

**UNITED NATIONS AT A CROSSROADS:
EFFORTS TOWARD REFORM**

HEARING
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL OPERATIONS
OF THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE
ONE HUNDRED FIFTH CONGRESS

FIRST SESSION

NOVEMBER 6, 1997

Printed for the use of the Committee on Foreign Relations



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THURSDAY, NOVEMBER 6, 1997

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL OPERATIONS,
COMMITTEE ON FOREIGN RELATIONS,
Washington DC.

The subcommittee met, pursuant to notice, at 3:25 p.m. In room SD-419, Dirksen Senate Office Building, Hon. Rod Grams, chairman of the subcommittee, presiding.

Present: Senators Grams and Sarbanes.

Senator GRAMS. Welcome, thank you very much. I want to first thank the witnesses here today to testify before the committee. I want to thank you for your time and effort to come down from New York to provide us with some very important information.

Ambassador Sklar, the U.S. Representative for the U.N. Management and Reform; U.N. Under Secretary-General for Administration and Management, Mr. Joseph Connor; and also U.N. Assistant Secretary-General and Special Advisor to the Secretary-General, Dr. John Ruggie, again I want to thank you all for taking time.

I would also like to personally thank the U.N. Secretary-General, Kofi Annan, for offering to send his staff here to testify. It was a gracious gesture from a very gracious man and we want to thank him for that.

We are all working toward a very common goal of reforming the United Nations so that it will be a relevant institution into the next century. And as the Secretary-General has aptly noted, reform is a process, not an event. And if I may take the liberty to add, at the United Nations, the process is often exceedingly slow, and the victories sometimes rather meager.

The powerful opponents of reform, the entrenched U.N. bureaucracy and member states who clearly benefit from the current system, are both powerful, but I also believe shortsighted. Any organization burdened with a bloated bureaucracy and no mechanisms to control spending will collapse under the weight of its own inefficiency.

If the opponents of reform are not careful, they could end up killing their cash cow. Reform is necessary not because Congress wants it, but to ensure the very survival of the United Nations as a viable world organization.

At this juncture in the reform process, I think it is important to take note of what has already been accomplished, and what more needs to be done. The Secretary-General has introduced his Track One reform proposals, which he can implement without the

approval of the General Assembly, and then his Track Two reform proposals, which need General Assembly approval.

The budget for the 1998 and 1999 biennium, which should reflect the efficiencies realized from the Secretary-General's reforms, has also been put forward. A bipartisan effort by the Senate and the administration has resulted in a package of reform measures that are linked to the payment of arrears.

The United States has an important role to play in setting specific reform goals for the U.N. that will have a positive impact, both immediately and over the long-term. But it is not our job to try to micromanage every detail of how the U.N. is to reach those goals or to implement the reforms. That should be determined through negotiations among the member states and by Secretary-General Annan and his staff.

Indeed, I think it is important to note that the Senate has consulted with the United Nations every step of the way during this process. We sent Foreign Relations Committee staff to the United Nations while our bill was in the process of being created to discuss possible reform benchmarks.

We even adopted a number of reforms that were in the Secretary-General's reform proposals, such as the abolition of 1,000 posts and the achievement of a no-growth budget. And quite frankly, I'm surprised that there is a question as to whether even these limited goals can be achieved.

There is no doubt that the United States must settle the issues of its arrears. That is exactly what the Senate's U.N. reform plan is designed to do. But there is no way that any of the arrears will be paid if the reforms are not achieved.

The U.S. can help make the United Nations a more effective and more efficient and financially sounder organization, but only if the U.N. and other member states in return are willing to finally become accountable to the American taxpayer.

I know that Ambassador Richardson, Ambassador Sklar, and the entire team at the U.S. mission has a tough job to do trying to convince other nations that our reform package is, indeed, in their long-term best interest. I know that often, the objections to the package have little to do with the substance of the reforms and more to do with the fact that it is the United States that is suggesting them.

I also realize that the failure of Congress to quickly move our reform legislation forward has made the U.S. mission's tasks even more difficult. They have been fighting basically with one hand tied behind their back.

But every time another member state calls the United States a deadbeat and a bully and accuses the U.S. of not doing its fair share for the international community, I hope that they come out swinging, given the billions of dollars of unreimbursed costs and voluntary contributions that the U.S. continues to give to the U.N. in addition to our annual assessed contributions.

So in a very broad sense, I called this hearing to try and help to establish a dialog between the U.N. Secretariat, the U.S. mission at the United Nations, as well as the Congress. And all too often, misunderstandings arise from a lack of communication.

And hopefully, we will all be a bit wiser at the end of this hearing. I know I will, not only about the details of U.N. reform efforts, but about our priorities and the constraints under which we operate during this entire reform process.

So when I asked Ambassador Sklar to take the hot seat, which he will do in a moment, and to comment on the administration's successes in achieving our reform benchmarks, I hope that the gentleman from the U.N. will also take note that he has some formidable constraints in being able to grant the U.N. what it wants and what we all want, and that is the repayment of U.S. arrears.

So with that, gentlemen, I want to again thank you for being here, and Mr. Sklar, we take time now to take and listen to your opening statement.

**STATEMENT OF THE HONORABLE RICHARD SKLAR, U.S.
REPRESENTATIVE FOR U.N. MANAGEMENT AND REFORM**

Ambassador SKLAR. Mr. Chairman, I remark first the last time I was in here, I walked out with your approval and a title added to my name and I wonder if—my children asked when I came back, Do I get something new added each time?

