

The Need for Transparency:
Evaluating the Capital Master Plan and UN Reform

Statement of the Honorable John R. Bolton
U.S. Permanent Representative to the United Nations

Committee on Security and Governmental Affairs, Subcommittee on
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International Security

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Introduction

Mr. Chairman, distinguished colleagues, thank you for inviting me to appear before you today. I know the issues we will be discussing today are of profound interest to this Committee and the American people. Americans, regardless of where they may reside, are increasingly aware that the United Nations is in vital need of reform -- and that the lack of reform has a disproportionate impact on us given our role as the institution's largest financial contributor.

At the outset, I would like to extend my warm thanks to you, Mr. Chairman, for your personal dedication and efforts to make the United Nations more accountable, transparent, and effective. I emphasize the words "accountable" and "transparent" because I know those are two words that have figured prominently in your lexicon as well -- and for good reason. We can all acknowledge the need to renovate the aging UN building and the need for meaningful reforms across the panoply of agencies and programs within the UN. Concomitant with that, however, is the justifiable position that Americans are right to demand -- that their hard-earned tax dollars are not being wasted, or lining the pockets of corrupt officials, or even worse, propping up regimes the likes of Saddam Hussein's.

In the short time I have before you today, I would like to discuss three issues, the Capital Master Plan, Management Reform, and the independence of the Office of Internal Oversight Services (or OIOS). I would be happy, of course, to address any questions on other subjects you may have following my remarks.

Capital Master Plan

Mr. Chairman, as is well known, the United Nations headquarters is in need of a major renovation. The building in its present state does not meet the safety and fire standards established by New York City. The United States wants to ensure that there is a safe and secure environment for delegates and staff working at United Nations headquarters.

The need is pressing. Close to 4,300 people work in the complex, about a quarter of whom are Americans. Throughout the year, over 5,000

accredited delegates from all nations come to New York to participate in the work of the General Assembly. And some 40 percent of the well-over 300,000 tourists who visit the United Nations each year are Americans. The United Nations has unique security concerns, given the high profile of the building, the presence of world leaders, and its New York location. Most of the structures involved are well over fifty years old, and have never undergone a major renovation. Laden with asbestos, the buildings within the UN complex are energy inefficient, and have little-to-no flexibility in terms of space utilization.

As both the UN's largest contributor and host country, the United States also has a direct interest in ensuring that the Capital Master Plan, the title of the renovation project, is implemented in the most cost effective and transparent manner possible. We support the UN's recommended Strategy IV which involves a phased construction approach for renovating the existing buildings, including renovating the Secretariat building several floors at a time. This strategy for implementing the CMP has an estimated cost projection of up to \$1.8 billion. A U.S. Government CMP Task Force with representatives from the State Department (including OBO) and an expert consultant have determined the project management approach and cost estimating methodology being used are consistent with industry standards. It is the Task Force's assessment that the CMP is appropriately scoped to address the serious safety and security concerns to staff, diplomats, and visitors.

There is some discussion of consolidating UN staff currently in leased space in one building as well. We believe this issue warrants careful consideration, but should be considered separately from the General Assembly's consideration of the Capital Master Plan.

More broadly, though, the Administration is working constructively with others in the current session of the General Assembly to resolve remaining issues on the Capital Master Plan, in particular the critical decision on project strategy. The United States believes that Member States should focus their attention during this resumed session on a decision on project strategy. As we have stated before, this decision is necessary to provide clear direction on the continuation of pre-construction work and on the use of the funds approved by the General Assembly last month. We understand that \$20 million has been spent from the funds approved by the General Assembly last month. We are asking for details on progress to-date

using these funds, as well as progress under the approved commitment authority to underscore the importance of transparency.

As the most recent report by the Secretary-General on the CMP makes clear, some issues require further discussion, such as requests for an appropriation for the construction documents phase, overall project financing, the establishment of a working operating reserve fund, and the idea of interest charges for late payments of assessments. We look forward to a thorough discussion of these issues, especially given the sizeable financial and other ramifications of decisions on these subjects.

Creating a safe and secure work environment for the United Nations is critical. We will be diligent about containing costs. Implementing the UN renovation in the most cost-effective manner will help ensure resources are available to fund the UN's many other priorities. We fully understand this Committee's interest in insisting on greater transparency in all aspects of the Capital Master Plan. We share that interest. This is a key theme in our current discussions in New York as negotiations proceed.

Management Reform

In terms of specific priorities, the United States has consistently made clear that management reform is at the top of our agenda. Progress in this regard will have a transcendent impact on a number of issues related to all UN programs, including efficiency, transparency and accountability. Successful management reform is critical for the UN to be able to more effectively and efficiently deliver services to those that need them most around the globe, and to support U.S. policy goals. The United States has joined with others to launch an ambitious agenda of reform--reforms we think are vital to putting the United Nations back on track. This is consistent with Secretary Rice's call last September before the 60th meeting of the General Assembly to "launch a lasting revolution of reform." There have been some successes. We applaud, for example, the recent increase in resources for oversight and the implementation of whistleblower protection within the UN system. We also applaud the creation of an ethics office and the issuance of stricter financial disclosure requirements.

Implementation of these initiatives, however, remains a key priority. Last week I had an interesting meeting with the leaders of the UN Staff Union. They expressed some concern that while the reforms enacted to date

are a step in the right direction, they do not go far enough. We are now working with them along with all interested parties now to help ensure that these reforms are not only enacted, but implemented as well. Interestingly, they raised the issue of transparency – an issue that we have stressed as well on a wide-range of subjects. We concur with the UN Staff Union that integral to the success of management reform, regardless of the specific reforms adopted, is that the process be transparent. This will allow all parties concerned to provide the most productive input into the process.

