mr. Abelian (Chairman) .... (Armenia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

Contents

98-82075 (E)

In the absence of Mr. Abelian (Armenia), Mr. Armitage (Australia), Vice-Chairman, took the Chair.

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

Agenda item 145: Review of the implementation of General Assembly resolution 48/218 B (*continued*)

1. **Mr. Repasch** (United States of America) said that, since its creation four years previously, the Office of Internal Oversight Services (OIOS) had matured into a valuable and highly productive component of the oversight framework of the United Nations and had provided a full array of oversight functions, including audit, inspection, investigation and evaluation, all aimed at making the Organization's activities more efficient while ensuring that those activities complied with the applicable resolutions, rules and regulations.

2. The succession of annual reports issued by OIOS showed that the Office had developed into a full-service entity which performed valuable functions for the Secretary-General and the General Assembly and helped to nurture the new management culture of efficiency, effectiveness and accountability that was beginning to take hold. As the Secretary-General noted in his report on the activities of OIOS (A/53/428), internal oversight in the United Nations had matured since the Office's inception in 1994, its working methods had become well established and were now part of the management culture of the United Nations, and its reports continued to be an extremely valuable source of reference and guidance in the continuing process of institutional reform.

3. That positive view did not mean, however, that everything was perfect. In retrospect, it would have been preferable if some parts of resolution 48/218 B had been made clearer and thus less subject to interpretation. His delegation believed, moreover, that OIOS and United Nations oversight functions in general would benefit greatly from the ongoing efforts to implement more fully the current rules concerning programme planning, budgeting, monitoring and evaluation. On balance, however, resolution 48/218 B had been implemented well and his delegation applauded the efforts of all those who had been involved.

4. **Ms. Buergo Rodríguez** (Cuba) said that the General Assembly's decision to evaluate and review the functions and reporting procedures of OIOS at the current session had been an essential part of the political negotiations that had led to the establishment of the Office. Justifiable concerns had been expressed over the creation of OIOS, since the resolution had introduced functions such as investigation which were foreign to the Organization.

5. In the years since its creation, OIOS had produced important reports and had helped to improve management in the Organization. Some reports, however, had gone beyond the sphere of the Office's competence and had therefore caused concern to Member States. In the execution of its functions, OIOS should act strictly within its mandate, which had been drawn up as the result of a delicate political balance.

6. In carrying out the evaluation and review called for in resolution 48/218 B, therefore, the General Assembly should decide on such matters as the scope of the operational independence of OIOS, including its terms of reference, and should review the extension of that independence into the area of human resources, pursuant to administrative instruction ST/SGB/273, which did not appear to be consistent with the letter of paragraph 5 of resolution 48/218 B.

7. In addition, the General Assembly should review the reporting procedures of OIOS, taking into account the Office's mandate and the relationship between the Office and United Nations funds and programmes. It would also be useful to reconsider whether such functions as evaluation should continue to be performed by the Office now that the Central Evaluation Unit had been detached from the Office of Programme Planning, Budget and Accounts. The functional relationship and complementarity between OIOS and the newly created Management Policy Office of the Department of Management should also be reviewed.

8. Her delegation would make more specific proposals on the issues she had just raised during the informal consultations.

9. **Mr. Paschke** (Under-Secretary-General for Internal Oversight Services), responding to the points raised by delegations at the previous meeting, said that his Office had circulated a list of all the reports which OIOS had issued since its inception, indicating their status in the Fifth Committee.

10. Responding to the observation by the representative of Canada that the biennial preparation of the report of the Secretary-General on programme performance might be more effectively carried out by another unit within the Secretariat, he recalled that resolution 48/218 B mandated OIOS to assist the Secretary-General in implementing the provisions of article V of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation on monitoring of programme implementation. Programme monitoring was carried out by the individual departments, which reported to OIOS on the progress made towards implementation. The report of the Secretary-General was prepared by OIOS after a thorough and objective review,

including an analysis of the final submissions received from the individual departments. The Office had adequately demonstrated the requisite expertise needed to continue to prepare the report of the Secretary-General and was committed to the improvement of the programme monitoring process.

11. In response to the suggestion that the guidelines for the conduct of the Office's investigations should be updated, he wished to point out that the public manual of the operating procedures of OIOS had been produced in 1996 and therefore did not need to be updated. He also wished to emphasize that the Investigations Section of OIOS was mandated to conduct investigations within the context of a legal administrative system and not a criminal investigation system. In other words, it was a recommendatory body, which did not have the powers of a law enforcement agency. Nevertheless, OIOS was prepared to discuss, during the review process, issues such as the guarantee of the basic rights of the accused and the right to counsel.

12. With regard to the issues raised by the representative of the Syrian Arab Republic, he said that the Office had investigated the United Nations Disengagement Observer Force (UNDOF) and had submitted its report to the relevant programme manager in mid-1996. The report contained evidence that two United Nations staff members had violated the financial and procurement rules of the Organization and OIOS had accordingly recommended that those staff members should be disciplined in accordance with the rules and regulations of the United Nations. The disciplinary hearing had been completed only in October 1998 and, given the need to protect the integrity of the proceedings, it would have been inappropriate for OIOS to have produced a public report on the case at an earlier stage. OIOS would now be in a position to report to the Committee and to brief the Syrian delegation in detail, if it so desired.

