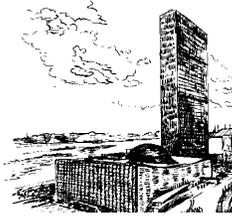


Part 5



Administration and Budget

UN Financial Situation

The United Nations ended 2002 with member state arrears totaling \$1.683 billion for assessments relating to the UN regular budget, the international war crimes tribunals, and peacekeeping operations. This was below the level of \$2.106 billion in arrears that existed at the end of 2001. The United States accounted for \$738 million, or 44 percent, of total member arrears in 2002. Most of the U.S. amount, \$536 million, was related to UN peacekeeping operations.

During 2002, the United States paid \$988.5 million toward all its UN assessments, including \$30 million in prior period arrears for UN peacekeeping. The \$30 million represented the third and final installment of funds made available under the Helms–Biden legislation (1999). The United States previously had cleared \$682 million in arrears under the legislation—\$54 million for the UN regular budget and \$628 million for peacekeeping.

The U.S. payment pattern was affected by the delay in the U.S. appropriation process for fiscal year 2003. The delay reduced by approximately \$24 million the amount that normally would have been paid to the UN regular budget during the calendar year. The United States paid \$255.2 million in 2002, as compared to the expected level of \$279.3 million. The balance will be paid in the first-half of calendar year 2003, or after completion of the fiscal year 2003 appropriation process.

Following past practice, the General Assembly discussed the UN's financial situation in the context of a presentation on UN finances made by Joseph Connor (United States), the UN Under Secretary–General for Management. The presentation affirmed the cautious optimism expressed in 2001 regarding improvements in the UN's financial situation. This optimism was based largely on the payment of arrears by the United States, in accordance with the provisions of the Helms–Biden legislation.

At the same time, the Secretariat noted the negative impact on the UN's cash flow as a result of delayed payments by many UN members of their current period assessments to the UN regular budget. As of September 30, 2002, 105 UN members had paid their regular budget assessments

in full, compared with 122 UN members for the same period in 2001. The Secretariat projected that, as of December 31, 2002, the total amount owed would be \$850 million. The delay in payments caused the United Nations in September to cross-borrow from dormant peacekeeping accounts in order to finance temporary shortfalls in the regular budget.

Several UN members voiced concern about the UN's practice of cross-borrowing, while most affirmed the premise that all member assessments should be paid in full, on time and without conditions. These positions were consistent with those made in the past. Some UN members (but not the United States, although it does not disagree) also urged the United Nations to continue efforts to reimburse troop-contributing countries, particularly developing countries, for costs relating to UN peacekeeping operations.

The tone of the General Assembly's discussion of the UN's financial situation was non-controversial. This was in part due to the further payment of U.S. arrears and the Secretariat's cautious optimism regarding the UN's financial future. Consistent with past practice, the General Assembly did not adopt a resolution to reflect discussion of the issue.

UN Budget

In 2002, the General Assembly approved revised estimates for the UN regular budget for the biennium 2002–2003 and the level of the UN budget outline for the biennium 2004–2005. All resolutions on the budget were adopted by consensus.

On June 27, 2002, the General Assembly, at its 56th resumed session, adopted Resolution 56/274–B under the agenda item titled, “Estimates in Respect of Matters of which the Security Council is Seized.” The United States supported this resolution.

Resolution 56/274–B authorized the appropriations of \$2.1 million for the continuation of the UN Tajikistan Office of Peace-building from June 1, 2002, through May 31, 2003. The resolution also addressed funding issues relating to the newly established UN Assistance Mission in Afghanistan (UNAMA). Specifically, it approved a charge of \$34.3 million for UNAMA against the remaining balance of the provision for special political missions, as appropriated in December 2001 under Section 3 of the UN budget for 2002–2003 (Resolution 56/254). It also authorized an additional appropriation of \$12.6 million for UNAMA in the UN 2002–2003 budget. The effect of these additional appropriations resulted in an increase of \$14.7 million in the UN budget for the biennium 2002–2003.

On June 27, 2002, the General Assembly also adopted by consensus Resolution 56/286, which authorized an additional appropriation of \$59.4 million for strengthening safety and security measures at UN premises worldwide. In addition to the UN headquarters in New York, this appropriation addressed immediate safety and security concerns at facilities in

Geneva, Vienna, Addis Ababa, Santiago, Bangkok, and Beirut. The United States supported Resolution 56/286 as an essential response by the United Nations to security concerns raised after September 11, 2001.

The combined additional appropriations approved under these two resolutions amounted to \$74.1 million. This raised the 2002–2003 UN budget to a revised level of \$2.7 billion as compared to the level of \$2.6 billion initially approved in December 2001.

In December 2002, the UN budget for 2002–2003 was revised further to take account of estimates identified in the Secretary–General’s first report of budget performance for the biennium and additional requirements approved by the General Assembly at its 57th regular session.

In Resolution 57/293 of December 20, the General Assembly approved by consensus a revised appropriation level for the biennium amounting to \$2.9 billion, or an increase of \$191.6 million over the level approved in June. The increase reflected new or enhanced requirements for several activities of interest to the United States. It included additional requirements for special political missions, as mandated by the Security Council; activities of an unforeseen or extraordinary nature for the maintenance of peace and security, as authorized by the Secretary–General; costs related to the extension of mandates for UN human rights activities in Central America and Burma (Myanmar); costs related to the work of the Security Council’s Counter–Terrorism Committee; and costs related to the strengthening of the Secretariat’s Terrorism Prevention Branch.

The revised budget also reflected higher costs relating to technical factors such as inflation, exchange rates, staff vacancy rates and staff salary adjustments, based on the review of the International Civil Service Commission (ICSC).