Senator GRAMS. Or taken away? No.

Ambassador SKLAR. Or taken away. [Laughter.]

Ambassador SKLAR. Mr. Chairman, thank you for this invitation to continue our dialog on the work we are at to the U.S. mission to the United Nations in the management and reform arena.

A few months ago when I testified before this committee during my confirmation hearing, I described my understanding of my mission for this year as having two components—one, renormalization of the relationship of the United States and the United Nations by resolving financial differences with the United Nations on U.S. arrears and future assessment rates; and second, continuing to apply U.S. pressure on the United Nations to reform its management and financial control practices.

I had no idea of the depth and breadth of both of those challenges. Today, I will attempt to brief the committee on our progress to date and the problems facing us on both counts.

With respect to internal reform of the U.N.'s management and financial systems, it is fair to say that an effort that started in 1994 under pressure from the U.S. Government to renew and modernize the management of the U.N. continues, and under the leadership of Secretary-General Annan, is accelerating.

Nevertheless, the pace is slower than we would like, and constant pressure must be maintained on the membership to accept and embrace the critical steps in this process. The Secretariat has been forthcoming and forward looking and working with us in this process.

Our current efforts are centered on gaining the members' acceptance of the package of reform measures, introduced in July 1997 by the Secretary-General, known as Track Two. These are follow-on reforms to those implemented by the Secretary-General in March.

Examples of the actions and recommendations of the Secretary-General are establishment of a results-based budgeting as the norm; consolidation of the management of development efforts;

rationalizing top management structures and practices; and streamlining the management of the humanitarian efforts.

The U.S. by and large supports the entire package, albeit with certain reservations, which we have made known to the members and the Secretary-General. Most of the reforms are sound, solid managerial improvements and should be accepted without argument.

However, there is great fear in the membership that this package is quote made in the USA unquote, and is part of attempt to downsize the United Nations and to diminish the power and influence and membership of the General Assembly. That is not true. We emphasize what we are talking about is doing more, doing better, not doing less.

This fear has resulted in a too lengthy discussion period on the first group of the reform elements, the Secretary-General's actions, that should be recognized as solely within the province of the Secretary-General—no approvals are necessary on this part of the package.

We have been very actively working for swift acknowledgement of the value of these steps, many of which the Secretary-General is already implementing. I hope to be able to report success in this area of gaining recognition by the membership within a matter of days.

The remainder of the Secretary-General's package, which includes his recommendations requiring membership approval, are under full debate and I believe most will be accepted within the month.

Thus, the Secretary-General's 1997 reform program will be included in the budget for the coming 2 years. This package, while not revolutionary, lays a sound base for the next and bolder steps we must take. In my opening remarks on the budget debate last week at the United Nations, I started to lay out some of the directions we will be suggesting once this base or foundation is laid down.

Going beyond results-based budgeting and sunset provisions, we will urge an ongoing value and efficacy review process that will weed out mandates and programs that no longer have value. We are urging that all functions performed by U.N. units that are a duplicate or a replicate of efforts carried on elsewhere in the multilateral system be dropped, unless the U.N. product is the best of the lot.

World Bank economic studies ought to be used, rather, to build a U.N.-developed data base unless the quality of the U.N. work is superior. And then we ought to convince the multilateral community to use the U.N. data and drop their duplicative efforts.

The United States contributes to the payments of all of these; whether done by the World Bank, the IMF, the OECD, or the U.N., we should pay only once.

All U.N. units should be subject by internal management to a cost-benefit analysis, and those dropping below a standard ought to be eliminated or shaped up. Assuming the approval of the Secretary-General's base package, and the renormalization of the U.S.-U.N. relationship, we will be in a position to press for these more

aggressive reforms in the coming years. Again, as you said and as the Secretary-General said, this is a process, not an event.

You will note I included the caveat that we must rebuild the U.S.-U.N. relationship. That process requires again, as you pointed out, first, the passage of legislation in the Congress laying out our U.S. expectations and commitments.

The lack of the completion of the legislative process and the agreement between the administration and Congress on the content of that legislation puts us in the position, in the words of some of the other members, of shadowboxing or dream dancing as we attempt to persuade the other members to accept our proposals.

They ask us how we can expect them to negotiate when the Congress has not passed the bill and laid down, specifically and legally, the defining U.S. position.

I know how hard you, Mr. Chairman, and members of this committee have worked to bring this legislation to fruition. I thank you for that effort, and I join you in hoping that within a matter of days, we will see a law coming out of this months or years of hard work. Passage of the legislation is a critical first step, but then the real battle will begin.

It is important to understand the position of the other members as we pursue the effort to persuade them to accept the U.S. position. To proceed with only our own viewpoint would be like playing poker or bridge without acknowledging what is in your opponent's head.

The other members universally deeply resent the U.S. position and attitude. They see us as a debtor to the U.N. laying out conditions for repayment of moneys that they view as owed under treaty obligations. They see us as unilaterally demanding a change in the rate of assessments as a condition for payment for past and future payments. They see us as putting down managerial conditions for an independent organization in a micro-managing mode as a further condition of payment of past and future assessments.

They see the richest nation in the world demanding a discount from an assessment rate that they believe should be predicated on, quote—the words I hear night and day—capacity to pay, I.e., gross national income. These thoughts—these are the thoughts in the heads of those with whom I negotiate every day.