13. The Syrian representative had also commented on and requested responses from OIOS on the matter concerning certain forged documents which had imputed to the Secretary-General and his senior managers a position with respect to the activities of the Special Committee on decolonization that was not true. Even before the Investigations Section of OIOS had received the complaint, the Secretary-General had already established a stand-alone Decolonization Unit within the Department of Political Affairs (DPA) and another Decolonization Unit in the Department of General Assembly Affairs and Conference Services (DGAACS) to provide servicing relating to the decolonization programme. To suggest, therefore, that the OIOS investigation, which had been begun in February 1998, had led to the transfer of the Decolonization Unit from DPA to DGAACS was factually incorrect. Moreover, Member States had completed their debates on the question of decolonization in late 1997, in other words, before the start of the investigation. It was therefore again incorrect to suggest that the OIOS investigation had influenced the political process on the question of decolonization or with regard to the provision of resources for the Decolonization Units.

14. As for the suggestion that the findings of OIOS were erroneous and had misrepresented the facts of the case, the investigation had been able to prove that two DPA staff members had created the documents, the contents of which were contrary to the Secretary-General's plan of reform, and had had them issued through official channels. OIOS had not taken the position in its report that Member States could not hold views that were contrary to the Secretary-General's reform plans. Rather, the investigation had focused on the activities of the two staff members who had wilfully acted against the Secretary-General's policy, thereby violating the relevant United Nations rules and regulations and the relevant Articles of the Charter.

15. In response to the request of the representatives of the Islamic Republic of Iran, the Libyan Arab Jamahiriya and the Syrian Arab Republic, his Office had made available for circulation a breakdown of OIOS Professional and General Service staff and their nationalities. Some staff were not subject to geographical distribution, since the list included staff on peacekeeping posts, posts that were specifically funded for mission service or financed under the peacekeeping support account, General Service and temporary staff, and staff serving in bodies with special status in matters of appointment. Since its creation, OIOS had increased its range of geographical distribution from 21 to 31 countries, and it no longer had any gratis personnel.

16. On the issue of cooperation between OIOS and other oversight bodies, he wished to assure the representative of the Islamic Republic of Iran that OIOS and the Board of Auditors held regular coordination meetings every two months to adjust their programmes of work and to exchange current information. OIOS and the Joint Inspection Unit also conducted a regular though less structured dialogue. The second tripartite meeting of the oversight bodies was due to be held in New York on 3 November.

17. Concerning the follow-up to its recommendations, OIOS procedures required that every finding should be discussed with management during the audit, evaluation and inspection stages. Recommendations were either formulated together with managers or submitted to managers at an early stage to see whether they were inclined to accept and implement them. OIOS reported to the Secretary-General on

a semi-annual basis on the status of implementation of its recommendations, and for that purpose it maintained a computerized compliance monitoring database of all its recommendations issued since 1994. The database was updated twice yearly, when the managers concerned were invited to verify the data until implementation had been completed.

18. **Mr. Moktefi** (Algeria) said that, despite the positive work done by OIOS, certain problems still existed with regard to the implementation of General Assembly resolution 48/218 B. The most recent programme performance report prepared by OIOS had failed to provide responses to certain questions and had shown the limits of the Office's competence, since it had been unable to provide answers to questions that came under the purview of other departments. The question therefore was to what extent other departments were involved in the preparation of programme performance reports.

19. His delegation would welcome specific responses to the questions which it had posed earlier, namely, how OIOS had succeeded in achieving such a high rate of implementation of its recommendations in such a short period of time; how managers had been able to adapt so quickly to the Office; what the Office's perception was of the General Assembly's attitude towards OIOS and its reports to the Assembly; and whether the concept on which the creation of OIOS was based had assumed new dimensions during the previous four years or had remained unchanged.

20. **Mr. Sulaiman** (Syrian Arab Republic) said that he had several comments to make with reference to the clarifications offered by the Under-Secretary-General for Internal Oversight Services. In the first place, his delegation had requested a list not of the names of the staff but of their nationalities from the establishment of the Office up to the present time, since the current review process required an assessment to be made of the past.

21. With respect to the United Nations Disengagement Observer Force (UNDOF), he said that what called for an explanation was the fact that a relatively long time had elapsed since mid-1996 without any statement being made on developments with respect to UNDOF. His question concerned the recommendations that had been made in that connection and he hoped that those recommendations would be included in the next internal oversight report.

22. His third comment concerned the Decolonization Unit. He noted that most of the details provided by Mr. Paschke concerned matters on which he had not requested clarification. What he had asked was how the internal oversight report had come to the conclusion that his country had been prompted, under the influence of certain officials, to speak about the Decolonization Unit.

23. **Mr. Paschke** (Under-Secretary-General for Internal Oversight Services) said he objected strongly to the assertion by the representative of Algeria that OIOS representatives had shown a lack of professional competence during earlier discussions in the Fifth Committee on the programme performance report. The questions should perhaps have been asked of management representatives, as the programme performance report concerned data and information reflecting management action. He took note of the Algerian delegation's desire for an analysis by OIOS of the Organization's ability to change and of the high rate of implementation of its recommendations. One reason for that high rate was that the recommendations had been precise, realistic and well-measured; also, they had been developed in close cooperation with management, which in most cases had not felt it was under undue stress to respond positively to the recommendations, but rather had understood the usefulness of the recommendations for management itself. In addition, OIOS followed up on its recommendations to ensure that they were implemented.

