



منظمة الأغذية  
والزراعة  
للأمم المتحدة

联合国  
粮食及  
农业组织

Food  
and  
Agriculture  
Organization  
of  
the  
United  
Nations

Organisation  
des  
Nations  
Unies  
pour  
l'alimentation  
et  
l'agriculture

Продовольственная и  
сельскохозяйственная  
организация  
Объединенных  
Наций

Organización  
de las  
Naciones  
Unidas  
para la  
Agricultura  
y la  
Alimentación

## FINANCE COMMITTEE

**Hundred and Thirty-eighth Session**

**Rome, 21 – 25 March 2011**

**FAO and the UN Common System  
HR Management Issues**

Queries on the substantive content of this document may be addressed to:

**Mr Tony Alonzi**

**Director, Human Resources Management Division**

**Tel: +3906 5705 6200**

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**EXECUTIVE SUMMARY**

- This document constitutes the regular annual report presented to members of the Finance Committee on decisions taken by the UN General Assembly which impact on the conditions of service of staff both in the Professional and higher categories as well as General Service staff and which could result in financial implications for FAO.

**GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE**

- The Committee is invited to take note of the contents of this document.

## **INTERNATIONAL CIVIL SERVICE COMMISSION (ICSC)**

### **UNITED NATIONS COMMON SYSTEM**

1. The United Nations General Assembly reaffirmed, in its Resolution A/RES/65/248, its commitment to a single, unified United Nations common system as the cornerstone for the regulation and coordination of the conditions of service of the United Nations common system. It also encouraged the International Civil Service Commission (ICSC) to continue to coordinate and regulate the conditions of service of staff of the organizations of the United Nations common system bearing in mind the limitations imposed by Member States on their national civil services.
2. The United Nations common system of salaries, allowances and other conditions of service (hereinafter referred to as 'common system') was intended to prevent competition among the organizations in staff recruitment and to facilitate exchange of staff. Other rationales for a common system, as set out by the ICSC, include:
  - efficiency/economy of scale: central maintenance of salary scales and allowance schedules means far fewer resources have to be deployed for these purposes in each organization;
  - equity/fairness: morale can be jeopardized when staff working side by side have different conditions of service – a uniform approach lessens such dissatisfaction; and
  - cost-efficiency/control: for the Member States, a common set of employment conditions permits an overview of staff costs.
3. Following a review of the annual report of the ICSC for 2010, the United Nations General Assembly (hereinafter referred to as General Assembly or Assembly) has endorsed a series of decisions at its 65<sup>th</sup> session impacting on the conditions of service of staff in the Professional and higher categories and General Service staff. The budgetary coverage of the increases arising from the decisions of the General Assembly were taken into account at the time of preparation of the staff cost increase assumptions and included in the Programme of Work and Budget (PWB) 2010-2011 proposals. The present document reports on those decisions.

### **CONDITIONS OF SERVICE APPLICABLE TO BOTH CATEGORIES OF STAFF**

#### *Education grant: review of the level*

4. In line with the recommendations made by the ICSC on education grant in its annual report, the General Assembly decided that, as from the school year in progress on 1 January 2011:
  - a) The maximum admissible expenses and the maximum education grant be adjusted upwards for Austria, Denmark, France, Germany, Italy, the Netherlands, Spain, Switzerland, the United Kingdom of Great Britain and Northern Ireland, the United States of America and the United States dollar area outside the United States;
  - b) For Belgium, Ireland, Japan and Sweden the maximum admissible expenses and maximum education grant remain at the current levels;
  - c) For Austria, Belgium, Denmark, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom, the United States and the United States dollar area outside the United States, the normal flat rates for boarding taken into account within the maximum admissible educational expenses and the additional amount for reimbursement of boarding costs over and above the maximum grant payable to staff members at designated duty stations be revised upwards;
  - d) For Ireland and Japan the normal flat rates and the additional flat rates for boarding be maintained at the current levels;

- e) The special measures for China, Hungary, Indonesia, Romania and the Russian Federation as well as for the eight specific schools in France be maintained; and
- f) The special measures for Bulgaria be discontinued.

5. The ICSC noted that the system-wide cost implications of the review of the education grant levels were estimated at USD 2,820,000 per annum. Based on the above, and taking into consideration that the number of Professional staff in FAO is approximately 5.5 per cent of the overall UN Professional staff, it is estimated that the financial implications of these changes for FAO may be approximately USD 155,000 for the year 2011.

