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FINANCE COMMITTEE

Hundred and Seventy-fifth Session

Rome, 18 - 22 March 2019

**Representation Allowance for Deputy Directors-General and Assistant
Directors-General**

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FC 175

EXECUTIVE SUMMARY

- The Finance Committee, at its 170th Session reviewed document FC 170/14, Representation Allowance for Deputy Directors-General and Assistant Directors-General. The Finance Committee recommended that the current mechanism of automatic adjustment of the level of the representation allowance be discontinued. This recommendation was approved by the Council and implemented by the administration. The Committee also requested the Secretariat to submit a proposal to its March 2019 Session on future levels and conditions for the representation allowance. This document was prepared in response to the above-mentioned request.
- Taking advantage of the review by the Finance Committee of this matter, two issues related to the conditions of appointment of the Director-General (i.e. the representation allowance of the Director-General and the housing arrangements for the Director-General) are also being raised. The Finance Committee previously reviewed the conditions of appointment of the Director-General, including these matters, at its 138th Session in March 2011.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to review this document and make such recommendations thereon as appropriate. The Finance Committee is in particular invited:
 - a) As regards the representation allowance for Deputy Directors-General and Assistant Directors-General to recommend to the Council to set new levels of representation allowances aligned on the levels in force at the United Nations Secretariat, to come into effect on 1 May 2019; and
 - b) As regards the representation allowance and housing arrangements for the Director-General to advise the General Committee of the Conference, through the Council, on whether any adjustments to current arrangements are warranted.

Introduction

1. The Finance Committee, at its 170th Session, convened from 21-25 May 2018, reviewed document FC 170/14, *Representation Allowance for Deputy Directors-General and Assistant Directors-General*¹. The Finance Committee recommended that the current mechanism of automatic adjustment of the level of the representation allowance be discontinued. This recommendation was approved by the Council and implemented by the administration². The Committee also requested the Secretariat to submit a proposal to its March 2019 Session on future levels and conditions for the representation allowance. This document was prepared in response to the above-mentioned request.

2. Taking advantage of the review by the Finance Committee of this matter, two issues related to the conditions of appointment of the Director-General (i.e. the representation allowance of the Director-General and the housing arrangements for the Director-General) are also being raised. The Finance Committee previously reviewed the conditions of appointment of the Director-General, including these matters, at its 138th Session in March 2011.

Representation Allowance for Deputy Director-General and Assistant Directors-General

3. As explained in document FC 170/14, a representation allowance is paid to staff members at grades of Deputy Director-General (equivalent to Under-Secretary-General of the United Nations - USG) and Assistant Director-General (equivalent to Assistant Secretary-General of the United Nations - ASG) to cover costs associated with representational aspects of their work. As the representation allowance does not cover all regular hospitality-related expenses, staff members in receipt of a representation allowance are also eligible for reimbursement of expenses related to official FAO hospitality. As foreseen in the Administrative Manual and internal instructions, the representation allowance is not subject to justification and is not pensionable³.

4. The representation allowance is an element of the conditions of service of higher categories. However, the International Civil Service Commission (ICSC) concluded that the representation allowance was not susceptible to Common System treatment and would be better handled by the executive heads under guidance of the Governing Bodies of their respective organizations⁴. In the case of FAO, the levels of the representation allowance used to be established by the Council, consistent with what is still the prevailing practice throughout the rest of the United Nations System.

5. At its 102nd Session in November 1992, the Council, following a vote, adjusted the levels of the representation allowances for Deputy Directors-General and Assistant Directors-General⁵. It also decided that, in future, the amounts would be adjusted automatically, based on the percentage adjustment to the net base salary scale⁶.

¹ http://www.fao.org/fileadmin/user_upload/bodies/Fin_Comm/FC_170-Documents/FC170-14/FC170-14-new.pdf

² The Council endorsed the recommendations at its 159th Session, held from 4-8 June 2018. Thus, no adjustments were effected on 1 January 2019.

³ More specifically, according to common practice of the United Nations System, the representation allowance is a contribution towards costs associated with representational aspects of the work of senior officials (e.g., hospitality expenses which are not reimbursed due to factors such as inability to obtain a receipted bill, ratio of staff to non-staff guests, *ad hoc* refreshments, transportation to/from functions, gratuities, phone calls, ...). The prevailing practice – if not the established practice throughout the whole System – is that this payment is in the nature of a lump sum that is not subject to justification and, of course, is not pensionable. This concept is different from that of “hospitality”. Senior officials of the various departments are eligible for reimbursement of some expenditure, such as meals or receptions for visitors, for participants in meetings, etc...

