

Administration and Budget

UN Financial Situation

At the end of 2006, UN members owed \$2.335 billion in outstanding assessments for the UN regular budget, UN peacekeeping activities, the international war crimes tribunals for the former Yugoslavia and for Rwanda, and the UN Capital Master Plan. The amount is approximately \$1 billion below the comparable amount at the end of the 2005, when \$3.310 billion was outstanding. The lower figure is attributable primarily to UN peacekeeping, which accounted for \$1.889 billion of the total owed at the end of 2006. The total owed for the regular budget was \$361 million, and the amounts owed for the international war crimes tribunals and the UN Capital Master Plan were \$51 million and \$33 million, respectively.

The United States accounted for \$1.0 billion, or 43 percent, of the total amount owed by all UN members at the end of 2006. Most of the U.S. amount, \$677 million, related to UN peacekeeping operations. As in past years, the U.S. payment pattern regarding all UN assessments was affected by the delay in the U.S. appropriation process for FY 2007, which began on October 1, 2006. Only partial payments could be made between October 1 and December 31, using the funding authority provided by temporary continuing resolutions. The balance of the planned payments would be made in 2007, subject to enactment by Congress of the full-year appropriation for FY 2007. Overall, the United States accounted for \$1.008 billion, or 22.7 percent, of the total \$6.146 billion in payments made by all UN members in the course of 2006. Most of the U.S. payments, nearly \$962 million, related to assessments for peacekeeping.

At a briefing in November 2006 to the UN's Fifth (Administrative and Budgetary) Committee, the UN Controller, Mr. Warren Sach (UK), provided a mixed outlook on the UN's financial situation for the remainder of the calendar year. While the projected cash balances for the Capital Master Plan and the international war crimes tribunals were higher than at the end of 2005, the end-of-year balance for the regular budget was uncertain and could either approximate the positive balance at the end of 2005 or require borrowing from reserves. The outcome would depend on the payments received from a few member states during November and December. With respect to peacekeeping, Mr. Sach noted that the amounts owed to troop and equipment providers were expected to increase by over \$300 million instead of the modest reduction that had been expected. The increase reflected higher obligations, owing to an increased level of activity, and lower payments, owing to delays in the receipt of assessed contributions. It also reflected the delay in the issuance of assessments for 2007 until the General Assembly adopted the new scale of assessments for the period 2007-2009. The new scale subsequently was adopted on December 22, 2006. In closing his

presentation, Mr. Sach noted that the financial position of the UN “remains fragile,” and that “the only way to overcome the problem and to ensure a more stable financial base for the work of the United Nations is for member states to meet their financial obligations to the Organization in a fuller and more timely fashion.”

UN Budget

During 2006, the UN General Assembly (UNGA) took several actions relating to the UN program budget for the biennium 2006-07. Three of the actions related to the adoption of resolutions that resulted in increases in the approved budget level for the biennium. One action related to the lifting of the budget spending cap that had been imposed by the UNGA in December 2005. The United States joined consensus in the adoption of the three resolutions, but disassociated from consensus on the UNGA decision to lift the spending cap from the previously imposed level of \$950 million.

On June 28, 2006, the General Assembly adopted by consensus Resolution 60/281, approving an additional appropriation of \$26.4 million in 2006 for costs relating to UN Special Political Missions in Afghanistan (UNAMA) and East-Timor (UNOTIL), and for the International Independent Investigation Commission (IIIC), which relates to the UN’s investigation of the 2005 assassination of the former Prime Minister of Lebanon, Rafik Hariri. The appropriation would cover the additional costs in 2006 resulting from decisions taken by the Security Council to extend the respective mandates of each of the three activities. The costs cover April 1–December 31 for UNAMA, June 21–August 31 for UNOTIL, and June 6–December 31 for the IIIC.

On June 30, 2006, the General Assembly adopted Decision 60/561 to lift the spending cap of \$950 million on the UN budget and, thus, authorize the expenditure of the remaining funds appropriated for the 2006-07 biennium in Resolution 60/247 of December 23, 2005. Resolution 60/247 approved the initial 2006-07 UN budget at a level of \$3.79 billion. It also included language that would, “as an exceptional measure,” limit the first portion of the Secretary-General’s expenditures for 2006 to \$950 million; and decided that, “in order to ensure the availability of resources for program delivery, it would act in response to a request from the Secretary-General, at an appropriate time, for expenditure of the remaining funds.” Such a request was made on June 20. During consideration of the issue in the UN’s Fifth (Administrative and Budgetary) Committee, the United States, Japan, and Australia disassociated from the decision to lift the spending cap due to insufficient progress on UN reform measures. The U.S. Permanent Representative to the United Nations, John Bolton, stated: “We do not believe it is in the long-term interest of the United Nations, much less its member governments, to continue delaying reforms that many of us know will serve to make this institution stronger and more effective in fulfilling the mandates outlined in the Charter. It is thus with deep regret that the United States finds it necessary to oppose lifting of the interim budget cap, and, therefore, to disassociate from consensus on the

lifting of that cap. Know, however, that the United States will continue to press for change and reform here at the United Nations and work with other member states and the Secretariat to achieve our mutually shared objectives.”

