**Remarks in the Fifth Committee on the First Performance Report of the 2012-2013 Budget**

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AS DELIVERED

Thank you, Mr. Chairman, and thank you also to Ms. Casar and Mr. Massieu for presenting their reports.

Mr. Chairman, twelve months ago, this committee approved an historic UN budget of $5.15 billion for the biennium 2012-13. For the first time since the 1990s, and only the second time in fifty years, the UN regular budget we approved was less than the amount we actually spent in the previous biennium. We praised that outcome, but not because we believe all UN budgets should always and automatically go down; we don’t. Rather, we believe they shouldn’t always and automatically go up, especially in hard financial times for the taxpayers who fund this organization, especially in an organization that does not yet have a rational budgeting process, and especially under a Secretary-General who has pledged to do more with less.

We are now halfway through the budget period, and while we won’t receive the final report card for another year, we have what parents everywhere would recognize as a progress report.

And, also like parents everywhere, we scan first for the good news. Thanks to dedicated and talented managers, there is some.

First, the Secretariat has made extraordinary efforts to manage Special Political Missions within the resources actually allocated to do so. That discipline is made evident by the lack of a request this year, as we’ve commonly seen years past, for additional funds for existing missions in the second year of the biennium where fewer funds were allocated. Let’s be clear what an achievement that is, how challenging that has been for certain missions, and what a break from past practice that represents. Let’s also be clear about what this achievement occurring without interference suggests about the motivations of the major contributors. Fiscal discipline is not code for cutting some parts of the UN and not others, or for eroding the UN’s capacity. We want fiscal discipline for the whole of the UN – even those parts that are high priorities for us –precisely because we believe in the UN and care about its long-term viability.

Second, the Secretariat has delivered impressive results in responsibly managing vacancy rates, which has resulted in a reduction of approximately $50 million from the original estimates of this item.

Third, this Performance Report itself represents a promising shift toward a more responsible way of budgeting. For years, the General Assembly has asked the Secretariat to do a serious review of so-called “recosting,” the process whereby UN budgets are regularly adjusted. As a result of our decision last year, we have for the first time moved away from prematurely assessing Member States for costs that might occur. We note that in an appropriate return to historical practice of just a few years ago, I might add that neither the Secretary-General’s report nor the ACABQ report ask the General Assembly for any additional appropriation for recosting, and we commend the more responsible approach to taxpayers’ funds.

All that is indeed good news, and the product of good management. But there are clear warnings in this progress report that one year from now, the final report card will not be good at all. In fact, the budget to which we all gave an “A+” grade last December will – without real and dramatic intervention – rate a failing grade come next December.

In plain English, this report tells us that at the halfway point of the budget, the UN has already overspent by $121 million, and projects to overspend in 2013 by an additional $157 (including for tribunals) under recosting. Further, we – the member states – have added on $167 million in new and expanded mandates since this budget was passed. Putting all these facts together, it is possible that at the end of this biennium budget period the United Nations will have spent as much as $5.597 billion – $445 million more than the approved budget level of $5.152 billion.

To state the obvious, that figure would not just be over the approved 2012-13 budget level, it would be nearly $181 million over the final appropriations level for the 2010-2011 biennium of $5.41 billion. In other words, the UN’s budget achievement of last year could, by next December, have entirely disappeared and we will have returned to the business as usual of year after year of ballooning budgets. A heralded 5% cut could become a disappointing 3.3% increase.

I emphasize “could” because the virtue of this Performance Report is the books have not closed on the 2012-2013 budget: there are a full twelve months to go. We do not, after all, have a one-year budget. So, if he acts now, the Secretary-General has a full year to capture the benefit of new savings measures that could fully offset the increased costs over the approved level. We urge the Secretary-General to do so, urgently and without delay.

The United States spoke frankly before this Committee last week about the role we Member States play in budget overages when we approve new mandates mid-cycle, and this report makes some of those costs even clearer. However, most potential additional costs presented in this report do not derive from new or expanded mandates that were imposed by member states but from factors – including so-called “recosting” – that are squarely the responsibility of management. It is the Secretary-General who is the Chief Administrative Officer of the organization. Even when it comes to new mandates, Resolution 41/213 and Resolution 42/211 require the Secretary-General to do his utmost to absorb any new requirements within existing resources. Crucially, the support of the United States for this budget in the first place was predicated on the Secretary-General’s pledge to all of us to identify new economy measures, with the expectation that they would be used to offset future increases needed due to recosting and other factors.

Over the next few hours and days in this Committee, we will likely hear various justifications and explanations. We will hear that vacancy rates are simply a fact of life, to which we reply that in Resolution 66/246, the General Assembly did not recommend or hope for a certain vacancy rate, it “decided” one.

We will hear that exchange rate swings are unpredictable and unavoidable, to which we reply that the United Nations is not the only organization with worldwide, multi-currency operations. Corporations and governments manage currency risk every day without revising their budgets midstream. We have called for years for a review of external best practices on this element of recosting, with no real result other than a very long, ongoing paper trail. We strongly endorse ACABQ’s view in the current report that this systemic problem must be fixed, but we no longer have time for more reports. The Secretary-General should simply take the necessary steps to get the United Nations out of the business of currency speculation, in order to focus on the business of management.

We will hear much about inflation. To which we reply that the UN budget is not somehow indexed to some incontrovertible Consumer Price Index. There is also a difference between true inflation – which managers the world over must reckon with without simply revising their budgets – and increases in compensation costs that happen after, and outside of, the budget process.

In short, our reply is that in the face of this progress report, rather than find ways to excuse a bad result in advance, United Nations management needs to do what managers in every government, business, or family do when confronted with evidence of overspending in the first part of a budget period: underspend in the remaining part in order to hit the overall budget targets that were initially agreed. If that is not possible to do, with a $5.15 billion budget, then we have a bigger problem, not of accounting but of accountability.

The simple fact is that this Organization – like any organization -- must live within its budget despite external challenges, which will be always be with us. A budget is not a retrospective tallying up of expenses, and it doesn’t have an asterisk that says “assuming good times and good luck.” It is a decision about the resources that are available during a given period, period.

The United States therefore looks forward to the Secretary General presenting the results of his pledge, made one year ago in the General Assembly, when he promised to instruct all of his managers “to continue finding new ways to make the most of our precious resources,” and to return to us with proposals for greater cost savings this December. And we strongly reiterate our call, made in this Committee one week ago, that if the Secretary General and his team believe themselves to be in any way constrained from taking the steps necessary to tighten the UN’s belt in order to actually manage to the approved budget numbers, they should come back before the General Assembly with a clear and urgent request for the specific tools they believe they lack.

For all these reasons, Mr. Chairman, I want to say clearly today that the United States does not support increasing the approved budget level. As you know, Mr. Chairman, the United States and other major contributors have relied since 1986 on the assurance that legitimate budgetary decision in this Committee proceed on the basis of consensus. It goes without saying that any definition of consensus – either in the UN system or in common understanding – cannot include budget increases approved over the objections of major contributors.

We therefore look forward to working with colleagues to achieve a responsible outcome to this session, and are confident we can do so.

Thank you, Mr. Chairman.