

Statement of Mark P. Lagon
Deputy Assistant Secretary for International Organization Affairs
on
UN Management Reform
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Chairman Hyde, Congressman Lantos, and Members of this Committee, thank you for this opportunity to share with you our efforts to promote management and oversight reforms at the United Nations.

The United States has long advocated for reforms that make the UN more efficient and effective. We see the UN as an instrument for making the world safer and enlarging freedom with the potential to do even more if reformed to meet the challenges of the 21st century.

We need global cooperation if we are to advance peace and security, and specifically to defeat terrorism; halt the proliferation of weapons of mass destruction; end trafficking in persons; advance human rights and democracy; and reverse the human and economic toll from conflicts, disease, poverty, and natural disasters like the tsunami.

Yet, as Secretary Rice said recently, "It is no secret to anyone that the United Nations cannot survive as a vital force in international politics if it does not reform." The State Department recognizes that the UN has made some progress in management reform, but we see much more work ahead. More transparency and accountability for results and management practices are needed.

The Secretary-General himself admits that the time is ripe for change. To his credit, his focus on the larger issues of institutional arrangements has brought a rather new intensity to the discussion and opened a window of opportunity for real reform. I also believe Congress's heightened interest has opened the window of opportunity even wider.

Mr. Chairman, there is justifiable and healthy skepticism over how much the United Nations can reform itself. It is absolutely essential to the success of this current effort to make the UN more effective that management and oversight reforms are not lost in the rush to improve the structure of UN bodies and their programs of work.

WHAT IS WRONG IN THE UN SYSTEM?

As the largest assessed and voluntary contributor to the United Nations and its technical and specialized agencies, the United States bears a special responsibility to ensure the UN is living up to its original purposes and principles. You cannot ensure the UN is doing what we want it to do without accountability and results-based budgeting and management. You cannot prevent fraud, waste, and misconduct without institutional

measures that ensure the highest standards of professionalism, and good results through transparency, oversight and better management.

Indeed, one of the lessons we have learned from the Oil-For-Food investigations so far is that the United Nations Secretariat needs to be more focused on the importance of better management, transparency and oversight. Credible oversight is critical, but codes of conduct must also be enforced; and managers held accountable for their own actions as well as the actions of their people.

The UN needs to work harder to implement results-based budgeting and management in every program. That means programs, once created, should not continue without regard for results. More need to be ended when their effectiveness wanes.

The UN system also needs rationalized budgets that do not grow year after year on auto pilot, that have greater oversight, that reward workers for good performance and value added, and that hold them to account.

We are beginning to see the UN address these problems. This past January, for example, we were able to get a resolution adopted that mandates the Office of Internal Oversight Services release any of its audit reports to member states upon request. Program managers will now be held accountable for their programs. That's a significant step, but more is needed. OIOS is still too beholden to the very bureaucracy it is inspecting and auditing – especially for its funding.

All of the lessons I have pointed out explain why we continue to insist that a new culture of management accountability be instituted in all of the UN's work.

WHAT THE SECRETARY-GENERAL IS PROPOSING

There are encouraging signs that Secretary-General Kofi Annan is taking this issue more seriously. For example, he recently set up two committees that he will chair, a policy committee and a management committee, to help him build a culture of performance and accountability and improve policy planning. We hope these committees, particularly the one on management that is to review decisions on budget, oversight, and major reform efforts, tangibly serve as catalysts for change and mechanisms to ensure that reforms already identified are implemented quickly and completely, and that new reform ideas and concepts are considered on a continual basis for action.

The Secretary-General has also announced the creation of a Management Performance Board to track how well senior managers are performing, particularly in properly undertaking the responsibilities assigned to them. This is a long-overdue mechanism to improve accountability to both the Secretary-General and to member states.

In addition, we welcome his plans to create an Office of Ethics and Professional Conduct, and to propose stronger financial disclosure requirements for senior officials and mid-

level professionals. He is also working on instituting mechanisms for mandatory ethics training for all personnel as well as mandatory training on professional conduct.