Obviously, of course, it is Member States that must push for many of these reforms. Already, though, we have seen sharply divided positions emerging on some key issues. Many members of the Group of 77, or G-77 as it is known, have been resisting efforts by the Secretariat to reform and streamline basic managerial structures and practices. They rallied together in response to the March 2006 report by the Secretary-General, which offered a remarkably frank assessment of the situation we face today. His assessment was as follows:

"The earlier reforms addressed the symptoms, more than the causes, of our shortcomings. It is now time to reach for deeper, more fundamental change. What is needed, and what we now have a precious opportunity to undertake, is a radical overhaul of the entire Secretariat – its rules, its structure, its systems – to bring it more in line with today's realities, and enable it to perform the new kinds of operations that Member States now ask and expect of it....Such a radically expanded range of activities calls for a radical overhaul of the United Nations Secretariat — its rules, structure, systems and culture. Up to now, that has not happened."

Outlined in this report were a number of specific proposals to reform the UN system to increase efficiency. Recently, the Fifth Committee, which is the Member State body in the UN system that handles budgetary and management-related issues, voted against many measures that would have increased the ability of the Secretariat to implement a number of significant and genuine reforms. To be sure, we do not agree with every single reform proposed by the Secretary-General, but we certainly agree with his diagnosis of the problem, and support his efforts.

What was particularly interesting about the Fifth Committee vote on some of the Secretary-General's proposed reforms was the way the vote

split. On one side are a group of 50 nations, including the U.S., who are pushing an ambitious reform agenda, and whose combined contributions happen to total more than 86.7% of the UN budget. On the other side are over 120 nations who contribute 12% of the budget, and are blocking these reforms. We have been working closely with both G-77 countries and larger contributors to bridge this divide. We have been actively promoting reforms as a tangible and positive benefit for all member states. The U.S. is still actively negotiating many of the types of reforms proposed by the Secretary-General, though we must acknowledge it will still be an uphill battle, with a majority of member states expressing their opposition to some of the most basic reforms. This was exemplified just last week when they wrote a letter to the Secretary-General chastising him for issuing reports to the public on his proposals for some reforms he feels are necessary.

It has become apparent that some members of the General Assembly are trying to hinder the Secretary-General from serving in his capacity and duty-bound role as the Chief Administrative Officer of the UN, due to their desire not to cede any authority away from the General Assembly. We agree that the Member States should have the bulk of the authority, but believe that its micromanagement hampers the Secretariat from effectively achieving goals of Member States. And when the G-77 calls for an “accountable” Secretariat, we hope they will be more concerned about ethics, oversight, and transparency than with preserving micro-managerial prerogatives over personnel and other administrative matters.

OIOS Independence

Indeed, closely related to the issue of management reform is the importance of increasing the transparency and accountability of the myriad institutions within the UN system. We remain concerned about the independence and autonomy of the Office of Internal Oversight Services, or OIOS. OIOS is the Inspector General of the UN, the body charged within the UN system to provide internal auditing, investigation and evaluation of all activities under the authority of the Secretary-General. The problem, though, is that in several ways OIOS is potentially beholden to those it is responsible for investigating. This inherently creates a conflict of interest, whether any specific one is identified or not. Just last month, the U.S. Government Accountability Office issued a report that concluded:

"UN funding arrangements constrain OIOS's ability to operate independently as mandated by the General Assembly and required by international auditing standards OIOS has adopted....OIOS depends on the resources of the funds, programs, and other entities it audits. The managers of these programs can deny OIOS permission to perform work or not pay OIOS for services. UN entities could thus avoid OIOS audits and investigations, and high-risk areas can be and have been excluded from timely examination."

~Statement by David M. Walker, Comptroller General of the United States, "United Nations: International Oversight and Procurement Controls and Processes Need Strengthening," United States Government Accountability Office, April 27, 2006.

This situation is untenable and serves as an open invitation to those who may seek to defraud or abuse the system. As another measure to ensure OIOS' independence, we encourage OIOS to continue providing to Member States any and all findings and conclusions it reaches whenever requested, a requirement the United States succeeded in having adopted by the UN General Assembly. OIOS can serve as a valuable tool for Member States to take action or push through reforms that are sorely needed. We will push hard to make sure that the Independent Audit Advisory Committee is fully established to validate OIOS' work and ensure OIOS' independence of the UN Secretariat.

The agreement to provide Member States with copies of all OIOS reports was a positive step toward accountability and transparency. The reports of OIOS should not be for internal consumption only. All interested parties should have access. The website of the U.S. Mission provides a portal and directs any interested individual to OIOS reports to the General Assembly, as well as those requested by the U.S. Mission. To underscore the key theme of this testimony, we have appropriately entitled this new project, "The Transparency Initiative".

Conclusion

Mr. Chairman, in closing, let me again reiterate my thanks for your personal involvement on these matters. I can tell you unequivocally that it has had an impact. Your conversations and trips to New York have served as an important reminder, sometimes forgotten, that the U.S. Congress plays

a critical role in the process. Ensuring that UN operations are transparent is an important step in ensuring that UN agencies are held accountable. This is no doubt a key step to reforming the United Nations, and I thank you for your work to help make that a reality. We are engaged in intensive diplomacy in New York and in other nations' capitals to achieve consensus support in the UN for tangible further reforms in the areas of ethics and oversight, Secretariat management, and review of UN mandates in the very near future. And then we will push on for even more thoroughgoing reform in all those areas in the months to come. I look forward to answering any questions that you or any of your colleagues might have.