On July 7, 2006, following its consideration of management and related reform initiatives proposed by the Secretary-General in his report, “Investing in the United Nations: for a Stronger Organization Worldwide,” the UN General Assembly adopted by consensus Resolution 60/283. Among its provisions, the resolution approves the introduction of International Public Sector Accounting Standards (IPSAS) in the United Nations and an increase in the level of the Working Capital Fund (WCF) from \$100 million to \$150 million. It also includes measures to strengthen the UN procurement system, initiate steps to improve the UN information and communication technology system, and, on an experimental basis, provide the Secretary-General with discretionary budget authority to spend up to \$20 million for the biennia 2006-2007 and 2008-2009 to meet the “evolving needs of the organization in attaining its mandated programs and activities.” In adopting the resolution, the General Assembly approved an increase of \$4.6 million in the budget appropriation level for 2006-07. The increase deals with added requirements relating to the adoption of IPSAS and to the planned, initial improvements in the UN information and communication technology system. The United States supported these measures and joined consensus in the adoption of Resolution 60/283.

In accord with UN budget procedure, further revisions to the 2006-07 UN budget were considered by the General Assembly at its 61st session in autumn 2006. This included review of the Secretary-General’s first budget performance report for the biennium, and updated requirements resulting from actions taken by UN governing bodies. On December 22, 2006, the General Assembly adopted by consensus Resolution 61/253, which approved the revised 2006-07 UN budget level of \$4.174 billion. The revised level included additional appropriations of \$344 million approved by the General Assembly during the autumn session, most of which pertained to three categories: (1) estimated requirements for the funding of 27 Special Political Missions (\$253 million) in 2007 [NB: The United States supports these missions through its actions in the Security Council and is assessed for them at a lower rate (22 percent) than for peacekeeping missions (26 percent)]; (2) added inflation and exchange rate costs (\$67 million), which mainly reflect the declining value of the U.S. dollar; and (3) additional costs relating to the new Human Rights Council (\$4 million) and to the Office of the High Commissioner for Human Rights (\$5 million). The United States joined consensus in the adoption of Resolution 61/253. The final 2006-07 UN budget will be considered by the General Assembly in autumn 2007, in the context of the final budget performance report for the biennium.

Scale of Assessments

On December 22, 2006, the UN General Assembly, on the recommendation of the Fifth (Administrative and Budgetary) Committee, adopted by consensus Resolution 61/237, the UN scale of assessments for 2007-2009. The approved scale maintains the ceiling rate of assessment at 22 percent, as adopted in 2000, and the basic parameters of the UN scale formula, as recalculated to reflect more current economic data under the concept of “capacity to pay.” The parameters include a “base period” of the average of three and six years to measure the Gross National Income (GNI) of UN members, the provision for a low Per-Capita-Income (PCI) discount for developing countries based on a “gradient” level of 80 percent, the provision for an external debt discount for developing countries, the retention of the 0.01 percent ceiling rate for the least developed countries and the retention of the 0.001 percent floor rate in the overall UN scale.

The scale debate in the Fifth Committee was among the most contentious at the 61st session of the UN General Assembly (UNGA). The United States sought to maintain the 22-percent ceiling rate, while also proposing certain technical changes in the scale formula that would more accurately reflect the current economic situation of UN members, and provide for a more equitable distribution of their respective assessment shares. These included a shorter base period of three years in order to gauge better the current capacity to pay of UN members; the introduction of a “stepped gradient” formula to reduce the amount of discount accorded to certain developing countries with exceptionally large economies; and the possible use of Purchasing Power Parity (PPP) to measure better the capacity to pay of individual UN members. There was mixed support from others for the U.S. proposals. The three-year base period was supported by Japan, but strongly opposed by members of the European Union (EU) and the Group of 77 (G-77). The “stepped gradient” formula and the use of PPP were opposed by the G-77. The majority of UN members, especially those from the EU and the G-77, sought to raise the ceiling rate to its pre-2001 level of 25 percent. As justification, members cited the notion that the United States had not lived up to its earlier commitment to pay its arrears. The U.S. delegation was able to refute that notion.