These recent steps by the Secretary-General supplement the management reform proposals in his recent 53-page, 222-paragraph report titled *In Larger Freedom*. There is a good deal in that report we can agree with in terms of structural reforms—like getting the UN Democracy Fund up and running, creating a Peacebuilding Commission, and transforming the tragic hypocrisy known as the Commission on Human Rights. While the Secretary-General has made a good first step to improve management, we and other Member States think that more needs to be done.

UN Member States, and particularly its largest contributors, want to know if they are getting the most value for the dollars they contribute. People who look to the UN for help want to know that, too. Providing the leadership to ensure that the UN is operating efficiently and effectively is the Secretary-General's most important role as the UN's chief administrator. It requires constant assessments and, where warranted, working with member states to update and improve the way the UN Secretariat departments are managing their operations and programs.

The Secretary-General basically makes four recommendations in his report, some of which have real merit. For example, he asks the UN General Assembly to review all UN mandated activities over five years old to see whether they are still genuinely needed or whether the resources assigned to them could be reallocated to respond to new and emerging challenges. Such meaningful program review is something we've sought for years.

The Secretary-General also wants to conduct a comprehensive review of the budget and human resources rules under which the UN operates. This would be welcome as well.

But other proposals are more difficult for us to accept. For example, while we agree that the Secretariat needs people with the skills and experience to address new and emerging challenges, we do not think costly buyouts are the way to achieve that outcome. Oftentimes, people who are attracted to buyouts are the more qualified and capable workers who can get good jobs outside the UN system. The UN needs a more effective and fair evaluation system for all personnel so that those receiving unsatisfactory ratings will be weeded out sooner rather than later. A buyout could be costly and less effective.

In addition, while we applaud the Secretary-General for emphasizing a need to improve accountability and oversight, we do not believe that yet another General Assembly commission is needed to first review OIOS. Another review would needlessly delay our efforts to address its existing needs. We need to move now to strengthen OIOS, and we already have concrete proposals for making the budget of the OIOS independent of the Secretariat.

It is also worth noting that in 1997 and again in 2002, the Secretary-General launched the Track I and II management reform initiatives that have yet to be implemented fully. In

2003, in fact, the U.S. Government Accountability Office (GAO) reported that the UN Secretariat had made progress in implementing only 51 percent of those initiatives. According to the GAO then, with regard to performance-based budgeting, the UN had only completed the initial phase of adopting a results-based budget format: it had not begun to develop a system to monitor and evaluate results. Since 2002 result-based budgeting has moved ahead; the UN's 2006-2007 draft budget reflects the effort to develop indicators, which can be used to match resources with performance.

Mr. Chairman, a key challenge in reform is not just getting reforms adopted, but also in persisting in seeing the implementation of those reforms through to completion. Initial steps taken toward instituting performance-based budgeting are of little use if the UN does not follow through to evaluate results and ultimately base continued funding of those programs on their effectiveness in meeting their objectives. We will take a careful look at the 2006-2007 budget with that perspective in mind.

Moreover, management and oversight reforms should never appear to be an afterthought. They should be an integral part of any effort to make the UN more effective. For this reason, we are making clear to the Secretariat and other member states that management and oversight reforms must not drop out of whatever reform initiatives emerge by September.

OUR MANAGEMENT AND ADMINISTRATIVE REFORM PRIORITIES

Mr. Chairman, there are several very specific management and administrative reforms we are pressing for that I'd like to mention here. They fall into three main categories: creating a culture of accountability and integrity, improving effectiveness, and boosting relevance. A fair number of these proposals can be instituted relatively quickly, while others must wait for action by the UN General Assembly in the fall.

Creating a Culture of Transparency, Accountability, and Integrity

Mr. Chairman, we believe that strengthening the independence of the Office of Internal Oversight Services (OIOS) is critical to creating a culture of transparency, accountability and integrity in the UN Secretariat. To meet professional standards for effective and independent oversight, OIOS must be more independent of the offices and activities it audits and investigates. Currently, OIOS is dependent upon reimbursement from the UN funds and programs it is investigating for the costs of such investigations. And it must go to the Secretariat with proposals for more funding or personnel.