⁴ ICSC compendium, A/45/30, paragraph 123.

⁵ The levels were set at the time at USD 13,000 per annum for DDGs and USD 8,000 per annum for ADGs.

⁶ Cf. CL 102REP, paragraph 160.

6. FAO's current representation allowance rates, revised effective 1 January 2018, amount to USD 24,267 per annum for Deputy Directors-General and USD 14,982 per annum for Assistant Directors-General. The representation allowance is paid monthly.

7. As noted above, following consideration of this issue by the Finance Committee and the Council in 2018, the automatic adjustment of the representation allowance was discontinued and, consequently, no adjustments were made in January 2019. Any future adjustments to the levels of representation allowances would be referred to the Finance Committee for review, as appropriate, and to the Council for approval.

8. It is proposed that the representation allowance for Deputy Directors-General and Assistant Directors-General be aligned with the levels applied at the United Nations, subject to any views that the Finance Committee may have on the matter. Since the 1990s, the rates applied by the United Nations are set at USD 4,000 per annum for USGs and USD 3,000 per annum for ASGs⁷.

9. As regards the conditions for payment of the allowance, it is proposed that the current regime be maintained and, in particular, that the payment continue to take the form of a monthly lump sum and that it should not be subject to justification. This is the established practice throughout the United Nations System.

10. It is also proposed that the new rates enter into force as of 1 May 2019, following approval by the Council at its 161st Session, scheduled to take place from 8 to 12 April 2019.

11. The Finance Committee is invited to recommend (i) that the levels of the representation allowance rates be aligned to those applied by the United Nations (USD 4,000 per annum for USGs and USD 3,000 per annum for ASGs); (ii) that the current conditions for payment be maintained. The Finance Committee is also invited to recommend to the Council 1 May 2019 as effective date for the new levels.

Representation Allowance and Housing Arrangements for the Director-General

12. Taking advantage of the current review, the Finance Committee may wish to advise on the representation allowance for the Director-General and on the housing arrangements for the Director-General. This proposal is submitted to the Finance Committee under its statutory authority to assist the Council, pursuant to Rule XXVII, paragraph 7 of the General Rules of the Organization (GRO)⁸, and the Committee's inherent authority to advise on terms and conditions of appointment of the Director-General. It should be noted, in this connection, that the Finance Committee, and subsequently, the Council undertook a similar review in 2011⁹.

13. Rule XXXVII, paragraph 4 of the GRO provides that "(...) the terms and conditions of appointment of the Director-General, including the salary and other emoluments attached to the office, shall be determined by the Conference, having regard to any recommendations submitted by the General Committee, and shall be embodied in a contract signed by him and by the Chairperson of the Conference on behalf of the Organization." Rule X, paragraph 2, sub-paragraph (j) of the GRO also

⁷ The Finance Committee may wish to consider the levels of representation allowance applied by other UN Organizations. For example: the International Labour Organization (ILO): CHF 7,650 (USD 7,731) for DDGs and CHF 6,375 (USD 6,624) for ADGs, per annum; the World Health Organization (WHO): USD 3,000 for DDGs and USD 2,600 for ADGs, per annum, since 1962; the United Nations Industrial Development Organization (UNIDO): EUR 1,500 (USD 1,700) per annum for Officials at D-2 level and above; the Universal Postal Union (UPU): CHF 10,000 (USD 10,025) per annum for DDGs. No representation allowance is paid by the International Civil Aviation Organization (ICAO).

⁸ Rule XXVII, paragraph 7, of the GRO, provides that the Finance Committee "*shall assist the Council in exercising control over the financial administration of the Organization*". In particular, sub-paragraph (r) provides that the Finance Committee shall "*consider proposals of the Director-General and recommendations of the International Civil Service Commission on the scale of salaries and conditions of employment of the staff...*"

⁹ At the time, the Finance Committee made a very detailed review of the terms and conditions of appointment of the Director-General; cf Document FC 138/25, <http://www.fao.org/docrep/meeting/022/ma383e.pdf>.

provides that the General Committee submits to the Conference recommendations with respect to the conditions of appointment of the Director-General.

Representation Allowance for the Director-General

14. The representation allowance is used at the Director-General's discretion, in connection with the performance of the Director-General's official duties. The annual level of the representation allowance of the Director-General has been USD 50,000 since 1 January 1991¹⁰. The same level of representation allowance is in force at the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP)¹¹.