24. The Algerian representative's question about the reaction of OIOS to formal support from the General Assembly on the Office's reporting should be answered by the Fifth Committee, whose interest in the work, findings and recommendations of OIOS was a direct function of the seriousness with which managers viewed the Office's work and their willingness to implement its recommendations swiftly.

25. Replying to the Syrian representative, he said that he had already endeavoured to explain the role of OIOS management in the investigation in question; he had not commented on statements by the representatives of certain Member States or intervened in their positions on the Decolonization Unit. It had been necessary to spell out the causes of the investigation in order to underline that non-intervention.

26. **Mr. Moktefi** (Algeria) said that his remarks had perhaps been mistranslated; OIOS had acknowledged during informal consultations that it could respond only in a limited fashion, but he had never said that its representatives lacked professional competence. With regard to consideration of the reports on the implementation of General Assembly resolution 48/218 B, it was clear that OIOS lacked information that originated with other bodies, whose responsibility it was to provide that information. As for Secretariat practices, his delegation had stated that the implementation reports should indicate more clearly what those other bodies were. It was for

the Member States alone to agree among themselves as to how to conduct their review of the implementation of resolution 218 B.

27. **Mr. Sulaiman** (Syrian Arab Republic) said that his delegation had always been supportive of the Decolonization Unit and pointed out that OIOS had exceeded its authority in pronouncing a judgement as to what had motivated any particular State to intervene. The Office had been wrong to interfere in the political positions of States. His country's position in the Fifth Committee with respect to the Decolonization Unit had been the same as it had been in the Fourth Committee and in the Special Committee on decolonization. He denied that his delegation had said that the verifications made by OIOS had led to the transfer of the Decolonization Unit, or that it had raised the subject of the forged documents. The main point of his delegation's statements had been to object strongly and to protest about the insinuation in the OIOS report that his country had become involved at the prompting of Secretariat officials.

Agenda item 165: Joint Inspection Unit (*continued*) (A/51/34, A/52/34, A/51/559 and Corr.1, A/52/206, A/52/267 and A/53/180)

28. **Mr. Atiyanto** (Indonesia) said that his country strongly supported the work of the Joint Inspection Unit (JIU) and was ready to support efforts aimed at facilitating that work. The Unit's work, along with the necessary funding, needed due attention.

Agenda item 120: United Nations common system (A/52/811; A/53/30 and Corr.1; A/C.5/53/27)

29. **Mr. Bel Hadj Amor** (Chairman of the International Civil Service Commission), introducing the report of the International Civil Service Commission (ICSC) (A/53/30 and Corr.1), said the Working Group on the Consultative Process and Working Arrangements of ICSC had met three times in 1998. Another working group was being formed to examine a framework for human resources management and it would begin deliberations early in 1999. As a result of the Commission's deliberations on a draft code of conduct for United Nations staff, the Commission had decided to place the updating of the 1954 Standards of Conduct on its work programme for 1999; it would be working in close consultation with the various organizations on that project.

30. Some members of the Fifth Committee had recently expressed concern that post adjustment increases at the base, New York, were automatic; that the General Assembly had no direct role in their implementation; and that adjustments at the base might be generating automatic increases in post adjustments at all other duty stations. Although that concern seemed to have stemmed partly from a misunderstanding of the way in which the post adjustment system operated, the General Assembly had asked ICSC to consider the elimination of post adjustment at the base. In its current report, the Commission explained that post adjustment increases at the base were confined to New York and were not automatically passed on to other duty stations (A/53/30, para. 134). Most importantly, the General Assembly exercised control over remuneration at the base, and also at other duty stations, through margin management within the defined range. Moreover, by eliminating post adjustment at the base, ICSC would be abdicating its mandated responsibility for operating the system; that might require an amendment to its statute. The Commission had further concluded that the elimination of post adjustment at the base could be accomplished only in the context of a revision of the entire salary system.

31. ICSC still hoped to find a way of improving the net remuneration ratios at the senior management levels, D-1/D-2, where the margin was relatively low. As for the identification of the highest paid national civil service and the total compensation comparison between the United States and German civil services, the Commission felt that it was not opportune to change the comparator to Germany at the present time, given the current state of flux in that country and the reduction of the difference with United States remuneration. Moreover, there was some interest in the use of a basket of comparators, which some ICSC members felt would be more representative and provide greater stability. The issue would be taken up again in the year 2001.

32. In response to a request from the General Assembly that ICSC should examine the possible phasing out of the expatriate element of the margin for staff with long service at one duty station, the Commission decided that a change was not justified, since the relative value of the three elements which served as a basis for the margin could not be quantified, as they varied considerably from one duty station to another and from one individual to another. After an exhaustive two-year study on the feasibility of establishing a single post adjustment index for Geneva reflecting prices of goods and services in that city and other neighbouring areas, the Commission had concluded that, in the light of the technical, legal and administrative complexities, there was currently no benefit to be derived from pursuing the matter further.

33. On the question of whether to leave the current level of hazard pay for internationally recruited staff unchanged or to adjust it, either empirically or against an indicator, the Commission had decided to establish the amount pragmatically and increase it with effect from 1 June 1998.

The amount would be reviewed again in the year 2002. In response to a request from the General Assembly to provide a justification for the supplemental subsistence allowance intended for higher-graded officials, D-1 and above, the Commission had remained persuaded that the supplemental allowance should be retained. It had also found that the establishment of a post allowance and separate maintenance allowance for staff members whose families remained at the home duty station while the staff members were on mission assignment was not currently warranted.