The scale debate evolved to a handful of issues that ultimately decided the outcome of the scale resolution. The G-77 advocated retention of the existing scale formula, including recalculation of the individual scale parameters to reflect more current economic data. Japan was willing to compromise on its advocacy of a three-year base period by agreeing to the existing period of the average of three and six years. The United States also was willing to compromise on its various proposals by agreeing to the retention of the existing scale formula, including provision for a 22 percent ceiling rate. The EU was firm in its insistence on a six-year base period, as the longer base period would help mitigate somewhat the increase in assessment rates for its (then) 25 members. There was no support from others for the EU

position. In the end, the EU members agreed to the retention of the existing scale formula, including the 3-6-year base period and the 22-percent ceiling rate. At the request of the EU members, the agreed resolution language also includes provision for the UN's Committee on Contributions to review the elements of the UN scale formula in order to reflect the capacity of UN members to pay and to report thereon to the General Assembly by the main part of its 63rd session (2008).

The agreed scale of assessments for 2007-2009 has an impact on various UN members due to the use of updated economic data within the parameters of the scale formula. Among the more significant changes in assessment rates from one scale period to the next are Japan, the collective members of the EU, and China. Japan's assessment rate is reduced from 19.468 percent previously to 16.624 percent in the new UN scale. The collective assessment rate of the EU members reflects an increase of approximately 2 percentage points, from 36 percent to 38 percent. The assessment rate of China reflects an increase from 2.053 percent to 2.667 percent. In relative terms, the increase for China is the highest of any UN member under the new UN scale, i.e., an increase of nearly 30 percent over the previous scale. The new assessment rates of all UN members are listed in Paragraph 6 of UNGA Resolution 61/237. The rates remain in effect until the end of 2009.

In a separate resolution on the UN scale, Resolution 61/2, the UN General Assembly agreed to grant temporary exemption from the loss-of-vote provision of Article 19 of the UN Charter to eight UN members: Central African Republic, the Comoros, Georgia, Guinea-Bissau, Liberia, Niger, Somalia, and Tajikistan. The temporary exemption is granted only through the end of the 61st session of the General Assembly. The exemption based on the agreement by the Assembly that the failure by these members to pay the minimum amount necessary to avoid the application of Article 19 was due to "conditions beyond the control" of the respective members. The United States joined consensus in the adoption of Resolution 61/2.

Committee for Program and Coordination (CPC)

The Committee for Program and Coordination (CPC) is comprised of 34 members elected by the General Assembly on the basis of equitable geographic distribution among regions. The CPC is the main subsidiary organ of the Economic and Social Council (ECOSOC) and the General Assembly for planning, programming, and coordination. The CPC is charged with reviewing and recommending priorities among UN programs, guiding the Secretariat on translating legislation into programs, developing evaluation procedures, and making recommendations on where duplication could be avoided. The CPC considers the activities of UN agencies on a sectoral basis in order to recommend guidelines that take into account the need for system-wide coherence and coordination. CPC members serve for periods of three

years, and may serve multiple successive terms. The United States has been one of the longest serving members of the CPC, participating every year since 1974. However, in 2006, the U.S. decided not to seek re-election to the CPC for the 2007-2009 term, due to the Committee's consistently ineffective, inefficient operation and continued lack of progress on reforming its working methods.

The CPC held its 46th session from August 14-September 8, 2006, in New York. The session primarily focused on reviewing the proposed strategic framework for the 2008-2009 biennium, including consideration and approval of 26 programmatic elements of the 2008-2009 budget. Against U.S. objections, the Committee approved language requesting that increased amounts of detailed information be included in future strategic framework documents. Such information is expected to contribute to CPC's continuing attempts to micromanage the planning and budgetary process. The Committee also reviewed UN program performance for the biennium 2004-2005, a report on the New Partnership for Africa's Development (NEPAD), and the Chief Executives Board report on coordination.

Under the agenda item on evaluation, the CPC reviewed the report of the Office of Internal Oversight Services (OIOS) on strengthening the role of evaluation and the application of evaluation findings on program design, delivery, and policy directives. It also reviewed the report of the OIOS on the thematic evaluation of knowledge management networks in the pursuit of the goals of the Millennium Declaration. The CPC requested that the OIOS prepare evaluation reports on the following topics:

- UN support for the least developed countries, small island developing states, and Africa (2008 in-depth evaluation report);
- Department of Management – Office of Human Resources (OHRM) (2009 in-depth evaluation report);
- Lessons learned: Protocols and practices (2008 thematic evaluation report); and
- UN coordinating bodies (2009 thematic evaluation report).

As in previous years, a major focus of the session was how to reform the CPC to increase its effectiveness. The United States, which has worked for years to turn the CPC into a useful and relevant body, underscored the critical importance of improving the Committee's effectiveness through the reform of its working methods and procedures. The United States identified a number of key areas for improvement, including:

- revising the format of the Committee's annual report to make it more action-oriented and user-friendly;
- modifying the length and timing of CPC sessions (maximum two weeks during budget years, four weeks in non-budget years);
- redefining the role of observers in CPC meetings; and

- linking CPC's consideration of evaluation reports to its discussion of the biennium budget.