I remain optimistic that when an agreed upon bill is signed into law, we can achieve significant progress in meeting our common goals. The most critical benchmark or element of the legislation going through your process is the reduction of the ceiling established for rates of assessment from the current 25 percent first to 22 percent, and later, in 2 years or longer, to 20 percent.

If we are to pay less, others must pay more, even with a capped in U.N. budget. In my 63-year life and 45-year history, I have rarely found others who said, "Let me pay more money so you can pay less," for anything. I am still looking for that dinner, that date.

There are others who should pay more. Countries with fast-growing and significant economies receive excessive discounts through the selection of the statistical base for measurement of GNP that looks back too many years. Countries continue to benefit from discounts for their per capita income in a greater number than all reason.

The United States' discount, which would come from a ceiling and many times is dwarfed by the discounts currently enjoyed by fast-growing and other large economies.

Working vigorously with the other members to try to persuade them to join us in the revision of this scale of assessments, we are severely handicapped additionally by the limited time to adopt this scale. We only have 7 weeks, and that 7 weeks, whenever the legislation comes forward, is fixed. It cannot be stretched.

Both the Congressional legislation and the U.N. practice demand an answer before we go home for Christmas this year.

Amongst the other components of the pending U.S. legislation that challenges us in the U.N. most severely is the proposed budget cap of \$2.533 billion for the coming biennium. This to—to meet this budget cap, there are programs that ought to and can and will have to be eliminated as new mandates arise.

However, the Congress' experience in base closings may give you some idea of the difficulty in gaining agreement from 185 sovereign countries in giving up their favorite programs. We cannot put together a base-closing commission and take that route up in New York, would that we could.

We have laid out our concerns on the budget, financial control, and oversight in remarks that Ambassador Richardson and I made at the start of the debate on the scale of assessments and the budget. I have included a copy of those remarks with my written statement.

Parenthetically, I think Ambassador Richardson have been perhaps a little blunter and more forthright in the way we have spoken out in public in the U.N. than the U.N. has been used to. But quite frankly, I think it is the only way to deal openly and honestly with the members. We have a tough situation, and polite and cutesy diplomatic language is not the way to deal with real problems that must be solved and met.

We will continue our aggressive and forthright approach to the other members on these two critical issues in the weeks ahead. On Monday, the Ambassador and I will be hosting 12 sessions at his apartment in New York where 180 of the 185 members will come and meet with us, in addition to those we are talking to bilaterally. We are going to do that during your recess and ours next week. And we will keep you informed of our progress, as we have.

I hope I have not painted too bleak a picture. In the words of Secretary-General Annan, the U.N. must reform or lose its relevancy. We could not agree more. Failure to reach agreement with the other members on reform and changes in the financial arrangement will, as Ambassador Richardson said several weeks ago, result in damage to the U.N. as well as to the interests of the U.S., which is well served by the United Nations in its multilateral role.

We will work to prevent the scenario from coming into being. We look forward to working with you and for your help and attention. I welcome your questions.

Senator GRAMS. Thank you very much, Ambassador. We have been joined by Senator Sarbanes. Would you like to make a comment or opening statement, Senator?

Senator SARBANES. Why don't you go ahead with your questions, Mr. Chairman, and then I will pick up afterwards?

Senator GRAMS. And then you will have questions for me.
[Laughter]

Senator GRAMS. Well, thanks for being here. I appreciate it.

Ambassador Sklar, I would like to ask you a few questions about the Secretary-General's Track Two reform proposal, and then to move on to basically the progress that you have made in achieving some U.S. reform goals.

So first, are there any proposals in the Secretary-General's Track Two plan that the administration disagrees with besides those outlined in your opening statement?

Ambassador SKLAR. Yes. There are a number that we have reservations about; others we question entirely whether they are the right answer or the problem is the right problem.

For example, the Secretary-General has proposed a revolving fund, a voluntary revolving fund, to deal with the cash-flow problems of the U.N. we think the cash-flow problems are and have got to be solved. We do not think this is the way to solve it, and the sentiment amongst most of the members I think agrees with this. This is not the answer.

We had some questions and reservations about the establishment of a Department of Disarmament in New York. The Secretary-General has alleviated those concerns. We were concerned that this department not become a watchdog or an interventionist in the treaty obligations we have directly with other nations. That has been dealt with quite satisfactorily.

We are interested in seeing how the development fund—no, development management program that the Secretary-General is putting forward goes forward, the idea of a single country agent in each country representing all the agencies. We are in favor of it, but we have yet to see how it is going to work.

Most of our questions were not, Do not do this. It does not make sense. It was How are you going to do this? How will you implement it? Have you thought about this?

I would say the revolving fund is the largest single—the biggest single pure no, and I think it will go away because it had little or no support. What we do applaud the Secretary-General for doing is saying I have got a cash-flow problem. Guys, help me solve it.

Senator GRAMS. And, you know, just the opposite of that is the United States pushing for further reforms to the management structure of the U.N. in order to streamline the bureaucracy—under the, you know, the Track Two proposal.

Ambassador SKLAR. I think as I mentioned in my remarks, what we consider as the Secretary-General has laid down a foundation or a base, in harking back to my life before I entered this world. 2 years ago, I was in the construction business and we have laid down—we have done the excavation and got the foundation if we get the Secretary-General's work through.

What we have got to do, then, is put up the superstructure and the rest of the functioning components of the building. Without the foundation and base, that will not happen. And the Secretary-General was, I believe, correct to not reach out for the moon, but to lay down that solid foundation.