34. In 1998 the Commission had reviewed the language incentive scheme and language allowance for staff in the General Service and related categories at nine organizations and had decided to recommend that both should be discontinued as currently applied and replaced by a non-pensionable bonus. In addition, the bonus should be paid only if the language was actually used in the organization, and retesting or certification as to actual use should take place.

35. System-wide, women accounted for some 30 per cent of the staff, excluding the General Services, according to a comprehensive report on gender balance which ICSC had reviewed in spring 1998. While that figure represented an increase over previous years, the Commission had concluded that if the rate of progress continued at the same pace, fulfilment of the goal of 50/50 parity was still a long way off. The situation with regard to women at the P-5 and higher levels was even less encouraging.

36. One of the major recommendations of the Board of Auditors on the management review of the ICSC secretariat was that the Commission's operational and research activities would be greatly enhanced by the transfer of the data-processing operations into a state-of-the-art integrated management information system. The complete overhaul of current systems would cost an estimated $1.5 to $2 million. A detailed request for those additional resources would be submitted to the General Assembly as part of the ICSC budget for the biennium 2000–2001.

37. **Ms. Butschek** (Austria), speaking on behalf of the European Union and the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, said that the treatment of staff, who were the Organization's most important asset, was of great concern and that the common system was the best means of securing the highest standards of efficiency, competence and integrity, as required by the Charter. The common system promoted coherence and equality of conditions of service, and improved efficiency by obviating the need for each organization to research and administer remuneration arrangements individually. The role of ICSC should therefore be supported and its independence should be retained.

38. Conditions of service in the Organization must measure up to global competition while reflecting the unique nature of the United Nations. The Noblemaire principle was useful in that regard, and consideration should be given to the way it worked and to ways of increasing flexibility, such as the introduction of specialist pay. She concurred with the Commission's decisions as outlined in paragraph 88 of its report, particularly with respect to the maintenance of the current comparator and the conduct of a study on the use of a basket of comparators. She was concerned, however, that the Flemming principle resulted in distortions of the relationship between the pay scales of the Professional and General Service staff at some locations.

39. She agreed with the Commission's proposals concerning a moderate increase in base salary, a revised staff assessment scale and a slight increase in the dependency allowance, as well as those concerning the adjustment of the education grant, recognition of language knowledge and hazard pay. She also concurred with its conclusions on post adjustment matters (A/53/30, para. 153). She welcomed the progress achieved by the Working Group on the Consultative Process and Working Arrangements; in that connection, while the ICSC secretariat should play a more proactive role, the most important consideration was the assurance of the Commission's independence. All the parties concerned should actively pursue ways and means of enhancing dialogue. She welcomed the positive response of the ICSC secretariat to the management review of its work, and would appreciate information on any progress concerning the review of ICSC proposed by the Secretary-General. Lastly, she commended ICSC and the Secretariat on the timely issuance of the Commission's report and their efforts to enhance its user-friendliness.

40. **Mr. Vantsevich** (Belarus) said he was pleased that 12 organizations had accepted the ICSC statute and participated in the common system of salaries and allowances. The current report of ICSC (A/53/30) reflected the Commission's tendency to maintain a balance between the interests of the staff and those of the United Nations system as a whole. The outcome of the Commission's work in relation to parts I and II of General Assembly resolution 52/216 inspired confidence, and he appreciated the Commission's analysis of the recommendations emanating from the review of the work of its secretariat. Both the Commission and the Fifth Committee must make additional efforts to address the problem of inter-grade differentials for Professional staff with a view to preserving the necessary differences between them. A

solution must also be found to the difficulties associated with the need to raise salaries.

41. Pursuant to General Assembly resolution 52/216 G, the Commission had decided to establish a Working Group on Framework for Human Resources Management to propose a framework that would include a set of guiding principles and policies for the common system. Although he welcomed that decision, he regretted that the Working Group's first meeting would not take place until February 1999 and that, consequently, the Commission had not yet prepared the comprehensive report on new approaches to human resources management which it had intended to submit in 1998. He supported the Commission's decisions in connection with its standing mandate to review the status of women in the organizations. The publication of a booklet containing statistics on the subject and the creation of a database on recruitment sources, which should pay special attention to underrepresented countries and countries with economies in transition, would be important steps towards consolidating an equitable approach to the issue of recruitment.

42. Lastly, he was generally satisfied with the Commission's recommendations on specific aspects of the functioning of the United Nations system, and hoped that the Committee would give them careful consideration.

43. **Ms. Losier** (President of the Coordinating Committee for International Staff Unions and Associations of the United Nations System (CCISUA)) said that only strict adherence to the Noblemaire principle would enable the Organization to recruit and, particularly, to retain highly qualified staff. Contractual status was another important consideration, since the extended use of short-term appointments denied many staff members the benefits of leave, pension and medical insurance, while fixed-term appointments prevented staff from obtaining personal credit. She regretted that ICSC, for purely political reasons, had refused to recommend a change of comparator, despite clear evidence that the German civil service was better paid than the current comparator. Since ICSC had failed to live up to its role as an independent technical body, she hoped that the General Assembly would take the initiative in changing the comparator. With respect to the General Service staff, changes in salary survey methodologies had made it difficult to ensure that the best prevailing local rates were used, thereby contravening the Flemming principle.