*Review of the education grant methodology for determining the grant*

6. The General Assembly invited the organizations of the common system to harmonize the education grant eligibility criteria with respect to the minimum age, maximum age and coverage of post-secondary education. In this respect, the FAO will review the minimum age requirement, to bring it in line with the eligibility criteria established by the ICSC, which foresees that an education grant shall be payable in respect of a child who is 5 years of age or older at the beginning of the school year at the primary level, or who will reach the age of 5 within three months of the beginning of the school year.

*Separation payments*

7. The ICSC reported to the General Assembly that it had reviewed about 1,200 cases of termination indemnity paid by common system organizations during the three-year period 2007-2009, and that the termination indemnity was used on a limited basis and covered approximately 1 per cent of the total General Service and Professional staff and about 14 per cent of all separations. Furthermore, while some fluctuations in termination indemnity numbers did exist among the organizations and contract types, the analysis of the available data did not demonstrate that there was inappropriate application of the scheme, and that the overall termination indemnity-based separation trends appeared to be driven by the operational needs of the organizations.

8. The General Assembly endorsed the conclusions of the ICSC and invited the governing bodies of the organizations of the United Nations common system to harmonize their termination indemnity schedules in line with that of the United Nations, as approved in resolution 63/271. To be noted that the FAO's termination indemnity schedule reflects that of the United Nations and, therefore, no financial implications are foreseen a priori.

9. Moreover, the General Assembly decided to revert to the issue of the introduction of the end-of-service severance pay in the organizations of the United Nations common system for fixed-term staff involuntarily separating upon the expiration of their contract after ten or more years of continuous service at its seventy-first session.

**CONDITIONS OF SERVICE OF STAFF IN THE PROFESSIONAL AND HIGHER CATEGORIES**

*Base/floor salary scale*

10. The General Assembly approved the recommendation of the ICSC that the current base/floor salary scale for the Professional and higher categories be increased by 1.37 per cent through the standard consolidation procedure, i.e. by increasing base salary while commensurately reducing post adjustment levels, with effect from 1 January 2011.

11. As separation payments are linked to the base/floor salary scale but not to post adjustment, the increase in the base/floor salary scale has financial implications. For FAO, the financial implications of this change is estimated to be approximately USD 45,000 for the year 2011 in respect of the scale of separation payments, which represents approximately 6,7 per cent of the system-wide financial implications that is estimated at USD 673,000.

*Evolution of the margin*

12. Under a standing mandate from the General Assembly, the Commission continued to review the relationship between the net remuneration of the United Nations staff in the Professional and higher categories in New York and that of the United States federal civil service employees in comparable positions in Washington, D.C. (referred to as the margin). The Commission reported to the General Assembly that the margin between the net remuneration of officials in the Professional and higher categories of the United Nations in New York and officials in comparable positions in the United States federal civil service in Washington, D.C., for the year 2010 was estimated at 113.3.

13. The Assembly noted that the average margin level for the past five years (2006-2010) stands at 114.0 and reaffirmed that the margin should remain within the range of 110 to 120 with a desirable midpoint of 115 over a period of time.

*Impact of decision of General Assembly on post adjustment up to February 2011*

14. The levels for the Rome post adjustment classification, showing the fluctuation of the post adjustment multiplier and relative changes in the rate of exchange were announced by the ICSC from February 2010 to February 2011 as follows:

**TABLE 1**

Cost-of-living		Post Adjustment (Applying 4-month waiting period)			
Month	Index <sup>1/</sup>	Month	Euro/Dollar Exchange Rate	Index	Multiplier
Oct. 2009	107.0	Feb. 2010	0.714	161.6	63.4
Nov. 2009	107.0	Mar. 2010	0.741	158.2	58.0
Dec. 2009	107.1	Apr. 2010	0.743	158.3	58.3
Jan. 2010	107.1	May 2010	0.789	151.7	50.0
Feb. 2010	107.3	June 2010	0.819	148.2	45.0
Mar. 2010	107.5	July 2010	0.811	149.5	46.3
Apr. 2010	108.1	Aug. 2010	0.763	155.6	54.6
May 2010	108.2	Sep. 2010	0.787	151.3	50.3
June 2010	108.2	Oct. 2010	0.735	158.2	59.9
July 2010	108.4	Nov. 2010	0.720	159.9	62.9
Aug. 2010	108.6	Dec. 2010	0.747	156.5	57.5
Sep. 2010	108.5	Jan. 2011	0.761	152.7	52.8
Oct. 2010	109.0	Feb. 2011	0.734	157.1	57.9

<sup>1/</sup> Index of cost-of-living for international officials in Rome. Please note that the index has been re-based effective 1 October 2005, the date of the last cost-of-living survey.