You gentlemen have been using the word fast track around here, but it really comes from my world. Fast tracking means that while

you are laying your foundation and base down, you are doing the design for what comes above. We are doing just that in our world.

But I think if the Secretary-General had reached out for some of the aggressive reforms, zero-based budgeting, efficacy reviews, elimination of programs, closing of offices in this first round, he would have met such resistance from the members that we never would have gotten going—we would have been talking forever, so I think the strategy was the right one.

And if we get our relationship normalized, we get into a position where we are not viewed as someone owing money to the organization yet demanding change, I think we will be able to build on that foundation in the next couple of years.

Senator GRAMS. You always hear the term that it is a good first step, but sometimes we never take the second and third steps. This is a good first step, but will it be followed up by a second and third?

Ambassador SKLAR. All I can tell you is that while I am there and while I have the energy, we, representing the United States—we will push to make sure it happens. I cannot promise you the end results. I can promise you the pressure will be there, the ideas will be there.

And frankly, we are finding a great many members very sympathetic to the approach we are taking. The Nordic countries, for example, have laid out an excellent proposal, going well beyond the foundation in the development area—one that we could subscribe to.

So the pressure will be there—the administration is committed to it, the Secretary is, Bill Richardson is, and I am. Results we will have to measure as we move ahead.

Senator GRAMS. Where are the negotiations right now in the attempt to lower the assessment to 22 percent?

Ambassador SKLAR. Well, as I mentioned to you, the words that come back at me are shadowboxing or dream dancing till the Senate and the House and the President give us a bill, but we have not waited.

I do not want to just sit here and discuss the strategy. You and I have discussed the individual countries' strategies we are doing, and I will be happy to do that.

But we are attempting to bring all of the membership in around the eight components of the scale of assessments, and point out to them that when they talk about capacity to pay, so do we.

But capacity to pay is not an economic—you cannot find it in economic books or any math tables. Capacity to pay, as defined by the United Nations, is made up of eight separate components, each of which are political and have someone's interest. We are interested in the ceiling, which results in a discount for us. But we are also very interested in the look back that occurs for many nations.

The way the United Nations' current plan works, they look back 8 years into history to determine the size of your economy. They really do not look back eight, they look back 10, because the first 2 years, there is no statistical data. They are proposing under the G-77, the developing nations', and China's proposal to cut that to 6 years.

But even so, that means we will be looking at other countries' economies in the years 1992–93. If you take a country whose economy grown at 7 percent more than the world economy in that period of time, that means—and I will not go through all the math with you—that they are getting a discount of about 40 percent over their true capacity to pay today. We are pointing that out to the other members, and we are doing that with each of the seven other components, other than the ceiling.

This is not something we can force. It is something we have got to point out and bring a coalition together around. So we are working bilaterally with the key countries, and there is about 14 of them, whose assessments will rise dramatically with our plan.

And with the other countries whose assessments will not rise and letting them understand the importance of reaching agreement with us so that they who benefit from very low assessments and contributed very little money to this system but who benefit greatly will not see an organization that they care about and want, as we do, survive and grow.

So it is a constant process—it goes on night and day, it goes on, as you know, with me over tables of pasta and bowls of good Chinese soup. And I think we are making progress, and I will be able to report back even more strongly once we see a bill that I can hold up as a sure marker from our side.

Senator GRAMS. Mr. Ambassador, you mentioned the U.N. reform legislation. We have put off this hearing as long as we could to hopefully have the bill in hand and give you something to work with. But to our disappointment as well as yours, you know, we pushed this right down to the end of this session. But hopefully, you will have it within days if we can.

Ambassador SKLAR. Thank you.

Senator GRAMS. There are press reports, Ambassador Sklar, that indicate that there is a proposal from some of the developing nations that has gotten some support, regarding the floor of assessments, to lower the floor, from what is now, the one-tenth of 1 percent to one-hundredth of 1 percent. Basically, the amount many countries pay would go from about \$106,000 down to under \$11,000.

Ambassador SKLAR. Yes.

Senator GRAMS. Does the U.S. support this proposal?

Ambassador SKLAR. It was in—actually, it was in the U.S. package in the spring. From a negotiating standpoint, I might have offered it now rather than in the spring. But nevertheless, it really is not important in the big scheme of things.

It does drop the payment for the very smallest 50 or 60 countries, down, as you say, to \$10–\$12,000 a year—less than the apartment rents for their perm reps in New York. But in the scheme of things, it does not much matter because the total amount is only 5 or \$6 million out of a \$2.5 billion budget.

And if 50 or 60 countries for this small concession, in real terms, would join us in support of our ceiling that is significant, I would not find it to be something that—that what I was negotiating, I would have trouble giving up.

I hate to get into too much of the negotiating detail now or I will be playing my hand in public.

Senator GRAMS. But it is part of the principle of the thing that seems to be—more than the money.

Ambassador SKLAR. The smallest countries, some of them barely larger than, as I said, four hotels and an airstrip, have sovereignty, have very little money, and this is a big achievement for them, and the United Nations is very important to them.

Every one of the eight issues, every one of the eight areas, has principle. Everyone has their principle and their piece. And as you know, being in this body, compromise is the name of the game. If everyone held to their rigid principles on every count, we would not have enacted legislation for the last 180 years.

This is one set of principles that matter to someone, and the question I will have as we reach final negotiation on the eight principles is what can we give up in exchange for what we want?

This is not one of the big chips.