When the Committee failed to make progress on reforming its working methods, the United States took the unprecedented step of limiting our subsequent participation on other agenda items to comments delivered in the formal meetings of the Committee. During informal consultations, the United States intervened only on procedural matters and did not engage in negotiating language for the CPC final conclusions and recommendations. The United States indicated repeatedly that its failure to intervene should neither be interpreted as support for, nor advocacy of, the position ultimately taken by the Committee and that, most importantly, U.S. comments on specific issues would be presented during ECOSOC and General Assembly (Fifth Committee) consideration of the CPC report. The rationale for modifying our participation in the CPC was to focus attention on its questionable relevance and value. The Japanese delegation also chose to minimize its participation during the Committee's consideration of substantive agenda issues. The effectiveness of this effort has not yet been determined.

At the end of the session, the Chair circulated a "compromise text" of proposals to reform the working methods. However, this text failed to include any of the U.S. proposals. The United States argued that the Chair's text offered little in terms of meaningful reform and expressed serious concern at the CPC's continued failure to reform its working methods, as requested by the General Assembly. In light of the CPC's failure to achieve meaningful, concrete progress in reforming its working methods and procedures, the United States and Japan disassociated from consensus in support of the Committee's final report. Israel, Portugal, France, and Italy also registered concern that this text failed to advance the reform process, but in the end, joined consensus in endorsing the report.

As a result of the United States and Japan's disassociation from the CPC's report, the Fifth Committee's deliberation of Agenda Item 118, "Program planning," under which the report of the CPC is discussed, began on a contentious note. Proposals by the United States to alter the strategic framework and modify portions of the CPC recommendations and conclusions repeatedly were rejected outright, with some member states arguing that as a CPC member, the United States had the opportunity to shape the CPC's conclusions and recommendations and thus had no right to seek any changes during the General Assembly's consideration of this item. The United States strongly opposed this rationale, arguing that every member state has the right to make whatever reasoned proposals and comments they want concerning the CPC's final conclusions and recommendations during Fifth Committee discussions.

During the Fifth Committee's discussion of the CPC report, the United States also reiterated its displeasure that a lack of consensus on how to reform the CPC's working methods continued to plague the Committee. The United States suggested that, given the lack of progress in improving the

CPC's working methods and the overlap of its work with the ACABQ, it was time for member states to consider whether the CPC should continue. The U.S. suggestion that the CPC be discontinued triggered protest from other member states, particularly the G-77 and China. The lack of progress in reforming the CPC's working methods, combined with the intense opposition the United States faced in seeking changes to the strategic framework, led the United States both to disassociate from consensus on the program planning resolution before the General Assembly and to decide not to run for re-election to the CPC.

Audit Reports

The Board of Auditors, based in New York, serves as the external auditor of UN accounts, its funds and programs, and the International War Crimes Tribunals for Rwanda and the former Yugoslavia. Members are elected to serve six-year terms, which cannot be served consecutively. In 2006, the Board was composed of the Auditors-General (or national equivalent) of the Philippines, South Africa, and France. Additional information is available online at: www.unsystem.org/auditors.

Because the Board of Auditors issues most of its reports in even-numbered years (in line with the financial periods of most of the organizations under its oversight, which are biennial and end in odd-numbered years), the Fifth Committee had 15 separate audit reports to consider in the fall of 2006. The Fifth Committee also reviewed the report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on the Board's audits. The Fifth Committee discussed separately the audit of the Joint Staff Pension Fund and associated ACABQ report in the context of its overall consideration of the Pension Board report for 2006.

The U.S. delegate commended the Board for its helpful assessment of the financial statements and overview of key financial and management issues faced by UN bodies. The delegate noted some areas of concern, such as the Board's findings related to the systemic weaknesses in the inventory and accounting records for non-expendable property. The U.S. delegate emphasized that these control weaknesses would present a big challenge to the organizations as they begin the transition to International Public Sector Accounting Standards. The U.S. delegate also expressed concern that seven recommendations from the 1998-1999 biennium had not been fully implemented and requested an explanation from the Secretariat concerning the delay. In addition, the U.S. delegate stressed the importance of improving management's rate of implementation of the Board's recommendations to achieve greater efficiencies in the work of the entities audited, and to maximize the use of member state resources.

On December 22, 2006, the General Assembly adopted Resolution 61/233 by consensus, which endorsed the recommendations of the Board of Auditors and the ACABQ. The General Assembly called on the Secretary-General and the executive heads of the UN funds and programs to hold

program managers accountable for the timely implementation of recommendations.