44. With respect to staff in the field, recent reports had reflected, for the first time, a higher number of casualties among civilians than among military personnel. She welcomed the issuance, by the United Nations Security Coordinator, of a practical handbook for staff in the field. However, despite the clear need for stress counsellors in mission areas, lack of funding remained an obstacle. It was also necessary to address administrative threats to staff in the field, such as the use of limited-duration 300-series contracts with inferior benefits, which tended to exploit the very individuals who risked their lives every day. In view of recent incidents in which government decisions had threatened the contractual status of local staff, the Organization should try to negotiate headquarters agreements that provided the best possible protection for such staff.

45. The scholarship fund established by CCISUA for the children of staff who had lost their lives in the field would soon be launched, as sufficient seed money had finally become available; she hoped that voluntary contributions would be sufficient to sustain the fund into the future. In February 1998, the United Nations Staff Union had sponsored the first Summit on International Security of Staff, at the conclusion of which a number of recommendations had been submitted to the Secretary-General concerning, *inter alia*, the need to ensure consistently and equally the safety and security of all staff, both local and international; the need for the United Nations Security Coordinator to provide easier access to basic information on casualties and detained staff and to include a section on the subject in the Organization's Internet home page; the adoption of a policy to ensure that the contracts of staff members remained in force throughout their mission service; the need for firmness in ensuring that Governments implemented the Convention on the Privileges and Immunities of the United Nations in respect of all United Nations staff, including local recruits; and the establishment, by the Administrative Committee on Coordination, of a technological working group to set a common United Nations technological standard for emergency equipment and inter-agency protocol. CCISUA was pleased that only one more signatory was required for the Convention on the Safety of United Nations and Associated Personnel to enter into force, and urged all Member States to sign and ratify the Convention and to contribute to the trust fund established for training.

46. CCISUA had participated, in good faith, in the ICSC Working Group on the Consultative Process and Working Arrangements, and was generally satisfied with the Working Group's recommendations. However, in adopting the Working Group's report, ICSC had failed to uphold the constructive spirit that had prevailed in the Group, especially with respect to the appointment of Commission members and the roles of the Executive Secretary and the secretariat. There was a need for a fundamental reform of the Commission; its functioning was profoundly flawed and it no longer acted as a body of independent technical experts, but had become increasingly politicized. CCISUA strongly supported the

Secretary-General's recommendation that a review of ICSC should be undertaken, and welcomed the proposal to establish a review group to consider the mandate, membership and functioning of ICSC. The review group should consider the composition of the Commission and the qualification and technical expertise of its members.

47. ICSC had an important role to play in the common system, but must introduce meaningful changes in order to be able to play that role. CCISUA stood ready to participate in, and provide input to, the review group. The staff of the common system were fully committed to the Organization's goals, and supported efficiency, transparency and equity. She hoped that the decisions taken at the current session of the General Assembly would enable the staff organizations to resume their full participation in the establishment and review of conditions of service in the common-system organizations.

48. **Ms. Eldon** (President of the Federation of International Civil Servants' Associations (FICSA)) said that she shared the Secretary-General's view that reform required partnership among Member States, management and staff. FICSA reaffirmed its commitment to making a constructive contribution to the reform process. For the past six years, it had not participated in the ICSC consultative process on conditions of service and human resources issues because it felt that there was a need for reform of the Commission. Not only the staff, but also the administrations of the specialized agencies, had voiced concerns about the Commission. However, FICSA was not inflexible, as shown by its recent participation in the Commission's Working Group on the Consultative Process and Working Arrangements and by its agreement to amend rules and procedures instead of abolishing the Commission and replacing it with another body, as it had originally advocated.

49. Since the Commission could not pass judgement on itself, a number of issues relating to its reform, including the process of selecting and electing its members, must be addressed by Member States. Proposals in that area were contained in appendix V of the report of the Working Group on the Consultative Process and Working Arrangements, which appeared as annex II to the ICSC report. Although FICSA felt that the Commission's 25-year-old statute should be reviewed, the proposals put forward included measures that could be adopted without any statutory changes. Specifically, the proposals were aimed at strengthening the statutory requirements for membership of ICSC through the definition of a set of basic competencies essential to such a body, to be used as criteria for the selection of candidates. As a means of enhancing the consultative nature of the selection process, nominations should be sought from the parties concerned – Member States, administrations and staff – or a mechanism should be established to allow each party to provide more meaningful input, without prejudice to the prerogative of Member States to make the final determination as to the appointment of members of the Commission. She hoped that those proposals would be given due consideration at the current session.

50. FICSA had reservations about the Commission's recommendation (A/53/30, paras. 207 and 208) that the existing schemes for the recognition of language knowledge, which were working well, should be replaced with a lump-sum non-pensionable bonus payable only if the language was actually used. That scheme would reduce the existing incentive to staff to increase their knowledge of languages. Instead of promoting cultural diversity, it would represent simply a cheaper way of recognizing an essential skill, and would work against staff members whose mother tongue was not an official language of the United Nations. It would not help to create a flexible workforce or to achieve a better balance among the working languages in the recruitment of staff. Moreover, it would be legally contested, since it would involve the withdrawal of an acquired right. Any effort to strengthen multiculturalism in the Organization should build on existing systems that were working well and should emphasize training and career development.

51. The deterioration in compliance with the rules of international law in conflict situations made it necessary to change the United Nations Field Security Handbook, which currently offered different degrees of protection to internationally and locally recruited staff. An independent study had confirmed the illegality of that distinction. She encouraged Member States which had not already done so to ratify the Convention on the Safety of United Nations and Associated Personnel.

