



BRUXELLES 39

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TEL. : 41.44.00
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ORIGINAL: ENGLISH DC
7th May, 1968

NATO RESTRICTED
PO/68/262

To: Permanent Representatives

From: Secretary General

SPECIAL MEETING OF PERMANENT REPRESENTATIVES
MONDAY, 13th MAY, 1968, at 4 p.m.

When the Co-ordinating Committee of Government Budget Experts met on 28th March, 1968, it was unable to accept the proposals of the Secretaries General of the Co-ordinated Organizations on two important subjects: the adjustment of salaries for staff members serving in countries other than Belgium in advance of the general salary review, and the introduction of measures to compensate staff members adversely affected by the recent devaluations in certain host countries.

2. Since it has not been possible to reach agreement in the forum of the Co-ordinating Committee, my colleagues in the Co-ordinated Organizations and I feel that these questions should be brought to the attention of our Councils. I should like to suggest therefore that these matters should be discussed at a special meeting, attendance at which should be limited to yourself accompanied by one adviser, which, if this is convenient, would take place on 13th May, 1968, at 4 p.m.

3. Attached are two papers prepared by the Co-ordinated Organizations, the first covering the above questions and the second relating to a review of the present system of co-ordination with recommendations for the future. It is my intention that these papers should form the basis of our discussion on 13th May.

4. I should also like to take the opportunity of our meeting to discuss with you, if time permits, the question of the provision of sporting and recreational facilities for our staff at the Evere headquarters, a proposal which has already been put forward to delegations through members of the Headquarters Administration and Security Committee(1). Failing discussion on 13th May, I would hope to raise this matter with you at an early date thereafter.

(Signed) Manlio BROSIO

(1) Document AC/184-D/39

DECLASSIFIED/DECLASSIFIEE - PUBLIC DISCLOSED/MISE EN LECTURE PUBLIQUE

Paris, 24th April, 1968

CSG(68)3

Or. Fr.

THE REFORM OF CO-ORDINATIONNote from Secretaries-General and Directors-General to the
Councils of the Co-ordinated Organisations

1. The Secretaries-General and Directors-General of the six interested organisations are concerned about the manner in which the mechanisms through which these organisations are co-ordinated, function.
2. The O.E.E.C. (now the O.E.C.D.) was established in 1948, the Council of Europe and N.A.T.O. in 1949 and W.E.U. in 1955. The three last-named Organisations modelled their conditions of service on those of the O.E.E.C., varying them as necessary in the light of their own special characteristics.

Although all the Organisations except W.E.U. had their headquarters in France, where most of their staff (except N.A.T.O. military headquarters) were serving, it was the practice of governments, up to 1957, to decide separately on staff remuneration for each Organisation.
3. In 1957 the general question arose of revaluing salaries and putting them in order, which could not be satisfactorily handled within each Organisation. A special procedure was therefore instituted.
4. In Spring 1957, on the initiative of the O.E.E.C. Council, joined by N.A.T.O., W.E.U. and the Council of Europe, a Committee of five independent experts (hereinafter called "the Committee of Experts on Emoluments") was set up to study the question with a view to defining a common scale and common rules, within the framework of a uniform grading structure, for fixing the emoluments and allowances of the staff of the four Organisations.
5. The report of the Committee of Experts on Emoluments was presented on 16th May 1958, and, on the suggestion of the Chairman of the O.E.E.C. Council, a Co-ordinating Committee of Government Budget Experts was set up to advise on the proposals of the Committee of Experts on Emoluments before they were adopted by the respective Councils.
6. On 21st June 1958, the "Co-ordinating Committee" presented an Interim Report in the light of which the Councils decided to adopt, as from 1st January 1958, the grading structure

established by the Committee of Experts on Emoluments and common conditions of remuneration for the staff of the four Organisations serving in France. The procedure for future periodic salary reviews, on principles laid down by the Committee of Experts on Emoluments, was fixed at the same time.