Working with other delegations, the United States was able to limit increases relating to the outcome of the ICSC review and the staff vacancy rates. The United States also was able to reduce the proposed subsidy level for a UN activity that derives most of its funding from voluntary contributions, and to reduce the level of honoraria paid to members of certain UN expert committees and bodies. The reduction helped to offset the added costs relating primarily to an initiative advocated by some UN members to restore the financing of free computer–hosting services from the 2002–2003 UN budget.

The General Assembly also approved the UN program budget outline for the next biennium. As adopted by consensus on December 20, Resolution 57/280 invites the Secretary–General to prepare his proposed 2004–2005 budget on the basis of a preliminary estimate of \$2.9 billion at revised 2002–2003 rates. It also establishes the level of the Contingency Fund at \$21.6 million, or 0.75 percent, of the preliminary estimate.

The resolution also notes that the General Assembly will consider an additional provision of \$29.8 million in the Secretary–General’s proposed

budget for costs relating to information technology and common services infrastructure. In terms of priorities, the resolution identifies eight priorities of a broad sectoral nature for the biennium 2004–2005: (1) maintenance of international peace and security; (2) promotion of sustained economic growth and sustainable development; (3) development of Africa; (4) promotion of human rights; (5) effective coordination of humanitarian assistance efforts; (6) promotion of justice and international law; (7) disarmament; and (8) drug control, crime prevention and efforts to combat international terrorism in all its forms and manifestations.

In joining consensus on Resolution 57/280, the United States and other like-minded member states made clear to the Secretary-General an expectation that the proposed 2004–2005 budget should reflect the outcome of a thorough review of all UN activities by the respective program managers. Such a review would improve priority-setting in the UN system by providing concrete proposals to reduce or eliminate program activities that are obsolete or of marginal value. The effort also should lead to greater discipline in the UN budget process, a key U.S. objective in the United Nations.

The Secretary-General's proposed budget for 2004–2005, to be issued in spring 2003, will be followed by reviews by the UN's Committee for Program and Coordination and by the expert Advisory Committee on Administrative and Budgetary Questions. The General Assembly, through the Fifth Committee (Administrative and Budgetary), will debate the proposed budget at its 58th session in autumn 2003. The budget will be approved in December 2003.

Capital Master Plan

The UN Capital Master Plan (CMP) represents a comprehensive proposal by the Secretary-General to refurbish and renovate the UN headquarters complex in New York. Completed in 1952, the complex does not meet current building codes for fire prevention and safety. It is energy inefficient, and it needs significant security upgrades. The Secretary-General's most recent proposal for the CMP, as presented in UN document A/57/285 (released August 2002), provides options for renovation through a comprehensive, phased plan.

The CMP likely would cost over \$1 billion and take five to six years to complete. Among the key issues raised in the CMP proposal are financial arrangements for the project, including the possibility of significant financing from the United States as host country; and a provisional offer from the UN Development Corporation (UNDC), a public-benefit corporation comprised of officials from the City and State of New York, to construct a new building adjacent to the existing complex using bond authority (which they would seek to make tax-free) for funding. The building would be used as swing-space during the renovations; it would

also be used to consolidate those UN elements currently dispersed throughout Manhattan once renovations were complete.

Both issues—overall CMP financing and the status of the UNDC offer—will be considered by the General Assembly in 2003.

On December 20, 2002, the General Assembly adopted by consensus Resolution 57/292 (Part II), which concerned the Capital Master Plan. The resolution decides that the CMP will be implemented according to the initial baseline proposal of the Secretary-General's report (A/57/285); the projected construction budget would be \$1.05 billion, plus or minus 10 percent; and the proposed starting date for the five-year construction plan would be October 2004. The resolution also authorizes the Secretary-General to proceed with the remaining phases of design development and construction documentation, and requests the Secretary-General to submit plans for additional conference facilities and other aspects relating to the CMP infrastructure to the 58th session of the General Assembly.

In terms of budget appropriations, the resolution establishes a special account for the financing of the CMP, which is separate from the regular (assessed) UN budget. An amount of \$25.5 million would be appropriated to the special account for the biennium 2002–2003, in accordance with the financing provisions of the UN regular scale of assessment. The appropriation will finance the design and related project management and management of pre-construction services for the baseline scope and certain options of the CMP. The U.S. share of the appropriation, \$5.6 million, represents 22 percent of the total.

The resolution authorizes the Secretary-General to enter into commitments of up to \$26 million in 2004–2005 for the remaining work relating to design and management services.

Finally, the resolution requests the Secretary-General to report to the General Assembly at its 58th session on the following:

- The status of possible funding arrangements for the CMP, including a financial package to be provided by the host country;
- The Secretary-General's efforts to secure other contributions for the CMP from public and private sources;
- The outcome of negotiations with the City and State of New York concerning the construction of a new building adjacent to the existing UN complex; and
- The progress of the design work.

In view of the uncertainties in 2002 regarding possible U.S. financial support for the CMP, including provision of an interest-free loan or other financing, and construction of a new building adjacent to the existing complex, the resolution includes language that would make non-binding many aspects of the approved text. Paragraph 32 of Resolution 56/292 (Part II) states that, with the exception of the provisions regarding funding

for design and management services over the current and next biennia (\$25.5 million and \$26 million, respectively) and the requests regarding design specifications, none of the provisions would be binding in the event that the City and State of New York could not fulfill their commitments to the CMP, and if the host country did not offer a financial package to cover the costs of the baseline scope and related scope options, as described in paragraph 5 of the resolution.

In the concluding paragraphs of the resolution, the General Assembly reverted to the issue of financial arrangements for the CMP at its 58th session and requested that the Secretary-General submit annual progress reports on the implementation of the CMP.

Scale of Assessments

In 2002, the United States joined consensus on two UN General Assembly resolutions that dealt with the scale of assessments.