1. Strengthen the Independence of the OIOS

Last fall in the General Assembly, we proposed giving OIOS an independent budget, so that member states could weigh in on its full budget requests. While that did not happen, the General Assembly did end up directing the Secretary-General to report to them this fall on how to achieve full operational independence for OIOS, in accordance with its original mandate.

Since then, the Independent Inquiry Committee into the Oil-for-Food program has helped bolster our effort by also recommending budgetary independence for OIOS. We plan to put forth our proposal again and have gained the support of other major contributors to the UN. We also will take a look at whether OIOS has the necessary resources and mandate to carry out oversight for the UN, as well as for all the UN funds and programs.

2. Enhance Internal Oversight of Peacekeeping Missions

It is also imperative that we enhance internal oversight of UN peacekeeping missions, particularly in light of the sexual abuses of minors by peacekeepers in the Democratic Republic of the Congo and several other countries.

At this time, the UN Department of Peacekeeping Operations (DPKO) has provided for internal oversight in each mission to help prevent and, if necessary, investigate misconduct. But its own internal oversight resources are not sufficient to handle the number of accusations coming to light. Increased capacity for OIOS investigations and personal conduct units in all peacekeeping missions are important first steps in creating a culture of zero tolerance for misconduct.

The Secretary-General has sought to fund on a permanent basis personal conduct units in large missions, and to increase the number of OIOS staff in its investigations divisions. DPKO has proposed that estimates for internal oversight in future missions be based on such neutral measures as the complexity, size, and needs of the mission. We support those proposals.

Both OIOS and DPKO are advocating that OIOS create a dedicated investigative unit to look into sexual exploitation and abuse allegations. We fully support immediate investigation of any allegations, and agree that OIOS would be the appropriate body to conduct these investigations.

The creation of an investigative OIOS unit, however, will require the approval of the UN General Assembly, beginning with the approval of the Advisory Committee on Administrative and Budgetary Questions (or the ACABQ) and the Fifth Committee. We have already begun seeking support for this initiative from other member states, including discussing the cost of this program. This important step would help to deter sexual abuse in the future and ensure that UN peacekeepers uphold the highest standards of behavior towards those they are supposed to protect, as well as help rebuild confidence and trust in UN peacekeeping.

Another positive and recent development is the ACABQ recommendation that the Secretariat develop a comprehensive policy for investigating matters relating to sexual exploitation and sexual abuse for all UN activities, not just peacekeeping. It also recommended that the Secretariat analyze and request the resources it needs to ensure accountability and enforcement of the policy.

3. Outsource Internal Oversight at Small UN Agencies to OIOS

A third reform that would help create a culture of accountability would be for the smaller UN specialized agencies to outsource their internal oversight activities to OIOS. Such a step makes fiscal sense. As the 2003 theft of \$3 million by an employee of the World Meteorological Organization (WMO) shows, there is an urgent need to bolster internal oversight at UN specialized agencies.

The internal audit capacity of WMO has been struggling in its efforts to handle this complex investigation, and final resolution of the case is taking far longer than expected. WMO member states are now considering a proposal by Switzerland and Germany to appoint OIOS as its internal auditor to a two-year pilot program. We strongly support this proposal, as do other major UN contributors, and support the incorporation of investigative services as well.

OIOS has an investigations field office already set up in Vienna, which could assist specialized agencies like WMO in uncovering fraud and corruption. Establishing independent oversight, rather than creating an internal audit section in each smaller specialized UN agency, is an attractive option. Oversight and investigative services could be acquired on a service agreement basis, which could produce greater cost efficiencies throughout the UN system. However, the General Assembly would need to grant OIOS this authority.

4. Reinforce the Secretary-General's Duty to Waive Immunity

A fourth reform responds to recent allegations of misconduct by UN officials. We welcome the recent commitments of the Secretary-General to ensure the accountability of UN officials who are accused of committing crimes related to the Oil-for-Food Program or crimes of sexual abuse and exploitation.

The Convention on the Privileges and Immunities of the United Nations gives the Secretary-General the right and the duty to waive immunity in cases where, in his opinion, the immunity would impede the course of justice and can be waived without prejudice to the interests of the United Nations. Any UN official who is suspected of criminal activity should be fully investigated and tried; those found guilty should be punished for their crimes.