52. Despite the Secretary-General's repeated assurances that reform was not synonymous with budget and staff cuts, conditions of service continued to deteriorate. The Noblemaire and Flemming principles must be respected and applied as originally conceived. With respect to the proposed Code of Conduct, the staff appreciated the action taken by the General Assembly at its preceding session, since it had responded in part to the staff's concerns. She trusted that the revision of the 1954 Standards of Conduct would fully respect basic international labour standards.

53. Change should not be an end in itself, but should introduce real improvements while respecting the principles and the international character of the United Nations system. Delegation of authority, flexibility and streamlining should not lead to a loss of transparency or of the controls necessary to ensure equality of treatment and to safeguard the

Organization's image. She hoped that Member States would accept the Federation's proposal regarding an informal question-and-answer session between representatives of Member States and staff regarding the issues under consideration.

54. *Mr. Abelian (Armenia) took the Chair.*

Agenda item 121: United Nations pension system (A/53/9 and A/53/511; A/C.5/53/18)

55. **Mr. Goethel** (Chairman of the United Nations Joint Staff Pension Board), introducing the report of the United Nations Joint Staff Pension Board on its forty-eighth session (A/53/9), said that the length of the report was due to the biennialization of consideration of the pension system and to the Board's extensive review of the long-term administrative arrangements of the United Nations Joint Staff Pension Fund. The Board, which administered the Fund, was the only subsidiary organ of the General Assembly with a tripartite composition, consisting of equal representation of governing bodies, executive heads and participants from the 20 member organizations.

56. The Pension Board had taken note of the report of the Board of Auditors, which had recognized that the Fund's operations were carried out satisfactorily. The Pension Board attached considerable importance to the audit arrangements of the Fund, which served more than 110,000 participants and beneficiaries in a global pension system that paid out more than $78 million in 26 currencies each month.

57. It was a central responsibility of the Pension Board to monitor the actuarial position of the Fund. Actuarial valuations were normally carried out every two years to determine whether the Fund's present and estimated future assets would be sufficient to meet its liabilities. The results of various valuations, using different sets of assumptions, were set out in paragraph 20 of the report.

58. Under the regular valuation assumptions, the required rate of contribution for actuarial balance would be 23.34 per cent of pensionable remuneration, as against the current contribution rate of 23.7 per cent. Accordingly, as at 31 December 1997 there had been an actuarial surplus of 0.36 per cent of pensionable remuneration, compared with an actuarial deficit of 1.46 per cent of pensionable remuneration as at 31 December 1995. Whether an actuarial deficit would reappear depended upon future economic and demographic developments, particularly with regard to investment returns and exchange rates. A significant portion of the actuarial gain had been attributable to the strengthening of the United States dollar, without which the Fund would probably have remained in actuarial deficit. Nevertheless, the Committee of Actuaries had expressed the view that the present contribution rate of 23.7 per cent remained appropriate and should be retained, pending review on the occasion of the next valuation (A/53/9, para. 31).

59. The participants' representatives had stressed that the 6.5 per cent interest (discount) rate for the lump-sum commutations of periodic benefits constituted a substantial actuarial benefit for the Fund, the financial impact of which was borne solely by the participants. That rate had originally been set by the Board in order to help the Fund's actuarial situation. After extensive debate, the Board had decided to change the rate to 6 per cent, with respect to contributory service performed as from 1 January 2001, subject to a favourable actuarial valuation as at 31 December 1999 (para. 46).

60. At the request of the Federation of Associations of Former International Civil Servants (FAFICS), the Board had decided to recommend to the General Assembly that the threshold for effecting cost-of-living adjustments of pensions in award should be reduced from 3 to 2 per cent, with effect from the adjustment due on 1 April 2001, subject to a favourable actuarial valuation as at 31 December 1999 (para. 339).

61. The Board had requested its Secretary to review all changes made in the pension system since 1983, as part of the measures approved by the General Assembly to redress the past actuarial deficit. The study would be considered by the Standing Committee in 1999, together with the views of the Committee of Actuaries. The Board would consider the Standing Committee's recommendations in 2000, in the light of the results of the actuarial valuation as at 31 December 1999.

62. Operational responsibility for management of the Fund's investments rested with the Secretary-General. In that connection, he drew attention to the Board's review of investment developments (A/53/9, paras. 48-76). The good investment performance over the two-year period ending 31 March 1998 had contributed significantly to the actuarial surplus.

63. With respect to administrative expenses charged directly to the Fund, he recalled that the General Assembly, in resolution 52/222, had approved expenses totalling $50.1 million for the biennium 1998–1999; those expenses consisted of $15.7 million for administrative costs, $33.9 million for investment costs and $0.5 million for audit costs. The investment costs were charged fully against investment income. The review and proposals for future administrative arrangements, including cost-sharing, were to be found in paragraphs 106 to 202 of the report.

64. The Board was proposing revised estimates of $54.2 million for the Fund's budget for the biennium 1998–1999; that figure consisted of $17.1 million in administrative costs, $36.5 million in investment costs and $0.6 million in audit costs.

65. The Board had reached agreement on the delineation of operational and managerial responsibilities for the Fund's activities, in particular on the respective areas of responsibility of the Secretary of the Board and, with respect to investments, of the Secretary-General (paras. 191-193). The Board had also considered the levels of the posts of Chief of the Investments Management Service and of Secretary of the Board (paras. 233-238).

