



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board - Sixty-Third Session

Rome, 22-23 April 1998

REMUNERATION OF GENERAL SERVICE STAFF IN ROME
RESPONSE TO JUDGEMENT NO. 1713 OF THE INTERNATIONAL LABOUR
ORGANIZATION ADMINISTRATIVE TRIBUNAL (ILOAT): RETROACTIVE
ADJUSTMENT OF THE GENERAL SERVICE SALARY SCALE

Background

1. The principle for setting the salaries of Headquarters locally-recruited staff was initially set in 1949 by the Committee of Experts on Salary, Allowances and Leave Systems of the United Nations, known as the Flemming Committee. Accordingly, the guiding principles for the determination of conditions of service for the General Service category, which govern the salary determination process, were produced in 1952.

2. The Flemming Principle is reaffirmed under Article 101 of the Charter of the United Nations, which states that: "The paramount consideration in the employment of the staff and in the determination of the conditions of service shall be the necessity of securing the highest standards of efficiency, competency and integrity. To comply with the standards established by the Charter as regards the employment of locally recruited staff, the organizations of the United Nations system must be competitive with those employers in the same labour market who recruit staff of equally high calibre and qualifications for work which is similar in nature and equal in value to that of the organizations. Remaining competitive in order to both attract and retain staff of these high standards requires that the conditions of service for the locally recruited staff be determined by reference to the best prevailing conditions of service among other employers in the locality. The conditions of service, including both paid remuneration and other basic elements of compensation, are to be among the best in the locality without being the absolute best."

3. In accordance with the above and in relation to cities where the local language is not a working language of the United Nations organizations established in those locations, an adjustment was made to recognize that the external rates related to staff working in one language only and that, as a consequence, there would be difficulty in recruiting local staff with appropriate language skills.

4. As a specialized agency of the United Nations, IFAD applies the UN Common System rates and terms of service. However, contrary to the Food and Agriculture Organization of the United Nations (FAO) and World Food Programme (WFP), the Fund has only obtained Observer status in the International Civil Service Commission (ICSC) and, as such, is not legally bound to implement the latter's recommendations. In practice, however, IFAD has complied with these recommendations



in the interests of administrative convenience and competitiveness and to keep its terms and conditions of employment in line with those offered by FAO and WFP.

Review in Salary Survey Methodology

5. After completion of a number of surveys, the ICSC revised its methodology in 1992. It recommended, *inter alia*, the abolition of the language factor which, until that time, had been included in the General Service salary scales as it was deemed that there was no longer any difficulty in recruiting local staff with proficiency in languages.

6. Upon completion of its 1994 comprehensive salary survey in Rome, the ICSC decided on a phased approach to the elimination of the language factor (4% of the salary scale).

7. In implementing the ICSC's decision, the language factor was eliminated gradually through the reduction of 1% each year for four years in the net increase due at the time of the comprehensive salary survey. This action took effect as of 1 November 1995.

Appeals

8. Following the implementation of the above decision, several FAO General Service staff members lodged appeals with the Director-General, claiming, *inter alia*, that the Flemming Principle had been breached by the elimination of the language factor. After considering the matter, the Director-General decided to reject those appeals. The appellants subsequently lodged formal appeals with the ILOAT.

Judgement and Implementation Thereof

9. In its Judgement No. 1713 delivered on 29 January 1998, ILOAT set aside FAO's decision to reject the complainants' appeal against the revoking of pay as of 1 November 1995, insofar as the decision confirmed a reduction in the language factor. However as the appellants were FAO staff members, the ILOAT decision came to IFAD's attention only after the last session of the Governing Council.

10. In order to give effect to the above judgement, the 4% language factor should now be reinstated in the salary scale for the General Service category. Accordingly, the salary scales effective 1 November 1995, 1 November 1996 and 1 November 1997 for Rome have been revised and will need to be implemented with immediate effect. This will include the removal of the retroactive salary adjustments as of 1 November 1995. Concurrently, the gross salary, the gross pensionable remuneration and the allowances based on net salary will be similarly revised with effect from the same dates.

Impact on IFAD

11. The revised salary scales were received in IFAD in early April 1998. It is currently estimated that the financial implication of this decision will amount to approximately USD 1 000 000 (approximately USD 400 000 for 1998 and USD 600 000 to cover retroactive reimbursement from 1 November 1995).



12. The Executive Board may recall that the 1998 Programme of Work and Budget of IFAD was presented to the Sixty-Second Session in December 1997 and approved by the Twenty-First Session of the Governing Council in February 1998 (see document GC 21/L.5). As in previous years, estimates for salary increases were based on the UN Common System taking account of any pending recommendations of the ICSC. Paragraph 81(b) of the above-mentioned document on the 1998 allocation for General Service staff costs provided only for the “3% cost-of-living increase effective 1 November 1998”. Had the ILOAT decision been available to IFAD prior to the completion of the 1997 Financial Statements, it would have been possible to make provision for part of the amount involved. Unfortunately, IFAD’s 1997 Financial Statements which are being presented to this session of the Executive Board had already been completed and audited before the Fund became aware of the extent of the financial implications involved.