5. Avoid Even the Appearance of Conflict of Interest

Finally, we want UN Staff Regulations and Rules to better impress upon UN personnel that they should avoid even the appearance of a conflict of interest. The UN's integrity is important to all its employees and they should even avoid situations where a perception of a conflict of interest could exist.

UN Staff Regulations already state that staff “shall avoid any action and, *in particular, any kind of public pronouncement* that may adversely reflect on their status, or on the integrity, independence and impartiality that are required by that status” (emphasis added). The emphasis is on avoiding inappropriate public pronouncements. Current Staff Regulations also require certain staff to file financial disclosure statements and prohibit conflict-of-interest behaviors, but they do not specifically require them to avoid creating the appearance that they are involved in a conflict-of-interest situation.

Generally, Staff Regulations and Rules of other UN system organizations with respect to financial disclosure and actual conflict of interest are not as strong as those of the UN. We need to strengthen them to avoid problems such as the recent case at the World Intellectual Property Organization (WIPO), where the Assistant Director General is being investigated for having his wholly owned company accept money from the general contractor of the new WIPO building.

To remedy this potentially damaging loophole, we plan to initiate efforts within organizations throughout the UN system to encourage them to strengthen staff rules and regulations related to conflict-of-interest behaviors. We welcome the UN Secretariat’s efforts to address these situations, as Mr. Malloch Brown has mentioned here.

Mr. Chairman, these may seem like small steps, but they are nonetheless important if we hope to improve accountability and growing public perceptions that UN personnel seem to be above the law. And they can be achieved if there is a will among member states to do it.

Improving Effectiveness

Moving on to the second major area of reforms we are pushing, improving effectiveness of UN operations, we again have some examples of changes that can maximize the UN’s effectiveness while incorporating greater efficiencies.

1. Increasing the Efficiency of the UN Public Information Function

The first reform in this area is one we have also pushed for quite some time: further consolidating UN Information Centers around the world. These centers strive to communicate the UN’s message and data around the world. They represent approximately one third of the budget for the UN Department of Public Information, yet there is little proof that they are successfully explaining UN programs/concepts to local populations.

A vastly altered world media landscape, changes in the information culture and revolutionary advances in information and communication technologies should compel the UN Secretariat to look for more up-to-date solutions. Some may ask how the Internet can reach disadvantaged populations in developing nations, but the current set-up of UN offices in capital cities does no better.

A model for this reform is the successful consolidation of the UN Information Centers in Western European countries. Nine of them were successfully consolidated into a regional hub in Brussels. There is no sound rationalization for not duplicating this effort in other regions where it is feasible, including in the United States. In most cases, that would mean creating a UN regional information hub in the most strategic location. Resources could then be redirected to these hubs to strengthen their ability to inform the publics in their regions about UN activities.

Such consolidation is consistent with reform proposals the Secretary-General himself put forth in September 2002. We also think OIOS should be encouraged to conduct a comprehensive study of these centers and the efficiency of their parent Department of Public Information as a whole, providing much needed oversight of their activities.

2. Expanding Outsourcing and Automation of Translation Services

A second reform that would improve effectiveness is expanding the use of outsourcing and automation of translation services, which in the current budget cost nearly \$200 million.

These expenses could be greatly reduced by outsourcing translation services. Moving translation work out of New York could significantly reduce overhead costs for staff and rent while creating jobs in developing countries. Given current technology and time zone differences, we could achieve a virtual 24/7 operation, whereby work sent from New York to a remote site during their core business hours could be completed overnight and then returned to New York for review.

Competitive bids could be used to determine the most cost effective and efficient commercial providers of these services.

3. Reduce the Cost, Frequency and Duration of Conferences and Meetings

A third reform to improve effectiveness would be to reduce the frequency and duration of UN conferences and meetings. At \$565 million a biennium, Mr. Chairman, the UN's budget for conference services is the single largest section in the UN budget.

With such a high cost, we think member states ought to be able to pre-approve the Secretariat's plans for each conference and meeting's agenda and desired outcomes. Right now, it is very difficult to assess or change the frequency and duration of UN meetings organized around a certain theme. In addition, we think all official UN meetings should be aware of the possibility of running over the allotted times, since verbatim records of meetings cost approximately \$8,000 per hour.