66. There was a pressing need for a new accounting system for the Fund, which was currently at a crucial stage in the implementation of the computerization project initiated in the early 1990s with the objective of streamlining and integrating the Fund's computer systems and applications. A new, highly integrated pension payroll system was now undergoing final testing. The next step would be to introduce a new accounting system to provide integrated reports and facilitate the processing of an ever-increasing client base. It was essential that the new accounting system should be fully operational by July 1999.

67. Regarding the proposed agreement between the Government of the Russian Federation and the Pension Board, to which the General Assembly had given its concurrence in its resolution 51/217, there had been no formal response from the Russian Government until July 1998 as a result of internal difficulties in the Russian Federation. The Russian Government had subsequently extended an invitation to the Fund to send representatives to discuss the proposed agreement. The date of such a visit would depend on the readiness of the Russian Government to pursue a solution to the problems that had arisen. It would be regrettable if the efforts to find a fair solution to the long-standing grievances of former participants in the Fund came to nothing.

68. On the question of entitlements for surviving and former spouses, the Board recommended an amendment to article 45 of the Regulations of the Fund to provide for a payment facility in respect of former spouses (para. 290). Other recommended amendments would provide benefits to surviving divorced spouses, permit beneficiaries who married after separation to purchase a surviving spouse's benefit, and continue the survivor's benefit after remarriage.

69. With regard to the common scale of staff assessment for pensionable remuneration, the Board had taken note of the recommendation of the International Civil Service Commission to retain the current common scale until the next review in 2000, since the level of taxes at the seven headquarters duty stations had showed minimal changes between 1995 and 1997. The Board was concerned that the Commission had not addressed the issue of using retiree, rather than employee, deductions.

70. On the question of the possible withdrawal of the Interim Commission for the International Trade Organization/General Agreement on Tariffs and Trade (ICITO/GATT) from membership in the Fund, the General Council of the World Trade Organization (WTO) had decided on a number of preconditions for authorizing an application for the withdrawal of ICITO/GATT, the principal one being that the proposed system of salaries, pensions and other benefits for an independent WTO secretariat outside the common system should be viable and cost-neutral in aggregate terms over the next five to seven years. The Board had decided to reaffirm its concurrence with the recommendations of the Committee of Actuaries as to the methodology to be used to determine the proportionate share of the Fund's assets when a member organization withdrew and, should ICITO/GATT make a formal application for withdrawal, to convene a meeting of the Committee of Actuaries and a special session of the Board to address the issues involved (para. 354). In October 1998 the WTO General Council had, in fact, decided to authorize the Director-General of WTO to inform the Fund that ICITO/GATT wished to apply for termination of its membership in the Fund, effective 31 December 1998; subject to the conclusion of satisfactory transfer arrangements and to acceptance of its proposed pension plan by the staff, the WTO secretariat would be established on 1 January 1999. Arrangements had been made for meetings of the Committee of Actuaries and of the Board, following a referendum by the WTO staff in November 1998. The Board would submit a report on the matter to the General Assembly so that it could be addressed in the resolution on the pension system to be adopted at the current session.

71. **Mr. Connor** (Under-Secretary-General for Management), introducing the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund for the period from 1 April 1996 to 31 March 1998 (A/C.5/53/18), said that on 31 March 1998 the market value of the Fund's assets had been $20,170 million, compared with $15,539 million on 31 March 1996, an increase of 29.8 per cent. The total investment return for the year to 31 March 1997 had been 8.9 per cent, and 20.4 per cent for the year to 31 March 1998. That represented inflation-adjusted rates of return of 5.9 per cent and 18.9 per cent respectively.

72. The Fund's equity portfolio, with a total return of 27.3 per cent, had contributed most to the Fund's positive return.

The strong performance of the United States equity market, driven by good economic conditions had been a significant factor. European equity markets had also been strong during the biennium, they, too, having benefited from favourable economic conditions. The Japanese economy remained weak and, in July 1997, Asia and the Pacific had entered a period of economic turmoil that had continued to date.

73. Over the biennium, bond yields had fallen in nearly all markets because of low inflation worldwide. The Fund’s bond portfolio had had a return of 3.6 per cent for the year ending 31 March 1997 and 7 per cent for the year ending 31 March 1998. Holdings in United States and United Kingdom bonds had helped the performance of the bond portfolio. Real estate investments had had a return of 8.6 per cent for the year ending 31 March 1997 and 18.9 per cent for the year ending 31 March 1998. Most of those investments were in the United States and had performed very well. Short-term investments and reserves had underperformed all other asset classes because of low short-term interest rates across the globe.

74. He cautioned against focusing on short-term results; investment returns should be looked at over a longer term. Indeed, the management of the Pension Fund sought to maintain a balance between risk and return expectations over the medium to long term, rather than take the risk inherent in very high short-term returns.

75. The need for a long-term perspective was demonstrated by the Fund’s performance over the past, very volatile, six months. The Fund’s total value in March 1998 ($20,170 million) had been similar to that in October 1998 ($20,200 million). However, between July and September there had a been a drop of almost $2 billion, or roughly 10 per cent, which had subsequently been reversed.

76. With regard to the history of the Fund’s rate of return, over the 38-year period for which data were available, the cumulative annualized total rate of return had been 9 per cent, representing an annual real rate of return of 3.8 per cent. Over the past 15 years, the cumulative annualized total return had been 12.9 per cent.