13. The Executive Board may wish to note that FAO, the lead UN Agency in Rome for salary purposes, and WFP have advised their staff that payment, including retroactive settlement, will be effected in the April 1998 payroll. Due to time constraints, IFAD has not been in a position to do the same. However, it would be advisable that IFAD comply with the ILOAT judgement as soon as possible. It should be noted that while IFAD is not legally bound, as is FAO, to implement either the ILOAT judgement or the changes to the ICSC recommendations, for administrative and competitiveness reasons, IFAD has maintained the same salary scales as the other agencies of the UN family in Rome and is not aware of any reasons for not so doing in this case.

14. An in-house review has been undertaken on the various options available to IFAD for funding these retroactive payments, in order that suitable recommendations could be presented to the Executive Board. The review covered the following areas:

- (a) **Contingency:** The total amount for Contingencies approved in the Budget of IFAD for 1998 is USD 400 000, of which USD 250 000 is for Unforeseen Expenses and USD 150 000 for Expenses on the New Headquarters Building. While it is currently foreseen that the latter amount may not be required, the former had been specifically increased to cover possible implications of the changes in IFAD’s policy on long-term temporary staff (paragraph 119 of the above-mentioned document). While Management recommends that this amount be maintained for that purpose, the total Contingency will not be sufficient to cover the estimated funding requirements.
- (b) **General Reserve:** The Executive Board has the authority to approve withdrawals from the General Reserve. However, at its Fourth Session, the Governing Council established the General Reserve “to cover the Fund’s potential over-commitment risk as a result of exchange rate fluctuations, and possible delinquencies in receipt of loan service payments or in the recovery of amounts due to the Fund from the investment of its liquid assets”. Any change in the scope of the General Reserve would require the approval of the Governing Council before the Executive Board could approve withdrawals therefrom; and IFAD would still require the authorization of the Governing Council to spend any such amount.
- (c) **Supplement to the 1998 Budget:** Given that the Governing Council has the authority to approve the administrative budget and since a supplement to the budget is needed, the Executive Board is requested to recommend that the President submit a request to the Governing Council for a vote by correspondence to authorize an increase in the budget of USD 1 000 000. Should any savings in IFAD’s budget for 1998 materialize later in the year, less supplementary funding will be required. The alternative would be to seek approval for the amount from the Governing Council at its Twenty-Second Session in



February 1999. However, a delay of almost one year between implementation of the ILOAT judgement in FAO and WFP and its implementation in IFAD would put IFAD at a competitive disadvantage and have a negative effect on staff morale.

15. If it is decided to follow the course set out in paragraph 14(c) above, it should be noted that Rule 39 of the Rules of Procedure of the Governing Council specifies that votes by correspondence of the Governing Council may be on any question put to the Governing Council by the Executive Board, “except one covered by Rule 34.1 or 34.2”. Rule 34.1(e) specifies “approval of the administrative budget” (emphasis added). The Secretariat believes that a small increase in the budget amount and the need to implement the repayments expeditiously, justify proceeding to a vote by correspondence because it is not the whole budget that is being approved but a 2% supplement. As the Executive Board has the authority to interpret the Agreement Establishing IFAD and other basic legal documents of IFAD, it is invited to recommend that the Governing Council decide this matter by a vote by correspondence.

Recommendation

16. IFAD intends to implement the revised salary scales as soon as possible provided approval is received for budgetary coverage. In the meantime, Management recommends that a vote by correspondence take place, as specified under paragraphs 14(c) and 15 above, and submits hereto a draft resolution for the approval of the Executive Board.



ANNEX

**DRAFT RESOLUTION ON THE PROVISION OF A SUPPLEMENTARY AMOUNT UNDER
THE BUDGET OF IFAD FOR 1998**

Resolution -/XXII

The Provision of a Supplementary Amount under the Budget of IFAD for 1998

The Governing Council of IFAD,

Taking into account Resolution 104/XXI on the Budget of IFAD for 1998 approving an administrative budget for IFAD in the amount of USD 51 137 000, plus contingency items of USD 400 000;

Having considered the recommendation of the Executive Board at its Sixty-Third Session that the Governing Council be requested to approve the addition of a supplementary amount to the Budget of IFAD for 1998, in response to an International Labour Organization Administrative Tribunal judgement against the Food and Agriculture Organization of the United Nations (FAO) concerning the retroactive adjustment of the General Service Staff salary scale and the language element thereof, through a vote by correspondence;

Decides that:

1. The Budget of IFAD for 1998 be supplemented by an amount of USD 1 000 000 so as to equal a total budget of USD 52 137 000, plus contingency items of USD 400 000.
2. The said supplementary amount be applied to Staff Costs.