7. The question referred to in paragraph 2 was thus settled so far as these Organisations were concerned. Remuneration scales still had to be established, however, for W.E.U. and N.A.T.O. staff serving in eight different countries outside France (Denmark, Germany, Greece, Italy, Malta, Norway, Turkey and the United Kingdom). By decision of the W.E.U. and N.A.T.O. Councils, this task was also assigned to the Committee of Experts on Emoluments whose report was presented on 20th May, 1959 and, after examination by the Co-ordinating Committee, adopted by the N.A.T.O. and W.E.U. Councils with effect from 1st January 1959.

8. The Co-ordinating Committee was thus created, in an advisory capacity, for an ad hoc task [see Annex I]. It is for this reason that there has never been any enactment defining either its mandate or its competence. It owes its continued existence to the difficulties which arose in 1960 in implementing the periodic review procedure, which led the Councils to make new rules, still in force, which included a provision for the intervention by Committee of Co-ordination.

9. Such was the purely practical origin of the Co-ordinating Procedure. After ten years of existence the Co-ordinating Committee has not yet any official status.

10. Since 1958 there have been certain major developments. The inclusion of E.L.D.O. and E.S.R.O. in 1965 raised the number of Co-ordinated Organisations from four to six. Twenty-four countries now participate in these Organisations and the present staff of about 6,000 is serving in fifteen different countries [See Annexes II and III]. Furthermore, with the transfer of N.A.T.O. to Belgium, the headquarters of the Co-ordinated Organisations are divided among three countries instead of two, with the consequent need to establish corresponding scales of remuneration.

11. The range of subjects handled by the Co-ordinated Organisations has greatly widened since 1958, especially in the fields of Science, Technology and Education. The diversity of their activities and the nature of their work call for increasingly specialised staff. If they are to recruit and retain suitable staff, they must be able to offer service conditions appropriate to their own tasks and the individual skills they require.

12. In these conditions, the Secretaries-General and Directors-General have unanimously agreed, at a meeting which they held on 26th March, that the methods of Co-ordination should be reviewed. This necessity has already been recognised in the past but, in view of the developments recorded above, it has not been possible, until now, to introduce the envisaged reforms.

13. The Secretaries-General and Directors-General propose to request that a definite status and a mandate be given to their Standing Committee which should be recognised as the essential body in the co-ordinating system.

14. As regards the Committee where Governments are represented it should, first and foremost, be thoroughly familiar with the fundamental needs of the Organisations and the tasks assigned to them by the Councils, so that it can handle matters within its competence with the desirable speed and open-mindedness. Its functioning should be reviewed in such a way that its recommendations are no longer governed by purely budgetary considerations but also by serious concern for the proper working of the Organisations. Members of the Councils may no doubt wish to put forward themselves, some suggestions in this respect.

15. After the first exchange of views which will have taken place on the present document, a second one, containing precise proposals will be submitted to the Councils for consideration.

ANNEX I

PROPOSAL CONCERNING THE SETTING UP OF
A GROUP OF EXPERTS ON EMOLUMENTS
AND DECISION OF THE OEEC COUNCIL

ORGANISATION FOR EUROPEAN
ECONOMIC CO-OPERATION

RESTRICTED

Paris, 3rd May, 1958

CES/8.074

GROUP OF EXPERTS ON EMOLUMENTS

Note to Heads of Delegations
by the Chairman of the Council

(For consideration at a meeting to be held on Friday, 9th May,
after the Council)

1. At its meeting of 7th December, 1956, the Council of O.E.E.C. instructed the Secretary-General "to take the necessary steps to set up, in agreement with the other European International Organisations, a restricted Group of Experts, chosen from among candidates designated by governments, and instructed them to proceed independently to the examination of the problems raised by as complete a harmonisation as possible of the scales of remuneration of the staff of the different European International Organisations." The terms of reference of this Group are contained in Annex I to C(57)39 dated 28th February, 1957.
2. The Group of Experts on Emoluments commenced its task in October 1957 and its Report is expected shortly.
3. The question now arises of the procedure whereby the conclusions of this Report may be considered. Governments who are members of more than one Organisation are anxious to ensure similarity of treatment for all general questions affecting grading and emoluments.
4. With this in mind I proposed to my colleagues some weeks ago that there should be appointed a Co-ordinating Committee of government Budget Experts to consider the Report on behalf of Member governments and thus facilitate subsequent consideration of the Report by the Councils of each Organisation.
5. The representatives of all Member and associated countries of O.E.E.C. (i.e. covering the membership of all four International Organisations affected) have agreed to this proposal.