On September 27, the General Assembly adopted Resolution 57/4–A, restoring voting rights in the General Assembly for eight UN member states. These members had lost their voting rights under Article 19 of the UN Charter, after their arrears equaled or exceeded their assessment levels for the two previous years. The resolution temporarily restored the voting rights through June 30, 2003, for Comoros, Georgia, Guinea–Bissau, the Republic of Moldova, Sao Tome and Principe, Somalia, and Tajikistan as acknowledgment that their arrears were due to reasons beyond their control. Burundi’s voting rights were restored until June 2, 2003, or the start of the next substantial session of the UN’s Committee on Contributions.

On December 20, the General Assembly adopted by consensus Resolution 57/4–B concerning adjustments to the UN regular scale of assessments for calendar year 2003. The resolution established the rates of assessment for two new member states, Switzerland at 1.274 percent and the Republic of Timor–Leste at 0.001 percent. The resolution reduced only the regular assessment rates for Argentina, from 1.14 percent to 0.96 percent, and Afghanistan, from 0.004 percent to 0.001 percent.

These *ad hoc* reductions for Afghanistan and Argentina had been recommended by the UN Committee on Contributions during its regular session in June. The Committee noted that the underlying economic data used in 2000 to determine Afghanistan’s assessment rate was flawed. Revised data was provided to the Committee for its June 2002 deliberations. The General Assembly concurred with the Committee’s finding and decided to reduce Afghanistan’s rate to 0.001 percent for 2003 only, the last year of the current (three–year) scale period.

The Committee also recommended that, in accordance with Rule 160 of the Rules of Procedure of the General Assembly, Argentina’s assessment rate for 2003 should be reduced to 0.96 percent. Argentina had requested a reduction based on its severe economic difficulties and the

provisions of Rule 160, which allows for reductions if there has been substantial change in the UN member's relative capacity to pay. There were divergent views both in the Committee on Contributions and in the General Assembly regarding the basis for Argentina's request and the criteria by which Rule 160 should be used to make *ad hoc* adjustments to member assessment rates. In agreeing to the rate adjustment for Argentina, the General Assembly in Resolution 57/4-B also requested the Committee on Contributions to elaborate at a future General Assembly on the criteria used to make *ad hoc* adjustments in the rates of member assessments, including the application of Rule 160. The resolution noted that the *ad hoc* adjustments approved in the regular assessments for Argentina and Afghanistan should have no automatic implication for the apportionment of expenses for the UN specialized agencies or the International Atomic Energy Agency.

In joining consensus on Resolution 57/4-A and Resolution 57/4-B, the United States followed the recommendations of the expert Committee on Contributions. The provisions of Resolution 57/4-B in particular resulted in a reduction in 2003 in the effective rates of most UN members, including the United States. The anomaly was caused by the accession of Switzerland and the Republic of Timor-Leste, which raised the overall UN scale to more than 100 percent. While the U.S. official rate remained at 22 percent, the effective rate payable in 2003 was reduced to approximately 21.7 percent. The same anomaly applied to most other UN members, except those affected by mathematical rounding. The situation automatically will correct itself upon adoption of the next UN scale, with effect in 2004, when the rates of all UN members will again sum to 100 percent.

The current regular scale of assessments will expire at the end of 2003. The next scale, to encompass the three-year period 2004-2006, will be considered and approved by the General Assembly during its 58th session in autumn 2003.

Financing for Peacekeeping Operations

Costs for UN peacekeeping operations declined slightly in 2002. The United Nations assessed member states a total of \$2.9 billion, of which the United States was assessed \$795 million. Assessments increased for operations in Sierra Leone and the Democratic Republic of the Congo and also from the one-time assessment for the Strategic Deployment Stock (discussed in Part 4, Peacekeeping Reform). These increases in costs were offset by the ending of operations in Bosnia and Herzegovina and in Prevlaka and by reducing operations in East Timor and Lebanon.

In 2002, the United States began paying, at a reduced rate, its UN peacekeeping assessments for bills accrued since January 1, 2000. The reduction resulted from the successful renegotiation of the UN scale of assessments for the regular UN budget and peacekeeping operations pur-

suant to the Helms–Biden legislation. In December 2000, the United Nations adopted a scheme of assessments that reduced the U.S. regular rate of assessment to the target of 22 percent, which also reduced the peacekeeping rate of assessment (but not as low as the target of 25 percent). U.S. legislation, reflecting the new rates, was adopted in September 2002, enabling the United States to pay its UN peacekeeping assessments from January 2001 (when the new rates had gone into effect) through December 2004.

In 2002, the United States continued to press for reform of UN peacekeeping administration and financing in several related resolutions (see Part 4, Peacekeeping Reform). It also sought implementation of improvements to the UN's capacity to manage and carry out UN peacekeeping operations.

Committee for Program and Coordination (CPC)

The Committee for Program and Coordination (CPC), comprised of 34 members (including the United States) elected to regional seats, is the main subsidiary organ of the Economic and Social Council (ECOSOC) and the General Assembly for planning, programming, and coordination. The Committee reviews and recommends priorities among UN programs as defined in the Medium–Term Plan (MTP); guides the Secretariat on translating legislation into programs; develops evaluation procedures; assesses the results of current activities; and makes recommendations where duplication should be avoided. The CPC ensures that the MTP reflects the priorities of the membership and places them in a performance–based programmatic context. The CPC also makes recommendations to the General Assembly on the Secretary–General's program budget outline and considers programs and activities of the UN system on a sectoral basis to recommend guidelines for the specialized agencies that take into account the need for system–wide coherence and coordination. The CPC held its 42nd session June 10–July 9 in New York.

The MTP covers a four–year period, but is revised as necessary every two years to incorporate the program implications of the resolutions and decisions adopted by intergovernmental organs and international conferences since the adoption of the plan. In 2002, the Committee's work was primarily dedicated to reviewing proposed changes to programs in the MTP for 2002–2005, considering the proposed UN Budget Outline for 2004–2005, and reviewing several evaluation reports.