Joint Inspection Unit (JIU)

The Joint Inspection Unit (JIU), based in Geneva, Switzerland, is an external oversight body for the entire UN system. The JIU produces reports, notes, and confidential letters detailing its recommendations. It is accountable to member states through the UN General Assembly and through the governing bodies of specialized UN agencies. The JIU is funded from the regular UN budget and the budgets of specialized UN agencies.

The JIU is comprised of 11 inspectors as well as research and support personnel. According to the JIU statute, the inspectors should be “chosen from among members of national supervision or inspection bodies, or from among persons of a similar competence on the basis of their special experience in national or international administrative and financial matters, including management questions.” The inspectors are elected by the General Assembly and limited to serve two five-year terms. In 2006, Deborah Wynes (United States) was the Unit’s Chair and Juan Luis Larrabure (Peru) was the Vice-Chair.

The JIU produced the following seven reports and a note in 2006, as well as a separate document, titled “Report of the Joint Inspection Unit for 2005 and program of work for 2006.” These reports and other information on the JIU are available at: <http://www.unjiu.org/>.

- Evaluation of Results-Based Budgeting in Peacekeeping Operations (JIU/REP/2006/1);
- Oversight Lacunae in the United Nations System (JIU/REP/2006/2);
- Follow-up to the Management Review of the Office of the United Nations High Commissioner for Human Rights (JIU/REP/2006/3);
- A Second Review of the Implementation of Headquarters Agreements Concluded by United Nations System Organizations: Provision of Headquarters Premises and Other Facilities by Host Countries (JIU/REP/2006/4);
- Towards a United Nations Humanitarian Assistance Program for Disaster Response and Reduction: Lessons Learned from the Indian Ocean Tsunami Disaster (JIU/REP/2006/5);
- Results-Based Management in the United Nations in the Context of the Reform Process (JIU/REP/2006/6);
- Staff Mobility in the United Nations (JIU/REP/2006/7); and
- Goodwill Ambassadors in the United Nations System (JIU/NOTE/2006/1).

The United States has long encouraged the JIU to improve the quality of its reports and to include more detailed information on the implementation of its recommendations. In 2006, the JIU responded to these appeals by strengthening its recommendation follow-up system. It developed an enhanced matrix (“recommendations tracking sheet”) containing the text of each recommendation and indicating its intended impact. Participating organizations are requested to indicate the status of acceptance, the status of implementation, and the achievement of impact. The matrix is expected to facilitate reporting by participating organizations on recommendations and to enhance the quality of information obtained.

Under the General Assembly agenda item pertaining to the JIU, the United States welcomed the JIU’s efforts to report on the impact and acceptance rate of its recommendations, sought the earlier release of the JIU’s annual program of work, and continued to push for further reform of the JIU. As a result of U.S.-led efforts, the JIU was directed in GA Resolution 61/238 to present its program of work for 2007 to the General Assembly at its first resumed session (scheduled for March 2007). The United States successfully pressed for further improvements in the JIU’s reporting on the implementation rate and impact of its recommendations, particularly with respect to multi-agency reports, as well as calling for the JIU to focus its work on issues of system-wide interest and relevance, both of which were also addressed in GA Resolution 61/238. The United States also expressed serious concern about the narrow approach taken in the JIU’s study on open-source computer software (Document JIU/REP/2005/7) and questioned its expertise and competence to carry out such a technical, highly specialized study.

Office of Internal Oversight Services (OIOS)

General Assembly Resolution 48/218B states that the “purpose of the Office of Internal Oversight Services (OIOS) is to assist the Secretary-General in fulfilling his internal oversight responsibilities in respect of the resources and staff of the Organization” through monitoring, internal audit, inspection, evaluation, and investigation. In addition to these mandated responsibilities, OIOS provides some management consulting services. OIOS is based in New York with offices in Geneva, Vienna, and Nairobi, as well as having auditors and investigators resident in peacekeeping missions. In July 2006, Inga-Britt Ahlenius (Sweden) was appointed by the Secretary-General, following consultation with the General Assembly, to a five-year non-renewable appointment as the Under-Secretary-General for Internal Oversight Services.

In 2006, the Fifth Committee considered several OIOS reports, including the annual report for the year ending June 30, 2006. OIOS reports to the General Assembly are available on its website (see <http://www.un.org/Depts/oios/report&pub.htm>). Reports to program managers are made available to member states upon request, and a list of these reports can be found in the annual report and on the OIOS website.