6. It would be of great assistance in the speedy consideration of the Report of the Emoluments Experts if each government wishing to be represented on the Budget Expert Group would nominate its member as soon as possible.

7. It is suggested that a first meeting of the Co-ordinating Committee of government Budget Experts might be held at Château de la Muette on Thursday, 29th May, at 10 a.m., the secretarial and translation services being provided by O.E.E.C. Representatives of the four Secretariats would be invited to attend.

The Council considered the above proposal at its meeting on 23rd May 1958 and has taken the following decision:

THE COUNCIL

- (150) (a) agreed that a Co-ordinating Committee of Government Budget Experts should be set up to examine the proposals in the Report of the Experts on Emoluments /C(58)113 and Annex/, together with any comments submitted by the Secretaries-General of the Organisations concerned;
- (b) noted that, in principle, the first meeting of the Co-ordinating Committee was likely to take place on 6th June, 1958.

ANNEX IIMEMBER COUNTRIES OF THE CO-ORDINATED ORGANISATIONS

COUNTRIES	OECD	COUNCIL OF EURCFE	NATO	ESRO	ELDO	WEU
<u>Member countries:</u>						
Germany	X	X	X	X	X	X
Australia	-	-	-	-	X	-
Austria	X	X	-	-	-	-
Belgium	X	X	X	X	X	X
Canada	X	-	X	-	-	-
Cyprus	-	X	-	-	-	-
Denmark	X	X	X	X	-	-
Spain	X	-	-	X	-	-
United States	X	-	X	-	-	-
France	X	X	X	X	X	X
Greece	X	X	X	-	-	-
Ireland	X	X	-	-	-	-
Iceland	X	X	X	-	-	-
Italy	X	X	X	X	X	X
Japan	X	-	-	-	-	-
Luxemburg	X	X	X	-	-	X
Malta	X	X	(X)	-	-	-
Norway	X	X	X	-	-	-
Netherlands	X	X	X	X	X	X
Portugal	X	-	X	-	-	-
United Kingdom	X	X	X	X	X	X
Sweden	X	X	-	X	-	-
Switzerland	X	X	-	X	-	-
Turkey	X	X	X	-	-	-
<u>Associated countries:</u>						
Yugoslavia	X	-	-	-	-	-
<u>Countries acting as observers:</u>						
Australia	X	-	-	-	-	-
Israel	-	X	-	-	-	-
New Zealand	X	-	-	-	-	-
Austria	-	-	-	X	-	-
Norway	-	-	-	X	-	-

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ANNEXE III - ANNEX III

EFFETIFS BUDGETAIRES DES ORGANISATIONS COORDONNEES EN 1968 PAR PAYS
BREAKDOWN OF BUDGETARY STAFF OF CO-ORDINATED ORGANISATIONS IN 1968 BY COUNTRIES