Senator GRAMS. Yes. But it seems like one of the biggest problems that we have in instituting these cost-saving procedures is those who pay very little but get a larger share as far as the benefits from the U.N.

So, decreasing their stake in support of the U.N.—I do not see how that really will help our argument with them.

Ambassador SKLAR. I—Senator, I cannot argue with you—but again, I have got to try and work with the 185 members to find a balance around the eight areas, and I think—I do not know. Maybe you can tell me because I am not that familiar, but when the last piece of pure legislation came out where there was not a concession, where there was not a bridge or a road in exchange for something else, and you bit your tongue because it was for the greater good.

I would like to have the freedom to deal with the eight as long as we achieve the noble—the major goals you set out for us.

Senator GRAMS. Moving on to the budget issue, do you believe the Secretary-General's budget, as presented, continues a basic no-growth policy?

Ambassador SKLAR. Senator, as I mentioned to your staff in a lengthy discussion last week, I cannot answer that question now. I will not be able to until the Secretariat produces their end of 1996–97 figures. The budget cap of 283, which they believe will come down to \$2.533 billion when the currency fluctuation is worked out in December, may or may not be, and I am not even guessing which, higher or lower than the 1996–97 number. We will know that when the 1996–97 number is in.

I believe it was clearly the intent and objective and expectation of the Secretariat that it will be a no-growth budget, but perhaps the panel who follow me will be able to answer that better. My view is I will not make a guess on something that I will know for certain in 3 to 4 weeks. As soon as I know, you will know.

I have every hope and expectation it will, but I am not about to make a promise I—on information that I do not have yet.

Senator GRAMS. OK. On the number of post jobs, are you confident that the Secretary-General's budget actually eliminates the magic number of 1,000 posts? You know the last time we spoke, you mentioned that you had some questions concerning the issues of the post. Have you received any answers to those?

Ambassador SKLAR. We have some of the answers but not all. I have become more progressively confident every day that it is truly a 1,000 posts dropped, from the 10,012 to 9,012. I am not over the total hump yet; there is one more set of questions that we have not gotten resolved.

I believe we are going to be there, some two-thirds of the way up that hill that you and I talked about a week or so ago.

Senator GRAMS. Is the administration, on the other hand, supporting the creation of any new jobs, any new posts? And, basically, do you think that any of these posts should be allocated to the OIOS—the Inspector General’s Office—instead?

Ambassador SKLAR. Let me take them in two parts, sir.

Yes, the Secretary-General has proposed that—I think it is 29 or 39 posts in the computer system, the ARMIS system, which is the best thing that has happened, because you can now count how many people were there—they be made permanent.

These people have been working for the Department while the computer system was brought on line. We think it is unrealistic to continue to carry them as temporary employees, and in fact, buried off the post count. So we applaud Under Secretary-General Connor’s decision to include those in there.

The thousand is a net drop; I think the number is 1,059 down and 59 back up to get to the 1,000 net, so, yes, we support the addition of those particular posts.

Second question—I have talked to the Inspector General. I have talked to the GAO. I have read the GAO report, and I am convinced that the Inspector General Paschke, who is one my heroes up there, has the resources that he needs for this next biennium. He has done a super job. The GAO report was laudatory.

I mentioned to your staff last week when we talked that I asked the GAO head team leader, when we were doing our exit interview, how he viewed the Inspector General on a scale of 1 to 10. And what he told me was that compared to any similar operation in the U.S. Government department, Paschke at the same point in history was farther ahead than they were, which made me feel good.

Paschke’s reports have come out. They have been tough, they have been hard-hitting, and he says he has the resources and that is all I can go on.

We are comfortable with the budget for the next 2 years.

Senator GRAMS. As you are aware, dealing with the OIOS, Senator Helms and I requested that the GAO produce a report on the status of internal oversight services at the U.N.

According to the draft report, GAO was unable to test whether OIOS exercised its authority and implemented its procedures in an independent manner because the U.N. denied the GAO access to the OIOS’ working papers or other records or files related to specific audits, investigations, or inspections.

So, the question is, will the U.S. mission have access to these materials so that the administration will be able to certify that the OIOS is operationally independent?

Ambassador SKLAR. OK. Sir, in reading that report and in talking to the GAO staff, they—one said that the OIOS was independent, reported directly to the Secretary-General, had laid out policies

and procedures and two of its four teams had two more to go, and had the resources that were needed.

They, since this is not an agency of the U.S. Government, did not have the ability to go through the personnel records and read through in detail all of the reports.

They did raise one objection to the way the OIOS worked, one primary objection—a lot of minor ones. The primary one was they were concerned with the number of reports that actually were sent up to the Secretary-General and then on to the General Assembly. They worked out an arrangement with Inspector General Paschke where he will list all of his reports.

When he does a report that he considers simply a matter of managerial change at the program level, he keeps it down there and it doesn't float and become a matter for the public and the press. When he finds anything of significance, he sends it up to the Secretary-General, and then it is fully available to us.

He has gone even further this year—he has reached another agreement. He said that on any report that he does not issue because it is of a minor matter, he will be happy to brief any member state that so requests, report by report, and he lists all of those reports in case we want to take a look at them.

So we will find out if in fact this step that the GAO recommended is followed. I have no reason to doubt it. And we will be able to come back to you and say, Yes, this now gets us as far as we need to go.