According to the 2006 annual report, OIOS made 1,919 recommendations. OIOS classified 49 percent of these recommendations as

critical to the effective functioning of the organization. OIOS classifies a recommendation as critical if it identifies changes needed to administrative policies; corrects systemic deficiencies; results in measurable improvements to work processes; holds individuals accountable for fraud, waste, and abuse or clears an individual of such allegations; results in savings, recoveries, or reduced expenditures of \$25,000 or more; requires the concurrence of governing bodies; and results in the termination of a relationship between the organization and an implementing partner or vendor, or requires action by a government. As of June 30, 2006, 47 percent of all recommendations and 42 percent of critical recommendations during the current reporting period had been fully implemented. In the period covered by the latest annual report, OIOS recommendations identified approximately \$49.2 million in potential cost savings and recoveries. Total actual savings and recoveries between July 2005 and June 2006 as a result of recommendations from this and previous reporting periods was \$14.2 million.

OIOS uses a risk-management framework to determine its annual work program. In 2006, OIOS identified five areas as being most vulnerable to fraud, waste, abuse, mismanagement, ineffectiveness, and inefficiency. As a result, OIOS' work between July 2005-June 2006 focused primarily on health, security, and safety issues of UN staff; challenges to effective program management; reliability and security of information and communications technology systems; the UN Capital Master Plan; and integrity violations.

During Fifth Committee discussions concerning the OIOS annual report, the U.S. delegate pressed for the implementation of all of OIOS' recommendations. The U.S. delegate expressed concern that program managers had implemented only 42 percent of the recommendations issued between July 2005 and June 2006 that were designated by OIOS as critical. The U.S. delegate also expressed concern that 34 recommendations issued prior to July 1, 2002, 17 of which were critical, had not been fully implemented and requested an explanation from the Secretariat concerning the delay.

By the close of the Main Session of the 62nd General Assembly on December 22, 2006, the Fifth Committee had not reached agreement on a resolution addressing the OIOS annual report, and no plans were made to resume consideration of the matter in 2007. Consequently, the General Assembly will examine these issues during its 62nd session, beginning in September 2007.

In 2006, the General Assembly also considered an external review of UN Governance and Oversight that included an in-depth review of OIOS (see A/60/883/Add.2). PricewaterhouseCoopers conducted the review under the direction of a steering committee of external experts appointed by the Secretary-General. The Governance and Oversight report made several recommendations concerning OIOS' independence, governance, organizational structure, human resources policies, working practices,

reporting, information and communications technology expertise, knowledge management strategy, and performance measurement.

The findings related to OIOS' organizational structure were contentious. The report recommended that OIOS focus exclusively on internal auditing and proposed moving the investigative function to the Office of the Legal Adviser and the evaluation and management consulting functions to the Department of Management. In response to the Governance and Oversight report, the Under Secretary-General for Internal Oversight presented her own views on measures needed to strengthen OIOS (see A/60/901). The Under Secretary-General for Internal Oversight rejected the proposals to remove OIOS' investigative and evaluation functions but agreed that management consulting should be moved to the Department of Management. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) concurred with these views and recommended that OIOS retain its investigative and evaluation functions (see A/61/605). The Under Secretary-General for Internal Oversight also made proposals for strengthening OIOS' budgetary independence and flexibility. On December 22, 2006, the General Assembly adopted by consensus Resolution 61/245, which endorsed the conclusions and recommendations of the ACABQ.

Human Resources Management

In 2006, the UN General Assembly's Fifth Committee considered and reached consensus on a wide range of human resources management issues. During these discussions, the United States strongly supported efforts to integrate recruitment, selection, training, and mobility into human resources planning and management. The United States also supported looking further at the contractual arrangements for staff.

The Secretary-General's reports, A/61/255 "Investing in people" and A/61/255/Add. 1 (along with A/61/255/Add. 1/Corr. 1) "Investing in people: Reforming the Field Service category: Investing in meeting the human resources requirements of United Nations peace operations in the 21st century," presented in detail his proposed integrated package of reforms aimed at strengthening the current human resources policies of the United Nations to achieve "an integrated, mobile and multi-skilled global Secretariat staff with competitive conditions of service." The basic outline for these proposals was presented earlier in A/60/692 "Investing in the United Nations: for a stronger Organization worldwide."

The ACABQ commented on these detailed proposals in A/61/537 "Human resources management" and made recommendations that, if implemented, would scale back on and mitigate the financial impact of the entire package of the Secretary-General's reform proposals. The United States indicated that while both the Secretary-General's and the ACABQ's reports contained many worthwhile ideas, some would require more development. The general direction of the proposals, incorporating the ACABQ comments, was in line with U.S. Government reform goals.

During general discussions in the Fifth Committee, the United States successfully worked with other nations to: reject the staff buyout provisions proposed in the Secretary-General's report; reduce the provisions for a \$10 million increase in training, as it was not designed to improve any of the core functions of the United Nations; and promote further discussion of the effort to simplify the type and nature of staff contracts and delay consideration of this matter until more information is provided on the full financial impact of the proposed changes.