*Pensionable Remuneration*

15. In accordance with Article 54(b) of the Regulations of the United Nations Joint Staff Pension Fund, the scale of pensionable remuneration for the Professional and higher categories is to be revised whenever the net remuneration in New York is adjusted. Effective 1 August 2010, the Vice-Chairman of the ICSC announced that the post adjustment multiplier for New York remained unchanged at 68.5. As a result, there was no increase in the net remuneration of New

York staff in the Professional and higher categories. Consequently, the scale of pensionable remuneration which came into force on 1 August 2008 remains valid.

*Children's and secondary dependant's allowances*

16. The General Assembly approved that, as of 1 January 2011:
- a) The children's allowance be set at USD 2,929 per annum and the disabled children's allowance at USD 5,858 per annum;
  - b) The secondary dependant's allowance be set at USD 1,025 per annum;
  - c) The United States dollar amount of the allowance, as established in subparagraphs (a) and (b) above, be converted to local currency using the official United Nations exchange rate as of the date of implementation and remain unchanged until the next biennial review;
  - d) As a transitional measure, if on 1 January 2011 the revised flat-rate allowance was to be lower than the one in effect, the allowance payable to currently eligible staff be equal to the higher rate reduced by 50 per cent of the difference between the two rates; and
  - e) The dependency allowances be reduced by the amount of any direct payments received by staff from a Government in respect of dependants.
17. The financial implications arising from the revised levels of the children's and secondary dependant's allowances are estimated at USD 3.9 million per annum system-wide, and for FAO it is estimated to be approximately USD 550,000 for the year 2011.

**CONDITIONS OF SERVICE OF STAFF IN THE GENERAL SERVICE AND OTHER LOCALLY RECRUITED CATEGORIES**

*Rome interim adjustment*

18. In line with the procedure for interim adjustments established by the ICSC and approved by the 86<sup>th</sup> Session of the Council, an across-the-board 2.10 per cent net increase in salaries of the General Service staff came into effect on 1 November 2010.
19. The annual pensionable remuneration was revised by the same percentage increase applied to the net salaries (1 to 1 interim adjustment procedure) and with effect from the same date.
20. The annual net amount of the children's allowance was revised from Euro 1,347 to Euro 1,375.
21. The annual amounts of the first and second language allowances were revised by the same 2.10 per cent increase as that applied to the net salaries and with effect from the same date.
22. The financial implication of these changes for FAO is estimated to be, at the current rate of exchange, approximately USD 1,997,000 for the period November 2010 – October 2011.

**CONDITIONS OF SERVICE IN THE FIELD**

*Harmonization of the conditions of service for staff serving in non-family duty stations in the common system*

23. The General Assembly approved the following ICSC recommendations:
- a) Harmonization of designation of duty stations: that the United Nations harmonize the designation of non-family duty stations on the basis of a security assessment, as currently applied by the rest of the common system;
  - b) Staff assigned to non-family duty stations:

- i) A change be made to the existing hardship allowance whereby staff serving in non-family duty stations will receive an additional amount in recognition of the fact that such service represents an increased level of financial and psychological hardship in terms of involuntary separation from families and additional costs related to such service;
  - ii) For staff paid at the dependency rate, the additional measure will be 100 per cent of the applicable dependency rate of the hardship allowance for category E – the most difficult duty stations;
  - iii) For staff paid at the single rate, the additional measure will be 50 per cent of the applicable single rate of the hardship allowance in category E – the most difficult duty stations;
  - iv) Staff will continue to receive the normal hardship allowance at the level applicable to the duty station in which they serve;
  - v) Such a change will be implemented six calendar months after the decision by the General Assembly, in order that organizations might prepare for the implementation;
  - vi) For organizations which currently use the Special Operations Approach (SOA) or the Extended Monthly Security Evacuation Allowance (EMSEA), transitional measures will apply including the establishment of unified Special Operations Living Allowance (SOLA) rates per duty station to be promulgated by the ICSC effective 1 July 2012;
  - vii) All organizations will convert to the new non-family hardship element no later than five years after the General Assembly decision, at which time full harmonization will be achieved. Organizations which currently use SOA or EMSEA will retain the option of adopting the new additional non-family hardship element at any time prior to the five year deadline, subject to discontinuing the use of EMSEA or SOLA;
  - viii) Newly recruited staff who join the organization on or after a date six months after implementation of the decision by the General Assembly will be assigned under the non-family hardship element as approved by the General Assembly, and shall not be offered the option of being assigned under SOA or with EMSEA;
- c) A harmonized Rest and Recuperation Framework;
  - d) Organizations are encouraged, to the extent possible, to absorb additional costs imposed by the framework within existing resources.

24. To be noted that the recommendation contained in paragraph 23(d) above applies solely to the United Nations Secretariat and, therefore, no financial implications are foreseen for the FAO.