We have to remember that this is not a U.S. Government agency. No one goes as far as we go with the GAO look. And I came away, frankly, much happier than I thought I would be after the GAO gave us the report and debriefed us—not perfect, but a good step forward.

I do mention one other thing—you and I have a common concern, and that is his work be extended to the funds and programs that eventually replicated at the other agencies.

Senator GRAMS. Right.

Ambassador SKLAR. This will be on my agenda for next year.

Senator GRAMS. All right. Thank you. The GAO draft report also noted, Mr. Sklar, that only 39—and I think you have addressed part of this, but I would just like to go through this again—that 39 of its 162 various reports to the Secretary-General and General Assembly or its committees.

Now, as I remarked to you last month, and I think you have addressed part of this already, it has been of grave concern to me and members of the committee—this does not comply with the reform benchmark agreed to by the administration and Congress, which states that the United Nations has procedures in place to ensure that all reports submitted by the Office of Internal Oversight Services are made available to the member States of the U.N. without modification except to the extent necessary to protect the privacy rights of individuals.

So, first, is it your understanding that the fact that only 39 of the 162 reports were given to member states is consistent with this reform benchmark? And second, is the U.S. mission taking any steps to ensure that all reports are made available to member States? Now, does this—what you are addressing?

Ambassador SKLAR. Yes. I think that—I think we have a question of reports submitted as opposed to studies done. It is my understanding that reports submitted are those he submits to the Secretary-General, that he considers worthy—all of those are viewable. The other audits and studies that he does that are dealt with at the program manager level are the ones that are outside this group.

I apologize for going for papers. As you know, I try and keep most of this stuff in my head. But I pulled up the GAO report, and they indicated here that of the inspections that he did, seven of the eight went to the Secretary-General—only one was considered less important.

And of the audits he did, most of those went up. It was the investigations with this small number that he did not send up because he did not find anything of substance in them.

So, I do not know that we have a total answer. I believe that it is correct that all the reports submitted to the Secretary-General—I know those are available to the GA and to us. It is the others that do not—that are not submitted to the SG that are available only upon request and for a debriefing.

Senator GRAMS. OK. I am just wondering. But you said that all the reports or investigations that he would undertake, whether he would pass them up or not, would be recorded?

Ambassador SKLAR. Recorded, listed. Those that are submitted are totally available to all the members. Those that are not, based upon the GAO's suggestion—and this is my reading of the GAO report—we will be available to go and request a debriefing, which he will give us. And I am being very careful not to say that he is going to hand us the whole report. He said he is going to do a debriefing.

We do not know whether those debriefings will be in-depth enough to give us confidence that he stopped it at the right place and sent it back down, just dealt with program manager on it or not, but that is my understanding—all submitted reports go to the SG, go to the GA, fully available to us.

Those reports, audits, or investigations that he does not consider worthy of submission—debriefings, and then we can make judgments after that.

Senator GRAMS. OK. I just asked that again because, you know, that is really not the understanding, I think, of this benchmark that I have or maybe some others. So if we need to clarify that language a bit, we will take a closer look at that.

Ambassador SKLAR. I would be happy to. Again, I am not a lawyer and I am dealing only with my 3 months of it and understanding, and I, as you, are anxious to see anything of substance available to us. But I also have to respect the privacy that comes with an organization that is not ours.

And again, I—we are going to have to rely upon the character and competence of Mr. Paschke, which I have no reason to question. And the GAO is very direct about it, and I think the—we will try and see this year if the combination of submitted/fully available, reported but not submitted, debriefed, is satisfactory. And if not, I will be out ahead of you in requesting a right to take a look at them.

Senator GRAMS. All right, thank you. Does the office of IOS have the authority to audit, inspect, or investigate each program right now and the projects or activities funded by the United Nations? Does it have that authority right now?

Ambassador SKLAR. I believe it does have all the legal authority. There have been some questions raised by some members of the United Nations as to whether the funds are in programs all within his jurisdiction.

A legal opinion came out, I believe—and I think you might talk to our U.N. friends later—in the last several days that indicated—reaffirming that. Now, again, there is the Secretariat; there are the voluntary funds and programs, and I think we are OK there.

Where this OIS does not go is into the specialized agencies—WHO, FAO, ILO—and we have talked about the fact that we want to see this or similar processes in place at those. That has not happened to the full extent that we would like it yet, and we will be working on that in the years ahead.

Senator GRAMS. But has every executive board that is under the United Nations been notified, in writing if necessary, to the authorization that Mr. Paschke has and that the OIOS has to be able to conduct these type of audits or investigations?

Ambassador SKLAR. I do not know. I am sorry. I do not know. I will find out. I will let you know. And perhaps, you might get an answer from a successor panel.

Senator GRAMS. OK.

The tax equalization fund. I understand that there is a U.N. proposal to remove the tax equalization fund from the regular budget, and make the United States pay for its cost. Is there also a dispute between the U.N. and the U.S. on the level of U.S. contributions? And if you know, would you outline the disagreement?

Ambassador SKLAR. The first question, I have no idea. I do not know anything about removing it from the budget. It is just something—it has not entered my consciousness.

On the second one, there is a dispute going on between the U.S. Treasury Department and the United Nations, but it is really a dispute between the U.S. Treasury Department and the U.S. citizens who are employees of the U.N. as to what tax withholding rates can exist.

I think Mr. Connor will tell you, and my digging into this—because I think it is an absurd battle—has nearly been resolved and we are waiting for the Treasury Department to close the last gap on this. And when they do, I think we will have this problem behind us.