CATEGORIES A-L et B-C

PAYS COUNTRY	OCDE OECD (1)		CONSEIL DE L'EUROPE COUNCIL OF EUROPE			SECRETARIAT - AGENCE - Com. milit.			U N A N A T O			CERS ESRO (1)			CECLIS ELDO (2)			UEO WEO			TOTAL				
	A-L	B-C	Total	A-L	B-C	Total	A-L	B-C	Total	A-L	B-C	Total	A-L	B-C	Total	A-L	B-C	Total	A-L	B-C	Total	A-L	B-C	Total	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	
(0)																									
ALLEMAGNE	-	-	-	-	-	-	16	34	50	24	57	81	66	108	174	-	-	-	-	-	-	106	199	305	
GERMANY	-	-	-	-	-	-	16	34	50	24	57	81	66	108	174	-	-	-	-	-	-	106	199	305	
BELGIQUE	-	-	-	-	-	-	359	301	1160	93	161	259	5	9	14	-	-	-	-	-	-	462	971	1433	
BELGIUM	-	-	-	-	-	-	359	301	1160	93	161	259	5	9	14	-	-	-	-	-	-	462	971	1433	
DANEMARK	-	-	-	-	-	-	-	-	-	6	19	25	-	-	-	-	-	-	-	-	-	6	19	25	
DENMARK	-	-	-	-	-	-	-	-	-	6	19	25	-	-	-	-	-	-	-	-	-	6	19	25	
FRANCE	471	874	1345	199	380	579	87	156	243	-	-	-	59	128	187	149	140	289	41	63	104	1006	1741	2747	
FRANCE	471	874	1345	199	380	579	87	156	243	-	-	-	59	128	187	149	140	289	41	63	104	1006	1741	2747	
ITALIE	4	8	12	-	-	-	73	172	245	76	163	239	23	49	72	-	-	-	-	-	-	176	392	568	
ITALY	4	8	12	-	-	-	73	172	245	76	163	239	23	49	72	-	-	-	-	-	-	176	392	568	
LUXEMBOURG	-	-	-	-	-	-	116	211	327	-	-	-	-	-	-	-	-	-	-	-	-	116	211	327	
LUXEMBOURG	-	-	-	-	-	-	116	211	327	-	-	-	-	-	-	-	-	-	-	-	-	116	211	327	
MALTE	-	-	-	-	-	-	-	-	-	7	4	11	-	-	-	-	-	-	-	-	-	7	4	11	
MALTA	-	-	-	-	-	-	-	-	-	7	4	11	-	-	-	-	-	-	-	-	-	7	4	11	
NORVEGE	-	-	-	-	-	-	-	-	-	22	55	77	-	-	-	-	-	-	-	-	-	22	55	77	
NORWAY	-	-	-	-	-	-	-	-	-	22	55	77	-	-	-	-	-	-	-	-	-	22	55	77	
PAYS-BAS	-	-	-	-	-	-	-	-	-	159	285	444	214	416	630	-	-	-	-	-	-	373	701	1074	
NETHERLANDS	-	-	-	-	-	-	-	-	-	159	285	444	214	416	630	-	-	-	-	-	-	373	701	1074	
ROYAUME-UNI	-	-	-	-	-	-	13	42	55	-	-	-	-	-	-	-	-	-	12	34	46	25	76	101	
U.K.	-	-	-	-	-	-	13	42	55	-	-	-	-	-	-	-	-	-	12	34	46	25	76	101	
SUEDE	-	-	-	-	-	-	-	-	-	-	-	-	16	71	87	-	-	-	-	-	-	16	71	87	
SWEDEN	-	-	-	-	-	-	-	-	-	-	-	-	16	71	87	-	-	-	-	-	-	16	71	87	
GRECE & TURQUIE	-	-	-	-	-	-	-	-	-	47	67	114	-	-	-	-	-	-	-	-	-	47	67	114	
GREECE & TURKEY	-	-	-	-	-	-	-	-	-	47	67	114	-	-	-	-	-	-	-	-	-	47	67	114	
TOTAL	475	882	1357	199	380	579	664	1416	2080	439	811	1250	383	781	1164	149	140	289	53	97	150	2362	4507	6869	

(1) Soumis à approbation définitive du Conseil
Subject to formal approval by Council(2) Effectifs budgétaires de 1967 (1968: non encore disponibles)
Budgetary staff for 1967 (1968: not available)

Paris-Brussels 29th April, 1968

CSG(68)4

Or. Fr.

CONSIDERATION BY THE CO-ORDINATING COMMITTEE
OF THE PROPOSALS FROM THE SECRETARIES-GENERAL
AND DIRECTORS-GENERAL CONCERNING THE RECTIFICATION
OF THE REMUNERATION OF STAFF AND THE EXCHANGE GUARANTEE

(Note by the Secretaries-General and Directors-General
to the Councils of the Co-ordinated Organisations)

1. The Co-ordinating Committee held a meeting on Thursday, 28th March. It had on its Agenda proposals concerning, first : the "rectification" of the remuneration of staff of the Co-ordinated Organisations and, secondly : the steps to be taken to limit the losses which result, for a number of officials, from the change in the parity of certain moneys. On neither of these items, to which the Secretaries-General attach the utmost importance was the Committee able to formulate any recommendations to the Councils.