The CPC adopted proposed changes to the programs in the MTP in its report to the Fifth Committee (Administrative and Budgetary). The Fifth Committee adopted the report and forwarded it on to the General Assembly, which then adopted the proposed recommendations on December 20 as Resolution 57/282, Program Planning. All program plan proposals appeared to embrace results–based budgeting, to varying degrees of satisfaction of members. The United States, as well as others, believed that

there was still a need to refine and strengthen the linkage between the indicators of achievement and expected accomplishments. Members also emphasized the need for measurability in the indicators of achievement. The Committee urged all program managers to fulfill their responsibilities in self-evaluation and monitoring, and suggested that this element be made a part of managers' annual performance appraisals. The United States and others expressed disappointment that a large number of program managers in the Secretariat failed to carry out self-evaluations, as required by program planning regulations.

In its discussions of the proposed \$3.04 billion budget outline for 2004–2005, the Committee took note of the proposed budget and recommended that the General Assembly give further consideration to all aspects of the outline. As has been the case in the past, the real debate about the budget outline took place in the Fifth Committee later in the session in 2003.

Finally, the CPC considered program evaluation and coordination reports. Evaluation reports dealt with various efforts by the UN Secretariat and other UN agencies to enhance productivity and better respond to member states; methodologies to correct the geographical imbalance in hiring consultants; strengthening the role of evaluation findings in program design, delivery, and policy directives; and in-depth evaluation of sub-programs on the issues of General Assembly and ECOSOC support and coordination, legal affairs, the disarmament program, and electoral assistance. Discussion of the Annual Overview Report of the UN Systems Chief Executives Board for Coordination centered on the phrase "Millennium Development Goals," which included one goal that had not been agreed upon by the intergovernmental approval process. The United States alone argued against use of that phrase and was successful in achieving the more moderate and factual wording, "development goals contained in the UN Millennium Declaration." Regarding the UN system-wide Special Initiative for the Implementation of the UN New Agenda for the Development of Africa in the 1990s, the Committee emphasized the importance of applying lessons learned from the UN system-wide Special Initiative on Africa to the implementation of the New Economic Partnership for Africa's Development.

The CPC considered the Joint Inspection Unit (JIU) report, "Strengthening the Investigations Function in the UN System Organizations." The United States expressed satisfaction with the report, but suggested that the JIU improve its work by incorporating into future reports the specific comments of the agencies inspected.

The Committee's overall productivity was superior to previous sessions of the CPC, primarily because the Secretariat held the meetings strictly to the prescribed time limits. The Committee therefore did not need to meet in August to review the budget outline, which is customary,

thus saving the UN thousands of dollars in travel, per diem, and conference servicing costs.

Audit Reports

The Board of Auditors, based in New York, serves as the external, mainly financial, auditor of UN Secretariat 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 and may not serve consecutive terms. In 2002, the Board was composed of the Auditors-General of the Philippines, South Africa, and France. The Board submits annual or biennial reports to the Fifth Committee (Administrative and Budgetary) of the General Assembly depending on the financial periods of the organizations it is auditing. The Board's budget for the 2002–2003 biennium was \$13.4 million.

In 2002, the Fifth Committee considered 15 Board of Auditors reports on the United Nations: International Trade Center/UN Conference on Trade and Development/World Trade Organization; UN University; UN Development Program; UN Children's Fund; UN Relief and Works Agency for Palestine Refugees in the Near East; UN Institute for Training and Research; Voluntary Funds Administered by the UN High Commissioner for Refugees; Fund of the UN Environment Program; UN Population Fund; UN Habitat and Human Settlements; Fund of the UN International Drug Control Program; UN Office for Project Services; International Criminal Tribunal for Rwanda; and the International Tribunal for the former Yugoslavia. A sixteenth report reviewed the accounts of the UN Joint Staff Pension Fund, which was included in the report of that fund. The Fifth Committee adopted these reports by consensus and submitted them to the General Assembly. The Board generally issues audit reports every two years for the accounts, funds, and programs under its oversight. In contrast, the Board issues reports annually on the UN High Commissioner for Refugees and on UN peacekeeping operations.

In these reports, the Board made recommendations to, among other things, improve the recording of pledges; close inactive trust funds; improve disclosure of liabilities; increase accountability at the UN Compensation Commission on Iraq (UNCC); enhance the general and application controls on UN management information systems; address the need for coordinated effort and investments in information and communication technology audits; improve the management and documentation of inter-agency services; and ensure compliance with administrative instructions with respect to consultants and individual contractors.

In addition to continuously auditing the accounts and internal controls of the UN accounts, funds, and programs under its purview, the Board follows up on recommendations it has made in previous years. This is a routine part of its work program.

For example, in the Board's report on peacekeeping operations for the 12-month period ended June 30, 2002, it reported on the implementation of its recommendations from the previous annual report. At the time of the most recent review, 15 (38 percent) of the Board's recommendations from the 12-month period ended June 30, 2002, had been fully implemented, and 24 (62 percent) were undergoing implementation.

In its 2002 report on the voluntary funds administered by the UN High Commissioner for Refugees, the Board stated that, of its recommendations made in the previous year's report, eight (40 percent) had been implemented. When necessary, the Board reviews recommendations dating back more than one year to ensure that they are implemented.

Regarding the UNCC, the United States was successful in the Fifth Committee in ensuring that audit issues and recommendations were placed into a separate report and submitted to the UNCC Governing Council in Geneva for consideration and action. Thus, recommendations on UNCC were not subject to approval by the UN General Assembly, but rather by the UNCC Governing Council, of which the United States is a member. With this change, the United States was able to join other member states in endorsing all of the Board's audit recommendations.

