
Opening Statement
Chairman Tom A. Coburn, M.D.
Subcommittee on Federal Financial Management, Government Information,
and International Security
July 21, 2005 Hearing: U.S. Financial Involvement in Renovation of U.N.
Headquarters

The U.N. Headquarters

In 1952, the United Nations complex cost \$65 million to build, or in today's currency a little less than \$500 million. Today, the U.N. occupies seven buildings located in downtown Manhattan, spanning over 2.6 million square feet and housing office space for thousands of employees. It is anticipated that the renovation would include the remodeling of the General Assembly, the conference building, a library, and the 39 floors of the U.N. Secretariat. To renovate the complex, the U.N. is asking the American taxpayers to provide a loan of \$1.2 billion.

Today's Hearing

The purpose of this hearing is to examine that price-tag and determine if the loan would meet the standards this Subcommittee demands of *all* Federal expenditures: Accountability, Transparency, Fair and Open Competition, Spending Discipline, and Priority-setting.

The U.S. commitment to the U.N. is already more than most people realize - \$3.8 billion just last year. That's almost a million dollars for *every* U.N. staffer occupying the Manhattan headquarters. Americans are generous people. But when a recent Luntz poll (July 2005) asked a random sample of Americans how they felt about this loan, 69% opposed it, and over half of respondents *strongly* opposed it.

Transparency

Americans expect Congress to look closely at major expenditures like this, and that's what this Subcommittee is about. This is our tenth hearing on Federal spending this Congress, and we take oversight very seriously. We are committed to accountability.

The first principle of accountability is transparency. I'd like to talk about transparency at the U.N. for a moment. Unlike our Federal agencies, the U.N. never makes any of its internal audits public. It simply *declares* its audits to be sufficient without supplying proof. Secretary General Kofi Annan's spokesman is

on the record bragging that the Oil-for-Food program had been “audited to death.” But these audits were only released under intense pressure from U.S. Congressional inquiries and threats to withhold contributions.

The culture of secrecy continues today. The U.N. has not cooperated in good faith with this Subcommittee’s investigation. The U.N. has kept the details of the competition for contracts in the dark. We do not know how or why the contractors who won awards were selected over other bidders. We can’t even get a straight answer on the size of those contracts. Was the contract for design work on the renovation the \$8M claimed by the U.N. or the \$44M claimed by Fox News?

Timeliness

Another core principle of accountability is timeliness. Our relationship with the U.N. needs to be a 2-way dialogue. The U.N. is asking for a massive loan. When Congress asks for information about that loan, we expect to receive it in a timely fashion. As of this morning, the U.N. still had not submitted its testimony to this Subcommittee. Having testimony submitted on time is critical for Congress to do its duty, meaningfully review testimony and prepare a thoughtful oversight hearing.

Spending Discipline

Another building block of accountability is spending discipline. This loan won’t exactly be paid back *in full* to the American people. The loan will be paid back by the U.N., and the U.S. is the largest contributor to the U.N. budget. What that means is that Americans will be paying *themselves* back, with interest. After interest accrues on this loan over 30 years, Americans will have been on the hook for over \$500 million.

I note that no other country has stepped up and offered to help with this loan. Until recently, there was a statutory ban on even our own participation in U.N. borrowing. Conveniently, that law was repealed in this year’s appropriations process.

With the Federal deficit encroaching on the future of our children and grandchildren, and the Medicare and Social Security programs *tanking*, this loan to the U.N. is a serious commitment of money and time, and it requires an equally serious commitment to oversight by Congress.

When leading experts in real estate development publicly criticize the U.N. renovation project, Congress has to pay attention. We have been told that this

project should be *half* the cost the U.N. is citing. Let's look at the breakdown. Labor and materials bring the cost to \$482 million. But exorbitant contingency fees and other padding on top of that core are driving the overall cost up past a billion. We will look under the hood a bit today and examine some of that padding, but this won't be the end. Congressional oversight on this project is only beginning. Before we write checks for any loan, Congress needs to be convinced that fair and open competition has occurred, and that every item in the renovation plan is critical to the U.N. mission. That may mean some hard choices need to be made, because another principle of accountability is priority-setting. Does the U.N. really need \$1.2 billion, or could the *essential* renovations be completed at a much lower cost?

Scandalous Management

We might not be paying such close attention if it were not for the regrettable fact that the U.N.'s credibility on financial management is at an all-time historic low. Is the Oil-for-Food scandal simply a symptom of systemic mismanagement? U.N. election monitors failed to prevent election fraud in Venezuela. U.N. Peacekeepers are now infamous for raping civilians rather than protecting freedom. In these cases and others, the U.N. has demonstrated an accountability deficit in matters of life and liberty, sound procurement, and program management. I wonder if this is really the best time for the U.N. to pass the collection plate around America, asking the taxpayers to once again open their wallets for what looks, to many outside observers, like a corruption-riddled bureaucracy.

Humanitarian Bang for Our Renovation Buck

The loan *matters*, because we can't forget the important mission of the U.N. Will investment in a new building really buy the world more consensus in the Security Council? Will better conference space lead to more international cooperation after natural disasters? Are we to believe that, if only the U.N.'s 6,000 annual meetings were held in nicer, more climate-controlled rooms, that the world would find the will to stop genocide in Darfur? Would the U.N. be able to end child abductions in northern Uganda, forced abortions in China, or religious persecution in Saudi Arabia? Might there be needs more pressing than excessive contingency fees on a renovation project?

I believe that our nation, and this Congress in particular, will be judged for how we stewarded the vast wealth entrusted to us. Ultimately, this renovation must help the U.N. fulfill its mission – to bring help, hope, freedom and peace to the darkest corners of the earth. All renovation expenditures must be justified in the context of that most urgent mandate.

Conclusion

I look forward to hearing from our witnesses today as Congress tries to determine if sound justification can be made for the cost of this renovation, and the proposed U.S. loan. All our witnesses traveled from New York City, and I am very pleased to welcome them here.