2. The Secretaries-General and Directors-General of the Co-ordinated Organisations deem it their duty to call the attention of their Councils to this state of affairs. They believe that co-ordination was not established for the sole purpose of protecting the financial interest of governments but that it was also designed to improve the administration of the Organisations by a frank and fully-informed discussion of the problems which arise. As things are at present, this is very far from being the case.

Rectification of the Remuneration of Staff

3. The "rectification" of the remuneration of the staff of the Co-ordinated Organisations proved necessary following the transfer of the Headquarters of one of them to Brussels. On this occasion, exceptional measures consisting of an increase of 7 to 10 per cent, according to grade, in the scales of remuneration in force in Belgium had to be taken for that Organisation (44th Report of the Co-ordinating Committee).

4. These measures highlight the shortcomings of the 1965 General Review, as to which the Secretaries-General had at the time formulated the most explicit reservations.

5. One of the fundamental principles of co-ordination, established by the Co-ordinating Committee itself, is the equality of the purchasing power of Organisation staff regardless of their duty station. This principle was infringed in 1965 and the subsequent re-adjustments have merely widened the gaps.

6. This situation, which has been imposed upon the Secretaries-General and Directors-General of the Organisations, has created serious difficulties in staff administration, particularly in certain countries, and the staff for their part have displayed legitimate dissatisfaction. It is for this reason that, as a preliminary to the General Review of remuneration, proposals have been made for the "rectification" of staff remuneration by the grant of a general increase of 7 per cent in all countries where Organisation staff are serving, with the exception of Belgium.

7. The Members of the Co-ordinating Committee have adopted an entirely negative attitude towards the proposal. They have ruled it out of Court as groundless, without the slightest regard for the problems facing the Secretaries-General. No effort whatever has been made to reach a compromise solution which might serve as a palliative pending the forthcoming General Review.

8. If it is agreed to keep the present principles of Co-ordination in force, the first stage for this Revision, for which preparations are now being made, must be the establishment, as a basis for it, for officials of Categories A and L, of differentials between the Countries in which the staff of the Co-ordinated Organisations are serving.

9. The differentials have been calculated by the Inter-Organisations Section with the co-operation of statistical experts from Member countries and the statistical services of the European Community.

10. The Secretaries-General and Directors-General propose shortly to submit these differentials to the Co-ordinating Committee for examination and approval before establishing the new salary scales. It is essential that the Co-ordinating Committee should cooperate in this discussion.

11. In addition, the Secretaries-General and Directors-General propose that the Co-ordinating Committee should examine again what follow-up could be given to their proposal for the "rectification" of the remuneration of staff.

Change in the parity of certain moneys

12. The devaluations which have occurred in Denmark, the United Kingdom and Malta cause non negligible losses for the expatriate officials serving in these countries, when they have to make payments in their home country.

13. Since 1st January, 1963, the Co-ordinated Organisations have lost the benefit of a guaranteed exchange system. The Co-ordinating Committee nevertheless agreed at its meeting on 4th December, 1963 that, even if it was unnecessary to make advance arrangements, as the Secretaries-General desired, for a system automatically applicable in the event of changes in currency parity, ad hoc arrangements should be made as necessary.

.../...

14. On 19th November, 1967, the Secretaries-General submitted to the Co-ordinating Committee a proposal designed to give at least a partial exchange guarantee to expatriate staff serving in the three countries referred to.

15. Following discussion in the Co-ordinating Committee, the Secretaries-General agreed to modify their original position and expressed their agreement to an ad hoc arrangement for the temporary adoption of a compensatory exchange allowance limited to one year.

16. Owing to the opposition of two Delegations, the Co-ordinating Committee found itself unable to accept this proposal.*

17. A note on this question prepared by the Chairman of the Co-ordinating Committee in agreement with its members is annexed to this paper.

18. The Secretaries-General and Directors-General wish to draw the attention of their Councils to this question also and to lay it before them officially, suggesting that the discussion should take place in the Councils of NATO and W.E.U. which, in this instance, are the Organisations the most concerned.