As a citizen, I find it to be almost incomprehensible that the Treasury and these employees cannot agree. It is a—really get into it. It is a question of whether to tax at the first dollar earned or whether to tax at the highest earned. It is not a U.S.-U.N. dispute except they're the carrier of the money.

And it is my understanding the Treasury and the U.N. are nearly in closure on this, and I am going to pressing with Secretary Rubin to bring it to closure. It is a silly battle to go on when we have much bigger battles to fight. And it is not really one between the U.S. and the U.N.

Senator GRAMS. And just one brief question to close out this part. What is the administration's position on a potential U.N.-sponsored World Conference on Racism?

Ambassador SKLAR. The U.S. position on all conferences, and I am not going to single out racism or anything else, is that these world conferences should not be held. We believe that the General Assembly is the appropriate forum for all such discussions, and I cannot think of any better for them.

It is a forum where in the general debate, the heads of State, heads of Government, the leading foreign ministers, come together each fall. It would be far more productive to use that time for conferences on major issues, and racism is clearly one, than to go off to other sites at greater cost and hold special conferences.

We have expressed that position very vigorously as recently as 2 and 3 days ago. We believe the General Assembly is the place to go.

That does not mean within a 185-member organization, we can prevail. But I believe the legislation says if we lose on this battle, that we would not pay for our share of the cost of that conference when the legislation comes out—if that is what it says, that is where it will be.

But our position—the administration's, the President's, the Secretary-General's, Ambassador Richardson's, and mine—is that these conferences are as stand alones, away from headquarters, are not appropriate, that the General Assembly sessions could best be used this way. We would get much more value than sessions are now.

Senator GRAMS. Thank you very much, Mr. Sklar. I appreciate all your answers. Senator Sarbanes?

Senator SARBANES. Thank you, Mr. Chairman.

I am intrigued by your statement which suggests that there is going to be a negotiation subsequent to the enactment of the legislation.

Now—of course, I did not support the legislation—but my understanding of the legislation is that there is no room in it for negotiations, that those conditions are final. If the conditions are not complied with, adhered to, then that is the end of it.

Do you have a different understanding?

Ambassador SKLAR. I think we are both right, sir. The negotiations are to achieve one of two objectives—one, to gain the members' agreement to the scale of assessments we have laid out, and one of our conditions is this ceiling. There are seven other conditions.

If we do not succeed in getting the other members to buy this scale of assessments, what happens is that we reach January 1st, arrears are not paid, the U.N. arrears will actually grow because we will pay at the 25 percent rate for peacekeeping and be billed at the 31 percent rate.

At some point, we will reach a—

Senator SARBANES. Well, let me just interject at this point because I want to make sure some figures I have been looking at are correct.

The U.N. assessment is on a calendar year basis—is that correct?

Ambassador SKLAR. That is correct.

Senator SARBANES. So the U.N. made its assessment for 1997 back in January, correct?

Ambassador SKLAR. That is correct.

Senator SARBANES. Now, I gather the U.S., even traditionally, has provided its funding almost a year late since we budget on a fiscal year basis. So we provide the funding for the 1997 calendar year assessment, or any calendar year assessment, in the last quarter of the calendar year or the first quarter of our fiscal year. Is that correct?

Ambassador SKLAR. That is correct, and it is even worse than that because some of our payments lag over into the third and fourth quarters of our fiscal year, well into the 7th and 8th quarter after the start of their year. It is one of the reasons that the U.N. has such a cash-flow problem.

Senator SARBANES. Right.

Ambassador SKLAR. But you are correct.

Senator SARBANES. Now, what was our assessment for regular dues for calendar year 1997? I have a figure of \$312 million—is that correct?

Ambassador SKLAR. About 25 percent—I would think that amount is probably fairly close. I do not know exactly.

Senator SARBANES. How much of that have we paid?

Ambassador SKLAR. We have paid to date about \$18 million of our 1997 assessment. We did not make our first payment, as you suggested, until after October 1st, and I believe that was based on the continuing resolution.

Senator SARBANES. Well, now, I have 53 million. Is that not right?

Ambassador SKLAR. There may have been another 45 million—\$35 million payment since the last one I had. Joe might know. 53?

VOICE: That is correct.

Senator SARBANES. Pardon?

VOICE: \$53 million is correct.

Senator SARBANES. And did we also pay \$18 million toward the \$312 million?

Ambassador SKLAR. No. I think the 18 was within the 53. It was an 18 within the 53.

Senator SARBANES. Within the 53, OK.

So we have paid \$53 million out of \$312 million.

Ambassador SKLAR. Right.

Senator SARBANES. Now, even if this bill passed, monies are going to be withheld. Is that correct?

Ambassador SKLAR. If conditions are not met, money will be significantly withheld and our arrears will grow. That is correct.

Senator SARBANES. How much would be paid right away, additionally, if we—

Ambassador SKLAR. If the scale of assessment—

Senator SARBANES. Leaving aside meeting the conditions. Let us set that to one side—that is provisional.

We have paid \$53 million. If the bill is passed, we would pay another \$23 million immediately. Is that right?

Ambassador SKLAR. I cannot tell you, but I have no reason to doubt it. But I—I have no reason to doubt that.

Senator SARBANES. So that would be \$76 million out of \$312 million. Thus, over 75 percent of our contribution would be withheld one way or another—is that correct?

Ambassador SKLAR. I do not think so. The rest would be paid over—a portion of it would be paid over time. The withholdings would relate. There is an \$80 million withholding if we fail to achieve a budget level of 2.533.