On December 22, 2006, the General Assembly adopted by consensus Resolution 61/244 "Human resources management," the Fifth Committee's recommended resolution on human resources management, which requested further information and analysis on the Secretary-General's reform proposals. Among other things, the resolution:

- Noted the high rate of turnover and the need to minimize this trend and requested the Secretary-General to report on the yearly rate of turnover in the UN Secretariat;
- Reiterated that the Secretary-General must ensure that the highest standards of efficiency, competence, and integrity serve as the paramount consideration in the employment of staff, with due regard for the principle of equitable geographic distribution;
- Requested the Secretary-General to ensure that the use of the envisaged expedited recruitment process is confined to surge needs and that established procedures for recruitment are waived in only exceptional cases;
- Requested the Secretary-General to provide an assessment of the mobility program, including information on the costs, the issue of high vacancy rates, and the possible use of incentive programs at certain posts;
- Stressed the need to rationalize the current overly complex system of contractual arrangements and requested that the Secretary-General report back to the General Assembly with a detailed implementation plan that would include how the current system would transition to the proposed system and the overall financial implications of this proposal;
- Requested the Secretary-General to conduct a review of the staff selection system; and
- Requested a report from the International Civil Service Commission on harmonizing the conditions of service of internationally recruited staff serving in non-family duty stations.

International Civil Service Commission (ICSC)

The International Civil Service Commission (ICSC), a 15-member body of recognized experts, is responsible for making recommendations on salaries, allowances, benefits, and other conditions of service for employees of the United Nations and its specialized agencies. In 2006, Lucretia Myers, who has been the U.S. member to the Commission for the last 13 years, served the first year of her current four-year term.

In 2006, the Commission met in Vienna and New York for its 62nd and 63rd sessions, respectively. The Commissioners focused on a variety of issues during these sessions, including broad-banding/pay-for-performance, the Education Grant, and staff contracts at field missions. The Commission made recommendations on the following: expanding the definition and changing the rate of Hazard Pay, increasing the number of the years of eligibility of the education grant for dependents, modernizing and simplifying allowances, increasing the base/floor salary scale in 2007 for professional staff, and continuing the pilot study for broad-banding/pay-for-performance.

Efforts by the United States, Canada, Australia, and New Zealand to institute large-scale reform of the ICSC were opposed by the G-77, China, and Russia, which favored continuation of the *status quo*. Some of these reforms concerned improving the selection process for Commissioners, as well as making the ICSC working methods more relevant to allow more direct interaction with and impact on the Common System. The United States strongly supported clarifying and increasing the qualifications requirements, as well as limiting the length of service for the Commissioners. After U.S. efforts with other nations to overcome this initial opposition, the UN General Assembly (UNGA) approved a limited package of reforms, including the institution of term limits for the Commission's Chair and Vice-Chair, as well as minimal professional experience and education qualifications for the Commissioners.

The Fifth (Administrative and Budgetary) Committee of the General Assembly discussed both the 2005 and 2006 reports of the ICSC. The 2005 report was included in the 61st UNGA discussions because the 60th UN General Assembly's Fifth Committee did not reach consensus on resolution language, effectively postponing any decision on the 2005 report.

In particular, the United States raised concerns regarding the proposed level of Hazard Pay and the change in the number of years of eligibility for the Education Grant for dependents. Hazard pay has long been acknowledged as a payment that is symbolic in nature that recognizes the difficulties faced by those serving in hardship areas. The United States tried, unsuccessfully, to have the Committee identify and discuss alternative ways to recognize the difficulties faced by UN staff members rather than strictly with monetary payments. As a compromise, the United States favored making any increase in the amount of this benefit temporary while looking into one or

more other measures to acknowledge this service and address this matter in a comprehensive fashion. Ultimately, the final resolution language, championed by the European Union, called for a permanent increase that the United States did not support.

The intent of the education benefit historically had been to cover a portion of the expenses commonly associated with dependents attaining their first post-secondary/undergraduate degree or four years of study, whichever is less. This was originally enacted to create parity between the many education systems by having eligibility for the grant limited both by when the degree is awarded and by time. The proposal to change the criteria to cover a full four years of post-secondary study regardless of when a degree is awarded, corresponds to recent initiatives in the European educational system. The United States strongly opposed this change because it would allow coverage for a portion of a graduate degree, which is beyond the scope and intent of the original Education Grant.

Due to disagreements in the final resolution language concerning these issues, the United States disassociated from the General Assembly's Resolution 61/239 "United Nations common system: report of the International Civil Service Commission," adopted by consensus on December 22, 2006. The resolution, in addition to adjusting Hazard Pay and the Education Grant as previously mentioned, among other things:

- Requested that the Commission ensure dedicated leadership for the pilot project in broad-banding and pay-for-performance;
- Increased by 2.49 percent the UN common system's base/floor salary scale to be effective January 1, 2007, with this increase offset by the consolidation of post adjustment; and
- Reaffirmed the use of a range of 110-to-120 for the margin between the net remuneration of Professional staff in New York and staff in comparable positions in the comparator civil service (United States), on the understanding that the margin would be maintained at a level around the midpoint of 115 over a period of time.