In Fifth Committee discussions, the United States welcomed the Board's new format that employed charts to show the status of previous recommendations as well as major improvements in the timely submission of reports. Agreeing with the Board's recommendations, the United States highlighted the fact that the United Nations must address any recommendations that remain unfulfilled, which cause continuing financial and management deficiencies. The United States also expressed concern over the lack of disclosure of relevant information to the Board; troubling inconsistencies in the accounting policies of some organizations; the number of organizations (at least five) in which income was exceeded by expenditures; and the apparently few and inconsistently applied guidelines on the use of consultants.

The United States highlighted the importance of several of the Board's recommendations on the War Crimes Tribunals for Rwanda and the former Yugoslavia, calling for the tribunals to finalize their strategies for the completion of their work, and for reform of the legal aid system to prevent abuses. The United States also noted that the tribunals should have on-site auditors and investigators as required by a budget resolution adopted in the previous General Assembly.

The Fifth Committee transmitted to the General Assembly its recommendation to adopt the Board's reports. In December, the General Assembly adopted the Board of Auditors reports by consensus with Resolution 57/278. The resolution mandates that the audited organizations must implement the recommendations to improve their financial management and overall effectiveness.

Joint Inspection Unit (JIU)

The United States has long emphasized the importance of effective oversight in the United Nations. The Joint Inspection Unit (JIU), headquartered in Geneva, is the United Nations system-wide external oversight body. It is accountable to member states and has broad powers to conduct system-wide inspections, investigations, and evaluations on primarily programmatic and some financial matters.

The JIU makes recommendations and proposes reforms aimed at improving management control and effectiveness and achieving greater coordination among UN system organizations. It is composed of 11 inspectors, who are appointed by the General Assembly for five-year terms and who serve in their own personal capacities as financial, administrative, or legal experts. The JIU in 2002 was headed by Chair Armando Duque Gonzalez (Colombia).

In 2002, the JIU produced 12 reports for issuance to governing bodies. Many of the reports are available on the JIU website at www.unsystem.org/jiu. The last report will not be published until 2003. These reports cover:

- Involvement of Civil Society Organizations other than NGOs and the Private Sector in Technical Cooperation Activities (JIU/REP/2002/1);
- The Results Approach in the United Nations: Implementing the UN Millennium Declaration (JIU/REP/2002/2);
- Support Costs Related to Extrabudgetary Activities in Organizations of the UN System (JIU/REP/2002/3);
- Extension of Water-Related Technical Cooperation Projects to End-Beneficiaries (case studies in two African countries) (JIU/REP/2002/4);
- Reform of the Administration of Justice in the UN System: Options for Higher Recourse Instances (JIU/REP/2002/5);
- UN System Revenue-Producing Activities (JIU/REP/2002/6);
- Review of UN Outsourcing Practices (JIU/REP/2002/7);
- Review of Management and Administration in the Food and Agriculture Organization of the United Nations (JIU/REP/2002/8);
- Study of the UN Integrated Management Information System (JIU/REP/2002/9);
- Evaluation of UN System Response in East Timor: Coordination and Effectiveness (JIU/REP/2002/10);
- Review of Multilingualism in the United Nations (JIU/REP/2002/11);
- Review of Use of Common Services in the United Nations (JIU/REP/2002/12).

The United States has long encouraged the JIU to improve its operations. Its overly complex reports are not always relevant to the needs of the UN organizations, and the recommendations in the reports often receive little attention from the organizations' legislative bodies, secretariats, and member states.

During deliberations in the Fifth Committee (Administrative and Budgetary) in fall 2002, the United States encouraged the JIU to make future reports less broad and academic in nature and more focused on actionable means to improve productivity and efficiency. The JIU was also urged to improve coordination and share data with other external and internal oversight bodies so as to avoid duplication of activities. Other Fifth Committee members joined the United States in pressing the JIU for recommendations that are more specific and targeted. The JIU Chair stated that the Unit was working with other UN oversight bodies to ensure that future JIU reports avoided redundancy in subject matter and fit the Secretary-General's plans for reform.

The United States joined other member states in welcoming an important and beneficial change in the JIU, which was the implementation of a new tracking system for its recommendations. This system employs a matrix format to highlight the status of each recommendation, the unit and official responsible for implementation in the relevant organization, and the timetable for, and expected impact of, implementation. This new tracking system will make it easier for organizations and the JIU to see that there is appropriate follow-up on JIU recommendations. The tracking system, when combined with more relevant reports and more practical recommendations, should help JIU become a more effective oversight body.

In December, based on the Fifth Committee's recommendation, which included explicit mention of U.S. concerns, the General Assembly adopted by consensus Resolution 57/284 on the reports of the JIU. The General Assembly emphasized the importance of following up on JIU recommendations by all concerned organizations and highlighted the role of legislative bodies, their secretariats, and the JIU itself in making it an effective oversight body.

M. Deborah Wynes (United States) was elected in December 2001 to a seat on the JIU, and began her term on January 1, 2003.

JIU's budget for the 2002–2003 biennium is \$7 million.

Office of Internal Oversight Services (OIOS)

The Office of Internal Oversight Services (OIOS), based in New York, provides independent internal oversight of all UN activities administered by the Secretary-General. Under Secretary-General Dileep Nair (Singapore), head of OIOS, functions as the UN's inspector general and reports directly to the Secretary-General. He is responsible for conducting audits, inspections, investigations, and evaluations of the UN Secretariat

in New York, Geneva, Nairobi, and Vienna; the five regional UN commissions; peacekeeping and humanitarian missions; and various UN funds and programs. Mr. Nair's term expires in 2005. In 2002, OIOS had 179 staff members and a budget of \$17.8 million.