25. Furthermore, the General Assembly has also decided that the approval of the above recommendations of the ICSC will be subject to the following provisions:

- a) Six months after the adoption of the resolution, i.e. 1 July 2011, all new staff assigned to non-family duty stations will be under the non-family hardship element;
- b) The Rest and Recuperation Framework shall be regulated by the ICSC which is to submit its recommendations on a harmonized subsistence allowance or lump-sum during Rest and Recuperation to the General Assembly at its sixty-seventh session; until the General Assembly decides on this issue at its sixty-seventh session, the common system organizations shall cover only the travel costs of the rest and recuperation framework;
- c) The organizations of the United Nations common system shall cover only the travel costs of the rest and recuperation framework, until a further decision of the General Assembly on this issue is taken at its sixty-seventh session; and

- d) Organizations of the United Nations common system are to report annually to the ICSC on implementation of contractual arrangements and conditions of service for all their staff serving in family and non-family duty stations.

### UNITED NATIONS JOINT STAFF PENSION BOARD (UNJSPB)

26. The United Nations Joint Staff Pension Fund Board meeting will be held from 18 to 22 July 2011. The proposed venue is the UN Secretariat headquarters in New York. The main agenda items before the Board in 2011 would be the proposed budget of the Fund for the biennium 2012-2013 and the actuarial assumptions and methodology to be used for the thirty-first actuarial valuation of the Fund, to be carried out as of 31 December 2011.

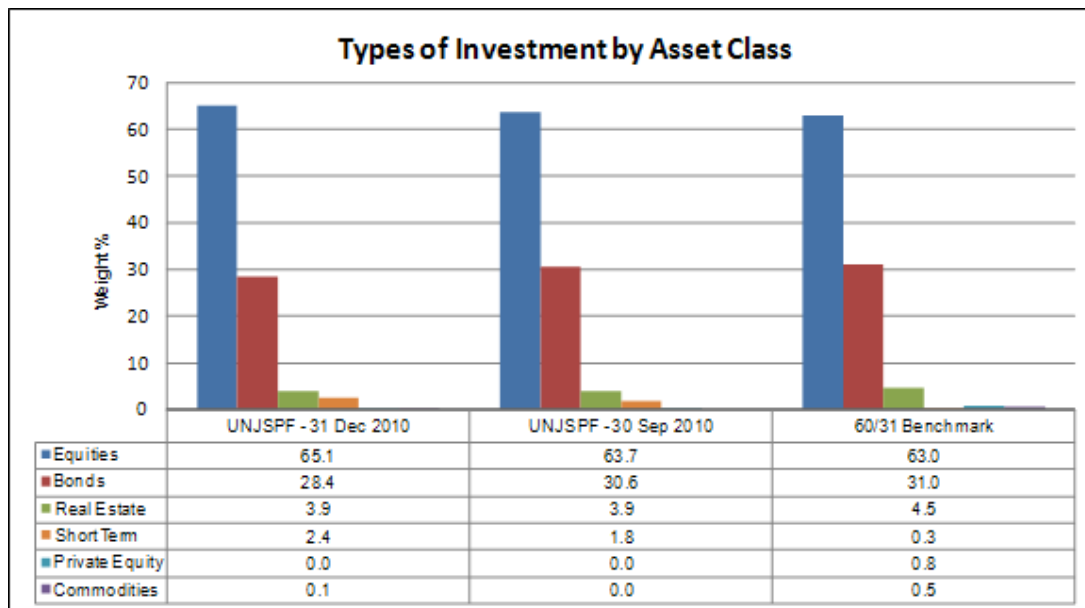
27. A summary of the Board recommendations to the UN General Assembly will be submitted to the Finance Committee in its next session.

28. Below is some updated information from the UNJSPF website whilst we await the publishing of the 2010 Actuarial Valuation.

29. As of 31 December 2010, the market value of the Fund's assets was USD 41,409 million. This represents an increase of USD 2,175 million or approximately 5.5 per cent, from 30 September 2010 when the Fund's asset value stood at USD 39,234 million.

30. The Fund continues to outperform the policy benchmark with effective stock selection and periodic re-balancing of assets to maintain the Fund's long-term investment objectives. The management of the Fund's investments continues to focus on balancing the risk and reward expectations with broad diversification.

31. The asset allocation, in per cent was as follows:



32. The preliminary total return of the Fund for the quarter ending 31 December 2010 was 5.5 per cent outperforming the 60/31 policy benchmark preliminary return by 0.65 per cent. The Fund outperformed the 60/31 policy benchmark preliminary return in the three and five year periods.