Additional potential costs savings measures we are looking at include: (1) requiring that all inter-sessional meetings of main or subordinate UN bodies be funded through voluntary contributions or not held at all; (2) running all official UN meetings concurrent with the contractual schedule of the interpreters; (3) establishing a rational approach to choosing the number and frequency of meetings with emphasis on priority issues; and (4)

stopping the practice of giving delegates of member states and certain UN experts an additional 40 percent above the per diem amount senior UN officials receive when they travel to UN meetings.

Boosting Relevance

Mr. Chairman, the last section of reform proposals I would like to mention today are aimed at boosting the relevance of the UN's work.

1. Use and Expand Authority to Redeploy Posts

In December 2003, we were able to get the General Assembly to approve a pilot program that gave him authority to redeploy up to 50 posts from lower to higher priority areas. He is also required to report on the results of this project to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) during the 60th General Assembly this fall.

This pilot program was an important first step towards giving the Secretary-General greater flexibility so as to strategically align and realign budgetary resources with human resources.

We would have liked to be at the point where we could pursue expanding this program, but instead I have to report how very disappointed we are that the Secretary-General has not yet utilized this new and important authority.

Because we had placed a high priority on getting him this authority, we feel compelled now to oppose any staffing increases in the Secretariat until such time as the Secretary-General reprograms all of these 50 positions. For that matter, the overall presumption must be that any new posts should come from eliminating ineffective or obsolete positions. We will encourage the Secretary-General to use this authority so that we can again consider expanding it.

2. Review to Determine Usefulness of Program Mandates

Finally, to boost the relevance of the UN's work, we are seeking a regular review for relevance of all program mandates with a designated timeframe for review of all new mandates.

There is a perception that once authorized and created, UN regular budget programs and activities continue indefinitely. Sadly, the reality is very close to this perception. That's why we and other major contributors continue to support the adoption of time-limiting provisions whereby each new program and activity would include a termination date. This idea was included, of course, in the Helms-Biden arrears and reform legislation.

Under this approach, each UN program and activity would end unless the General Assembly specifically adopted a resolution to extend it. This is the approach the Security

Council takes in authorizing peacekeeping operations; each mandate includes fixed terms, must be renewed in order to continue, and has a defined exit strategy.

To deal with UN activities already authorized, other major contributors and we support reviewing all existing mandates 10 years and older for continued relevance.

Though this reform will not be easy to achieve, now that the Secretary-General has included this concept in his report, other countries that may take the effort more seriously.

In addition, in the last several weeks, we have met with the group of major UN contributors to work to advance a set of management and administrative reforms. Together this group of 14 countries—the Geneva Group—contributes 80 percent of the UN’s budgets.

We agreed that it is essential that, whatever set of reforms the UN considers later this year, matters of management, administration, personnel, accountability, transparency, and oversight must be included. We are communicating to the Secretary-General to express our belief that management and administrative reforms are critical to achieving the vision of the UN Charter.

CONCLUSION

Mr. Chairman, the United Nations is indeed in need of reform to make it more efficient, effective, and responsive to the challenges that the world lays on its doorstep. Budgetary discipline, managerial accountability, and transparency are critical to reform. The United States must continue to play a leadership role in this reform effort.

Reforming the United Nations is an evolutionary process—it is not a one-time event. We believe that pushing for continued incremental reforms is an effective way to make changes that will last and we now have an opportunity to make far greater progress than ever before.

We will press on, insisting that steps be taken to create a culture of accountability and integrity, improve effectiveness, and boost the relevance of the UN’s work. The success of any larger institutional reform discussed in Cluster Groups in New York and addressed at a High Level Event as the next General Assembly convenes in September will depend on it. And we will closely monitor the UN’s progress in implementing management improvements and reforms.

Mr. Chairman, the momentum for management and oversight reform at the UN is clearly growing, and you can be assured we will continue striving to make the UN a more effective and responsible partner in advancing peace, development, and human dignity.

Thank you. I would be happy to answer your questions.