Capital Master Plan

In 2006, key decisions were reached on the UN Capital Master Plan (CMP), allowing full implementation of the project to proceed. In June, the General Assembly adopted Resolution 60/282, providing the United Nations with a decision on the project implementation strategy, and requesting that adequate resources be provided to the Office of Internal Oversight Services for appropriate construction audit activities, with the Secretary-General reporting on the findings. In December, the General Assembly adopted Resolution 61/251, providing agreement on the project budget and financing methodology. This resolution also requested that every effort be made to avoid budget increases, and that in the event costs escalate above the approved

budget, options on how to remain within the budget will be presented to the General Assembly.

The UN Capital Master Plan consists of full renovation of the UN headquarters complex in New York. The UN facilities, the majority of which are 55 years old, are not compliant with building codes for fire and life safety; they also are energy inefficient and do not meet modern security requirements. The proposal for the CMP was first introduced by the UN Secretary-General in 2000 and endorsed, in principle, by the General Assembly in 2002 by Resolution 57/292. The CMP is expected to cost approximately \$1.9 billion and take 7 years for construction to be completed.

In 2006, the UN revised the project implementation plan to reflect delays in some activities as a result of UN General Assembly decisions being reached later than expected. These delays resulted in a slight increase in the cost estimate due to the impact of cost escalation. In addition, the United Nations presented changes in the planned security upgrades, augmenting the level of protection in response to the findings of a new blast assessment, which also increased the project cost estimate.

The updated information presented by the United Nations generated extensive discussion among members on how best to implement and finance the CMP. The United States sought to ensure that the project management processes being used were sound and that rigorous oversight was applied to the project as it progressed. While the United States supported the CMP overall, the U.S. delegation continued to urge diligence in containing costs and worked to ensure that UNGA decisions reflected these interests.

UN Joint Staff Pension Board

The General Assembly established the Joint Staff Pension Fund in Resolution 248 (III) (1948) to provide retirement, death, disability, and related benefits for staff in the UN system and other participating organizations. In 2006, the Fund had 21 member organizations.

The Joint Staff Pension Board governs the Fund and consists of 33 people, 12 from the UN (four selected by the General Assembly, four by the Secretary-General, and four by the participants) and 21 from the other participating organizations (also comprised of representatives selected by the Governing Bodies, the Executive Heads, and participants). The Board reports to the General Assembly in even-numbered years on the investments and operations of the Fund, as well as proposed changes to the Fund's rules, regulations, governance, and operations.

The 2006 Board report covered the Fund's operations for the 2004-2005 biennium. As of December 31, 2005, the Fund had 93,683 active participants and 55,140 beneficiaries. The Fund had an actuarial surplus of 1.29 percent of pensionable remuneration at the close of the biennium, which was the fifth consecutive surplus, and the value of the Fund's assets was over \$33.1 billion as of March 31, 2006.

At the June 2006 Pension Board meeting at the UN Office in Nairobi, Kenya, the Representative of the UN Secretary-General proposed shifting the Fund's North American equity portfolio from managed assets to passive management. The proposed move was expected to be more cost-effective and less risk sensitive than the current practice, in which the Fund investment manager seeks to exceed market performance. The Pension Board, in a departure from its usual practice of making decisions by consensus, voted to endorse the proposal over the objections of the representatives of Fund participants. The Board also recommended approval of the petition for membership in the Fund of the International Organization for Migration (IOM) and the establishment of an Audit Committee.

In the fall of 2006, the Fifth Committee considered the Board's report, which also included the financial statements for 2004-2005 and audit opinion of the UN Board of Auditors. The U.S. delegate commended the Board for making improvements to its governance by deciding to meet and report to the General Assembly on an annual basis beginning in 2007, and creating an Audit Committee. At the same time, the U.S. delegate expressed disappointment that the Board rejected a proposal by a Working Group to improve the Board's efficiency by reducing its size from 33 members to 21. The U.S. delegate strongly supported the proposal to shift to passive management for the North American equity portfolio. On December 22, 2006, the General Assembly adopted, by consensus, Resolution 61/240 concerning the report of the Joint Staff Pension Fund Board. The resolution approved the shift to passive management for the North American equity portfolio, endorsed the Board's recommendation to admit the IOM as a member organization, approved the creation of an Audit Committee, and noted the Board of Auditors' conclusion that the Fund's financial statements were in compliance with generally accepted accounting principles and UN financial regulations.