NOTE SUMMARISING THE EXCHANGE RATE GUARANTEE PROBLEM

1. In paragraphs 95 and following of its Report of 16th May 1958, the Committee of Experts on Emoluments proposed the discontinuance of the Exchange Rate Guarantee system in view of the new scale of emoluments and the mechanisms proposed for adjustments. They nevertheless made transitional arrangements for serving staff who were already entitled to this guarantee. In the light of these considerations, the Co-ordinating Committee in its First Interim Report on 20th June 1958 recommended :
 - that, in future, staff should not be entitled to transfer more than 33 % of their emoluments at the favourable exchange rate;
 - that from 1st January 1959, the transferable amount should be reduced by 10 % per annum until the exchange rate guarantee system disappeared completely.
2. Following the devaluation of the French franc on 27th December 1958, the Co-ordinating Committee, in its 4th Interim Report [CCG(59)1 Final, paragraphs 13 and following of 17th March 1959] agreed, as a temporary measure that staff recruited in and after January 1959 should be entitled to transfer not more than 33 % of their monthly emoluments at the exchange rate prevailing in the Organisations on 1st January 1959. Staff recruited between 1st July 1958 and 10th March 1959 would continue to be entitled to the provisions in paragraph 21 of the First Interim Report.
3. Finally, following the 1962 General Review of emoluments, the Co-ordinating Committee felt that the continued existence of the exchange rate guarantee system was no longer justified in view of the changes which had occurred in the situation, and recommended that it should be discontinued as from 1st January 1962.
4. Nevertheless, at the end of 1963, the Secretaries-General submitted to the Co-ordinating Committee proposals for the introduction of a new exchange rate guarantee system to apply automatically in the event of a change in the currency parity of a Member country [Document CCG/W(63)14 of 30th October 1963]. On considering these proposals, the Co-ordinating Committee took the view that there was no reason to reintroduce a permanent and automatic exchange rate guarantee system. On the other hand, they "stated their intention to consider what measures would have to be taken if and when a devaluation or revaluation (the latter in certain cases only) of a Member country's currency took place. This would be essentially an ad hoc arrangement, as they could not agree to the introduction of a special system in advance of any such event" [CCG/M(63)8, 46th Meeting on 12th November 1963].
5. The Secretaries-General, in reliance upon the position thus reaffirmed by the Co-ordinating Committee, have, following the devaluations in the United Kingdom, Denmark and Malta,

... / ...

submitted to the Committee proposals designed to ensure a partial exchange rate guarantee for expatriate staff serving in these three countries. These proposals closely reflect those already submitted to the Co-ordinating Committee in their document of 30th October 1963 /CCG/W(63)14/. The Co-ordinating Committee, after considering the proposals of the Secretaries-General at its meetings on 21st December 1967, 2nd February 1968 and 28th May 1968 /CCG/M(67)7, CCG/M(68)1 and 2/ unanimously recognised there was no possibility of implementing these proposals since, in the form in which they were drawn up, they would in practice amount to reintroducing an exchange rate guarantee system, whereas the Committee did not think there was any valid basis for such a system. The Co-ordinating Committee thus reaffirmed the position adopted by the Experts on Emoluments in 1958, and which it itself took in 1962 with all its consequences, in recommending the outright discontinuance of the exchange rate guarantee system. In the course of discussion the Delegations put forward various arguments in support of this point of view. The Italian Delegation for example presented a detailed study of the question, which is annexed to the Minutes of the meeting of 2nd February 1968 /CCG/M(68)1/.

6. In spite of their general opposition to the principle of an exchange rate guarantee system, however, the majority of the Committee were prepared to adopt an ad hoc arrangement based on the conclusions which the Co-ordinating Committee reached in 1963, when considering the proposals of the Secretaries-General for reintroducing a permanent exchange rate guarantee system /CCG/W(63)14/. This ad hoc arrangement, which the Secretaries-General would be prepared to accept, would consist of "a temporary exchange equalisation allowance" for a limit of one year. Such an allowance would make it easier for staff who are obliged to make transfers to cope with the immediate consequences of devaluation which are particularly severely felt in the first few months after the new currency parity comes into operation.

7. As the Co-ordinating Committee was unable to reach a unanimous decision on this matter, it was not in a position to make recommendations to the Councils.