In 2002, OIOS continued to seek greater accountability, transparency, and efficiency in the United Nations. OIOS findings and recommendations go chiefly to the UN body in question, and are only available for UN-wide lesson sharing if adopted by UN General Assembly resolutions. According to its annual report covering the year ending June 30, 2002, OIOS made 2,357 recommendations intended to improve internal controls and management performance. Of these, 51 percent had been implemented when the report was issued. OIOS also identified approximately \$56 million in potential cost savings and recoveries. In the period covered by the report, the United Nations had total actual savings and recoveries of \$27.6 million, based on OIOS recommendations from the previous reporting period. The \$27.6 million figure is a record for total actual savings and recoveries for OIOS, and came in large part from its recommendations on set mission subsistence allowance rates in selected peacekeeping missions. OIOS reviewed rates in 10 special peacekeeping missions, and recommended cutting rates in seven of them.

Priority oversight areas for OIOS were activities that presented the greatest risk of fraud, mismanagement, and waste. These were peacekeeping operations, humanitarian and related activities, human resources management, procurement, and the process of establishing new bodies.

Specific OIOS activities and investigations in the period covered by its annual report sought to:

- provide adequate oversight, by assigning resident auditors to major peacekeeping missions, the two war crimes tribunals, and activities related to the Iraq Oil-for-Food Program;
- provide audit services for the \$270 million UN High Commissioner for Refugees (UNHCR) Repatriation and Reintegration Program in Afghanistan and nearby countries; and
- produce an investigative report on charges of sexual exploitation of refugees by UN humanitarian aid workers and peacekeepers in UNHCR-administered camps in West Africa which resulted in important improvements in the way UNHCR manages and staffs its camps, and the development of a UNHCR Code of Conduct.

After three years, overall implementation of OIOS recommendations reached over 80 percent. However, Fifth Committee (Administrative and Budgetary) members were concerned that some OIOS recommendations were not fully implemented. For example:

- an OIOS investigation into reports of sexual misconduct by police monitors in the UN Mission in Bosnia and Herzegovina (UNMIBH)

found that senior managers had not followed up completely on key recommendations; and

- problems first identified in a 1999 report regarding loss of UNHCR resources voluntarily contributed by UN member states to taxation continued. OIOS recommended that UNHCR redouble its efforts to obtain tax exemptions and refunds due under UN conventions.

Throughout Fifth Committee deliberations and informal meetings on OIOS reports, the United States called for the expeditious implementation of OIOS recommendations. The United States requested a status report on UNMIBH to help ensure that all key recommendations were fully implemented. The United States also called for high-level attention in UNHCR to ensure that the organization would not continue to lose aid funds to taxation, in violation of UN conventions. The Fifth Committee is to follow up on these recommendations in 2003 when the next annual report will be discussed.

The United States also urged the OIOS to position itself to provide independent oversight of the UN's Capital Master Plan project.

The Fifth Committee forwarded its recommendations to the General Assembly, which adopted by consensus Resolution 57/287 on the activities of OIOS in December 2002.

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 (the "common system") for employees of the United Nations and its specialized agencies. Lucretia Myers, Retired Senior Advisor, Retirement and Insurance, at the Office of Personnel Management, continued to be the U.S. member, beginning a new four-year term on January 1, 2002.

The Commission met in Rome and New York for its 54th and 55th sessions, respectively. Much of ICSC's time in 2002 was spent on reviewing the pay and benefits system with consideration given to, among other things, an updated classification system, broad-banding of grades with pay for performance, and a senior management system. The Fifth Committee (Administrative and Budgetary) considered the ICSC's annual report during the main part of its 57th session.

At the two sessions, the Commissioners discussed, debated, made decisions, and developed recommendations on a wide variety of topics. Based on these recommendations, the General Assembly took the following key actions:

- Approved, for professional staff, an average 2.2 percent increase in the base/floor salary scale effective January 1, 2003 (see discussion below);
- Reaffirmed the Commission's central role in the regulation and coor-

- dination of conditions of service of the UN common system;
- Requested the Commission to review its decision that introduction of a Senior Management Service has merit and to look at whether the Senior Management Service should be dealt with in the framework of the review of the pay and benefits system, since the General Assembly intends to consider the question at its 58th session;
 - Requested the Commission to conduct a review of grade equivalency between the United Nations and the U.S. federal service in accordance with the new master standard during its review of the pay and benefits system;
 - Requested the Commission to continue to develop its study on mobility, including the links between it and career development;
 - Requested the Commission to reconsider its decision to increase hazard pay by 50 percent for locally recruited staff. (The United States maintained that the proposed increase was excessive.);
 - Approved varying increases, effective January 1, 2003, in seven currency areas, in maximum admissible expenditures allowed under the education grant system; also approved increases in the flat rates and additional amounts for reimbursement of boarding costs in excess of the maximum grant at designated duty stations;
 - Reaffirmed that the range of 110 to 120 for the margin between the net remuneration of officials in the professional and higher categories of the United Nations in New York and officials in comparable positions in the comparator civil service (which is the United States) should continue to apply, on the understanding that the margin would be maintained at the desirable midpoint of 115 over a period of time;
 - Requested the Commission to make recommendations for increasing the roles of performance and productivity in determining remuneration levels;
 - Requested the Commission, when reviewing the pay and benefits system, to take into consideration that performance management systems should be fair and transparent;
 - Requested the Commission to review the existing linkage between the base/floor salary scale and the mobility and hardship allowance; and
 - Endorsed the recommendations of the Commission that the children's and secondary dependent's allowance remain at current levels and that dependency allowances payable to eligible common system staff be reduced by the amount of any direct payments received from Governments in respect of dependents.

In General Assembly salary discussions for staff in the professional and higher categories, the ICSC recommended an average increase of 5.6 percent for all levels, with financial implications of nearly \$85 million annually for the entire UN system. The United States successfully bro-

kered a compromise agreement of an average 2.2 percent increase which would apply to levels P-4 and above, most of which had been significantly underpaid for several years according to the accepted methodology, and which would result in a savings of \$52 million over the ICSC proposal.