77. The management of the Fund’s investments relied on a broad diversification in terms of currency, types of asset classes and geographical areas as the most reliable method of reducing risk and improving returns. The Fund’s accounts were in United States dollars, so that movements of the dollar affected the return on the Fund’s investments denominated in other currencies. Over the past two years, all currencies had declined against the dollar, and that had produced a negative effect. As movements of currencies against the dollar were not synchronized, geographical diversification enhanced return and reduced risk.

78. It could be misleading to compare the investment returns of different funds because various factors could distort comparisons. The United Nations Joint Staff Pension Fund was unique in terms of its investment policy, its liability profile and, until recently, its investment restrictions. Pursuant to a request by the General Assembly, a benchmark for the Fund had been established in January 1997, consisting of two major indices: the Morgan Stanley Capital International World Index and the Salomon Brothers World Government Bond Index (A/C.5/53/18, para. 33). On the recommendation of the Investments Committee, the Secretary-General had approved a benchmark composed of 60 per cent Morgan Stanley Capital International World Index and 40 per cent Salomon Brothers World Government Bond Index (A/C.5/53/18, para. 33). Experience with the benchmark was still somewhat limited, but for the year ending 31 March 1998 the Fund had underperformed the benchmark by 0.9 per cent, mainly owing to bonds and stock selection. The components of the benchmark were the universe of equities included in the two indices. Over the past 20 years the Morgan Stanley Capital International World Index had had a total annualized return of 14.6 per cent, compared with a total annualized return of 14.1 per cent for the Fund’s total equities, and the Salomon Brothers World Government Bond Index had had an annualized return of 9.9 per cent, compared with an annualized return of 10.9 per cent for the Fund’s bond portfolio.

79. While efforts were made to anticipate the performance of asset classes and to structure the allocation accordingly, it was not easy to be right all the time. With a fund as large as the Joint Staff Pension Fund, it was not possible to allocate everything to the asset class that outperformed all others.

80. He paid a tribute to the members of the Investments Committee for their dedicated service in the management of the Fund’s investments, to which the financial health of the Fund was due in no small measure. As of 1 January 1997, four new advisers had been offered contracts after an extensive worldwide search, and the Fund had benefited greatly from the insight of the highly reputable firms selected, whose staff he wished to commend.

81. In conclusion, he said that the management of the Fund’s investments would continue to be guided by the established criteria of safety, profitability, liquidity and convertibility. While efforts were being made to benefit from the current volatility in the financial markets, the long-term investment strategy and the wide diversification of the Fund’s assets would assist in avoiding undue risk and protect the Fund from large losses.

82. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the Advisory Committee's report on the United Nations pension system (A/53/511), said that the Advisory Committee agreed with the Committee of Actuaries and the Pension Board that the present contribution rate of 23.7 per cent of pensionable remuneration should be retained. No attempt should be made to reduce the present rate of contributions or change any other features unless and until a pattern of surpluses emerged in future valuations (para. 6).

83. The Advisory Committee agreed with the revised expenses for the biennium 1998–1999. The Board and the Committee of Actuaries were of the view that in future the administrative expenses to be included in actuarial valuations should be based on the level of resources required to administer the Fund rather than by establishing a predetermined ratio. ACABQ agreed with that view, on the understanding that the policy of administrative cost restraint would continue and that the actuarial implications would continue to be monitored (para. 22).

84. The Advisory Committee agreed with the proposal that the post of Chief of the Investment Management Service should be reclassified from the D-1 to the D-2 level.

85. With respect to the proposal that the post of Secretary of the Board should be reclassified and that the title of the post should be changed to Chief Executive Officer of the Fund and Executive Secretary of the Board at a level mid-point between D-2 and Assistant Secretary-General, the Advisory Committee regarded the proposed as similar to the proposal made in 1993 to create a D-3 level for a limited number of posts. If approved, there might be repercussions in the form of pressure to move more D-2 posts to the D-3 level. The capacity and imagination of a bureaucracy to exploit any tiny opening should never be underestimated. The difference in monetary terms between the D-2 and Assistant Secretary-General levels was very minor. Accordingly, the Advisory Committee recommended that, taking into account the scope and responsibility of the post, it should be upgraded to the Assistant Secretary-General level.

86. The Advisory Committee also agreed with the proposed change in the title of the post to Chief Executive Officer of the Fund. In view of the fact that the Chief Executive Officer also served as Secretary of the Board, ACABQ recommended an appropriate amendment to article 7 (a) of the regulations of the United Nations Joint Staff Pension Fund.

87. **Ms. Butschek** (Austria), speaking on behalf of the European Union and the associated countries Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, said they concurred with ACABQ that the current surplus in the Fund should be retained and strengthened over a number of years before its redistribution was considered. They supported the intention of the Secretary-General to develop a benchmark for better comparison with other funds on the international level. The European Union welcomed the newly developed regulations for entitlements to survivor's benefits for spouses and former spouses. They were a first step in the right direction, although there was further room for improvement.

88. The level of the post of the Secretary of the Board required special qualification commensurate with the responsibilities; it was therefore a prime candidate for specialist pay.

89. With regard to the decision by the World Trade Organization (WTO) to apply for termination of its membership in the Pension Fund on 31 December 1998, due attention should be given to the conclusion of satisfactory transfer arrangements between WTO and the Pension Fund.

The meeting rose at 6.15 p.m.