15. The Finance Committee may wish to advise on whether the current level of the representation allowance should be reconsidered, noting that a decision on the matter would be within the authority of the Conference, acting upon the recommendation of the General Committee, pursuant to Rule XXXVII, paragraph 4 of the GRO.

Housing Arrangements for the Director-General

16. Under the Appointment Resolution, and as reflected in the contract between the Chair of the Conference and the Director-General, the Organization directly rents appropriate accommodation to be assigned as the official residence of the Director-General and pays related expenses, in lieu of a rental subsidy. This has applied since 1995.

17. The rental contract is an official contract of the Organization, signed by the Assistant Director-General, Corporate Services Department, on behalf of FAO, and is entirely managed by the Organization. The overall costs to be covered by the Organization should not exceed EUR 180,000 per year, as decided by the Conference in 2011. However, the current effective level of expenditure is well below this ceiling. Indeed, since January 2012, the actual level of expenditure has been continuously and consciously economized, resulting in approximately only 50% of the authorized expenditure. Accordingly, the Finance Committee may wish to advise on whether this ceiling of expenditure should be adjusted.

18. The Finance Committee may also wish to advise the General Committee on whether the rental contract for the Director-General's residence should continue to be an official contract of the Organization, taking into account the following observations:

- a) The management of a contract may place a heavy administrative burden on the Organization (an apartment may require maintenance effort, at times when efforts are made to reduce the positions in the Corporate Services Department). Consideration could be given to re-establishing the past practice of FAO - which still exists in a few other organizations - whereby the Director-General signs the rental contract, in his/her own name and is responsible for its management. Appropriate support would be provided by the FAO Secretariat in the negotiation of the rental contract to preserve the Director-General's status and immunities, noting that these conditions could be difficult to negotiate and to implement (as evidenced by

¹⁰ Since 1967, the level of the representation allowance has evolved as follows. The Appointment Resolution adopted by the Conference in 1967 made provision for an annual representation allowance of USD 10,000 (Conference Resolution 31/67). In 1971, the Conference increased the level to USD 12,500 (Conference Resolution 32/71). In 1975, the Conference increased again the annual representation allowance to USD 15,000. Taking into account the level of representation allowances paid in other organizations, the Conference, in 1977, approved a further increase to USD 20,000 with effect from 1 January 1977 (Conference Resolution 28/77). In 1981, the Conference increased the annual representation allowance to USD 24,000 with effect from 1 January 1981 (Conference Resolution 19/81). In 1987, the Conference set the annual representation allowance at USD 40,000¹⁰ (Conference Resolution 22/87), which was increased to USD 50,000 in 1991, with effect from 1 January 1991. In 1993, the Conference set again the level of the annual representation allowance at the same level of USD 50,000.

¹¹ The situation in the levels of representation allowances throughout the system is much differentiated. However, the representation allowances at the Rome based agencies are in the upper range.

the experience of FAO between 1993 and 1995). The usual support would also be provided by the Secretariat in respect of matters such as security;

b) Between 1988 and 1995, the Director-General used to receive a housing allowance corresponding to the actual rent and related expenditures, with administrative arrangements being made directly by the Director-General. This is the current practice at WFP; and

c) The practice regarding housing for chief executives varies among organizations of the United Nations System¹².

Guidance sought from the Finance Committee

19. The Finance Committee is invited to review this document and make such recommendations thereon as appropriate. The Finance Committee is in particular invited:

- As regards the representation allowance for Deputy Directors-General and Assistant Directors-General:
 - i) To recommend to the Council to set new levels of representation allowances aligned on the levels in force at the United Nations Secretariat, to come into effect on 1 May 2019;
- As regards the representation allowance and housing arrangements for the Director-General:
 - ii) To advise the General Committee of the Conference, through the Council, on whether any adjustments to current arrangements are warranted.

¹² In some cases, the executive head is provided with a furnished residence, and the costs of maintenance, utilities and other regular operating costs are borne by the organization (UN, IFAD, UPU). Other organizations cover the full rent in lieu of rental subsidy by way of benefits in kind (ILO). In other cases, the organization pays a rental subsidy or housing allowance in accordance with the Common System entitlement, either as a lump sum, or on a monthly basis (WHO, IAEA, where the allowance is adjusted annually based on the local consumer price index). In the case of UNIDO, the Organization provides an allowance of EUR 59,000, which is adjusted on a yearly basis. In the case of UNESCO an apartment belonging to the organization is placed at the disposal of the executive head free of rental fees and any associated charges.