The General Assembly adopted Resolution 57/285 on the Report of the International Civil Service Commission, without a vote, on December 20, 2002.

Human Resources Management

In 2002, the United States continued to promote cost-effectiveness and efficiency throughout the UN system. The issue of human resource management reform received a great deal of attention, even though the UN General Assembly deferred consideration of this issue until the 58th General Assembly due to its full agenda.

Attention focused on these reforms after the Secretary-General released a report outlining his new recommendations for UN reform. His proposals on human resources management covered such topics as mechanisms and incentives to encourage mobility, enlarging opportunities for General Service staff, helping staff balance professional and private lives, and rejuvenating the organization.

In the report, the Secretary-General's stated objective of human resources management reforms is to professionalize the Secretariat's human resources management in order to make "the United Nations a more effective instrument" for pursuing the priorities adopted in the Millennium Assembly Declaration.

The Secretary-General's human resources management reform initiatives received support from various quarters, including the Office of Internal Oversight Services (OIOS). OIOS characterized as "significant achievements" the proposed reforms on mandatory mobility of staff, better and faster recruitment of staff, and efforts to secure broader geographic distribution of staff and gender balance at all levels.

The Secretary-General's recommended reform measures on human resources management, when fully implemented, are expected to have a major and positive impact on other organizations within the UN common system that generally follow the UN's lead in this area.

Throughout the formulation of these reform measures and the discussions that followed, the United States worked closely with the UN Secretariat and other state delegations to ensure full implementation of innovative and cost-effective human resource reform measures.

Employment of Americans

The U.S. Government places a high priority on recruiting and promoting Americans for positions throughout the UN system, with special

emphasis on key, senior-level positions. To this end, the U.S. Department of State continued to assist qualified U.S. citizens in competing for professional positions in the United Nations and other international organizations (IOs). The Department's UN Employment Information and Assistance Unit in the Bureau of International Organization Affairs, along with numerous other federal agencies, disseminated IO vacancy announcements to Americans worldwide. U.S. missions to the United Nations and other IOs in New York, Geneva, Montreal, Nairobi, Rome, and Vienna, as well as some embassies, supported this function through regular contacts with UN agency officials.

As of December 31, the overall percentage of professional and senior positions in all UN agencies held by an American was 9.1 percent.

Table 1
U.S. Representation in the UN
System
Professional and Senior Staff

	Total	U.S. Number	U.S. Percent
UN Secretariat	6,468	693	10.7%
UN Secretariat: Peacekeeping	3,192	295	9.2%
UN Subsidiary Bodies	8,144	679	8.3%
UN Specialized Agencies and the International Atomic Energy Agency (IAEA)	<u>7,804</u>	<u>662</u>	<u>8.5%</u>
Total	25,608	2,329	9.1%

The UN Secretariat and several of the specialized agencies have established “desirable ranges” of geographic representation among their staffs. Generally, these ranges are mainly based on their member states’ assessment levels and populations. Due to lowered U.S. assessments (from 25 percent to 22 percent) in 2002, the geographic ranges for U.S. citizens have been reduced in the UN Secretariat, the UN Food and Agriculture Organization (FAO), the International Labor Organization (ILO), and the World Health Organization (WHO). The U.S. assessment rate remained at 25 percent at the International Civil Aviation Organization (ICAO). Table 2 lists those UN agencies that had geographic ranges in 2002, and the number and percent of Americans on-board as of December 31.

Note: These figures represent only professional posts “subject to geographic distribution” that were funded from the UN agencies’ assessed budgets.

Table 2
UN-related Agencies with Geographic Ranges for Employment

UN Agency	U.S. 2001 Assessment	Total Filled	U.S.	Filled by Americans	
			Desirable Range or Quota	Number	Percent
			Range		
UN	22%	2,512	288–390	334	13.3%
FAO	22%	1,025	162–216	129	12.6%
ICAO	25%	223	27	13	5.8%
ILO	22%	684	93–124	102	14.9%
WHO	22%	1,272	174–237	159	12.5%

During 2002, U.S. representation in three of these agencies declined while it increased in the UN Secretariat and in the ILO. As in other years, U.S. arrears may have affected the staffing decisions of these organizations.

Other UN specialized agencies do not have official geographic ranges but are required to give due consideration to balancing their staff geographically. These include the International Maritime Organization (IMO), International Telecommunication Union (ITU), Universal Postal Union (UPU), and the World Meteorological Organization (WMO). Table 3 lists these specialized agencies, as well as the IAEA, the U.S. contribution level, total professional posts filled, and the number and percent of Americans on-board as of December 31.

Table 3
UN-related Agencies without Geographic Ranges for Employment

UN Agency	U.S. 2001 Assessment	Professional Posts Filled		
		Total	U.S. Number	U.S. Percent
IMO	3.7%	84	4	4.8%
ITU	8.4%	333	16	4.8%
UPU	5.7%	89	5	5.6%
WMO	21.5%	120	7	5.8%
IAEA	25.8%	725	85	11.7%

Table 4 includes staffing levels in other major UN bodies funded through voluntary contributions for which official geographic ranges do not apply. These agencies include the UN Development Program (UNDP), the UN High Commissioner for Refugees (UNHCR), UN Children’s Fund (UNICEF), UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), and the World Food Program (WFP).

Table 4
UN Programs and Funds Receiving Voluntary
Contributions With No Geographic
Employment Ranges

UN Agency	U.S. 2001 Voluntary Contribution to Core/Regular Budget	International Professional Posts Filled		
		Total	U.S. Number	U.S. Percent
UNDP	14.1%	981	113	11.5%
UNHCR	31.6%	1,294	112	8.7%
UNICEF	20.0%	1,738	216	12.4%
UNRWA	26.0%	102	15	14.7%
WFP	51.4%	916	94	10.3%

In 2002, Americans held the top position in three UN agencies: Carol Bellamy, Executive Director of UNICEF; Tom Leavey, Director–General of UPU; and James Morris, Executive Director of the WFP. Americans also held one of the second most senior posts in several agencies: the Deputy Director–General of FAO, the Deputy Director–General of IAEA, the Deputy Director–General/Executive Director of ILO, the Deputy Director–General of the Pan American Health Organization (PAHO), the Deputy High Commissioner of UNHCR, and the Deputy Commissioner General of UNRWA.

Three Americans held the rank of Under Secretary–General (USG) at the UN Secretariat: the USG for Management and the Special Representatives of the Secretary–General for the UN Missions in Bosnia & Herzegovina and Western Sahara. Four others held Assistant Secretary–General positions.

Throughout the year, UN agencies indicated that they would give special attention to recruiting qualified women. In 2002, American women represented over 45 percent of all Americans in professional and senior positions in the UN Secretariat, and 43 percent of Americans in such positions in all UN agencies.

The U.S. Government has a long-standing policy of supporting UN agencies by assigning federal employees to them either on direct “transfer” (in which the employee is paid by the UN agency but retains reemployment rights with the U.S. agency), or on “detail” (in which the employee remains on the U.S. payroll, but serves at the UN agency). These assignments may last as long as eight years. During fiscal year 2002, a total of 97 federal employees from 13 federal agencies were on such assignments to UN agencies, representing about 4.2 percent of the 2,329 Americans who worked in professional positions in UN agencies during that year. Of the 53 employees on “detail” to UN agencies, the vast majority was from the Department of Health and Human Services—primarily from the Centers for Disease Control and Prevention on assignment to the WHO and to the PAHO.

The United States also continued to fund a number of Junior Professional Officer (JPO) positions at UNHCR (20), FAO (3) and WFP (2). The United States considers the JPO program a valuable investment whereby American citizens are represented in international organizations.

UN Joint Staff Pension Board

In 2002, the United States played a major role in UN Joint Staff Pension Board deliberations in assuring pension fund reliability for UN workers. The Board is composed of representatives from three sectors: governing bodies of about 20 member organizations, executive heads of those organizations, and fund participants. It administers the UN Joint Staff Pension Fund and reports biennially to the General Assembly on Fund operations and investment activities. When necessary, it recommends amendments to regulations governing Fund activities.

The Fund was established in 1949 and provides retirement, death, disability, and related benefits for UN staff members upon their cessation of service to the organizations. Susan McLurg, Minister Counselor for UN management and reform at the U.S. Mission to the United Nations, represented the UN General Assembly on the Board in 2002.

During its 51st session in Rome in July, the Board discussed and issued recommendations on strengthening the Fund on actuarial matters; managing its investments; reviewing benefits provisions; and revising budget estimates for 2002–2003. The Board expressed appreciation for the Secretariat’s planned steps for achieving better services and efficiency. It also made recommendations concerning the size and composition of the Board and its Standing Committee.

The Fifth Committee (Administrative and Budgetary) subsequently took up the Board's recommendations, during which the United States played an active role. The U.S. position was to:

- defer the implementation of a Board recommendation to enhance pension benefits, given the Fund's lackluster investment performance. The Board had called for three improvements in pension benefits that were estimated to cost 0.54 percent of pensionable remuneration, which is one basis for determining pension benefits. The Committee agreed with the U.S. position that the recommended changes should be considered when the Fund's actuarial valuation showed a clear upward trend;
- prevent the expansion of the Board by three members. The Board recommended the expansion to reflect reported growth in Fund participants and to resolve other representational concerns. However, it was noted that some of the Board members lacked accreditation to the General Assembly. The Committee asked the Board to resolve the accreditation issue first, before it would consider the issue of expansion;
- help overcome a stalemate in the Fifth Committee due to a disagreement between the Office of Internal Oversight Services (OIOS) and the Executive Head of the Fund. The results of an OIOS risk analysis of the Fund showed significantly higher risk than previously thought. The Executive Head questioned OIOS' request for additional off-cycle resources for conducting the risk assessment. The United States urged both parties to resolve their differences and work in the best interests of the Fund. The Committee then endorsed a recommendation from the Advisory Committee on Administrative and Budgetary Questions (ACABQ) that the Board of Auditors assess OIOS' capacity to conduct effective internal audits of the Fund; and
- derail (with help from the European Union) a Thailand proposal to direct more of the Fund's investment activities toward developing countries. The United States argued that the Fund was not a development program, and that it had a fiduciary responsibility to act in the best interest of its stakeholders. Thailand then agreed to reaffirm the Fund's long-standing policy on diversification of investments.

On December 20, after considering the Board's report and related reports by the Secretary-General and ACABQ, the General Assembly adopted Resolution 57/286 by consensus. This resolution incorporated the Fifth Committee's report dealing with pension fund administration, investment, composition, benefits, and oversight.

Among other things, Resolution 57/286:

- noted the decline in the Fund's actuarial surplus from 4.25 percent of pensionable remuneration on December 31, 1999, to 2.92 percent on December 31, 2001;

- approved changes in the benefit provisions and pension adjustment system that would take effect when the Fund showed a clear upward pattern of surpluses;
- approved an increase in administrative costs for the biennium 2002–2003, from over \$29.9 million to just over \$30.0 million, to cover a recalculation of benefits after a judgment by the International Labor Organization Tribunal and a retroactive change in local salary scales;
- requested the Board to further study the issue of representation on the Board, with a view to making it more equitable;
- stressed the importance of the Secretary–General’s fiduciary responsibility and assured that investment of Fund assets would not be compromised under any circumstances; and
- recognized the Fund’s policy of broad diversification of its investments by currency, types of assets classes, and geographical areas as the most reliable method of risk reduction.