Senator SARBANES. Right.

Ambassador SKLAR. There is another withholding if we fail to—

Senator SARBANES. That is a budget level for which year?

Ambassador SKLAR. For 1998–99, the coming U.N. fiscal year—next year, not this past year. That is a prospective withholding.

In other words, if the U.N. does not enact a budget with a limit of 2.533 for the years 1998–99 they do a 2-year budget—there is an \$80 million withholding that will take place.

Senator SARBANES. Now when will that budget be enacted?

Ambassador SKLAR. Between now and December 31.

Senator SARBANES. By the U.N.?

Ambassador SKLAR. Correct.

Senator SARBANES. All right. That is \$80 million. Now, what else?

Ambassador SKLAR. There is a \$20 million withholding—I think it relates to the Inspector General requirement on submission of reports and other independents. There is a withholding related to the 1,000 posts.

Senator SARBANES. How much is that withholding—\$50 million?

Ambassador SKLAR. I do not know what the amount is on that.

Senator SARBANES. I think it is \$50 million. I think the Inspector General is \$50 million, too, if I am not wrong. That is \$180 million. Now what is it you are going to negotiate about?

Ambassador SKLAR. What we are—well, let us talk about several parts. One, the scale of assessment—

Senator SARBANES. Of course, we are saying to them, “Well, our current assessment is \$312 million. And we are going to give you about \$75 million of it. And the rest of it you may or may not get, but that depends on whether you meet the conditions.

Now, there is no flexibility on meeting the conditions. They are in the law, are they not?

Ambassador SKLAR. That is correct, sir.

Senator SARBANES. Well, I mean, what are we negotiating about?

Ambassador SKLAR. Well, I think what we are negotiating is whether or not they want us to pay the 180 million or not. The—there will be, in effect, a train wreck in the United States’ relationship with the United Nations, the U.N.’s cash-flow situation, and eventually the fiscal health of the U.N. if we do not achieve the series of benchmarks that the Congress has laid out.

The negotiation is simply can we—which of the two alternatives will we have? Will we have an alternative that allows the United States to pay, or will we have an alternative that prohibits the United States from paying with the intended results?

Senator SARBANES. Now, you used to be in the business world, did not you?

Ambassador SKLAR. Sure did.

Senator SARBANES. If someone was your debtor, would you let them lay out conditions for repayment of moneys they owed?

Ambassador SKLAR. I would prefer not to but it has happened before.

Senator SARBANES. Usually when they are going into bankruptcy, I think.

Ambassador SKLAR. Yes, sir.

Senator SARBANES. What would you think if your debtor unilaterally demanded a change in the rate of assessments as a condition for past, due, and future payments?

Ambassador SKLAR. Senator, before you came in, in my statement, I mentioned what it is in the head and then coming out of the mouths of everyone I talk to every day. They say you are—

Senator SARBANES. I do not envy your task. I think it is a virtually impossible task that you have been handed. You have my sympathy.

Ambassador SKLAR. Senator, I guess I—I do not believe in impossible, but it is certainly difficult. And I guess I look at the alternative. The alternative to attempting to bring some agreement on this is the destruction of an institution that I have believed in all of my life—I wrote my high school theme paper around the United Nations and the NATO as twin pillars of peace for the last half of the century 40 years ago or 45 years ago, something like that.

I believe in the institution. I believe in the importance of the United States being involved with it. I believe that if we do not take this first, and I think a significant and useful step to re-establishing our relationship—and I support this as a first and solid and essential step—then it will be terrible, a disaster. It will be bad for the United Nations, bad for us.

Senator SARBANES. Even if you can get them all to accept this, under duress as it were, don't you think resentment about this will remain and will significantly and substantially affect the U.S. posture within the United Nations?

Ambassador SKLAR. I can only put myself in the position of someone on the other side, and I suspect that that resentment will be there. It is there today. It is expressed very forcefully and eloquently.

Senator SARBANES. Actually, it is expressed rather forcefully and eloquently by some of our traditionally closest friends at the U.N. Is it not?

Ambassador SKLAR. That is correct. I would say that there is no distinction between friend and enemy in their comments.

Senator SARBANES. Is it being used by some of our friends to enhance their own leadership position within the United Nations?

Ambassador SKLAR. I do not think that we have that—you know, I think the striving for leadership is always there. I think that there are those nations who do that, and that strive for leadership in every action they take; others do not, I do not think, any more or less.

Senator, I understand what you are saying, and I know—as I say, I live with this every day. But it is, as my wife says, not the perfect husband, but consider the alternatives.

Senator SARBANES. Well, I guess the alternative for you is to be in Bosnia, so maybe this is better. I do not know. [Laughter.]

Ambassador SKLAR. Having had a—actually, an alternative, I guess, is to return to my wonderful home in San Francisco, my life there.

But, no, I consider this an opportunity and a responsibility, sir, and I do not disagree with you about the nature of it. But I believe that the package that the administration and the Congress are delivering is one that I am obligated and committed to try and sell, get negotiated, and put us back on a track that I think we have gotten off of.

I think it is important that we return to that track. I hope in years ahead, we will have the respect and the love and the admiration. At the moment, I just want to have the respect and then we will try and build the others back over time. I know what we are dealing with but it is what we have.

Senator SARBANES. Mr. Chairman, I do not want to really press Mr. Sklar. I mean, he has been given a hand, and he just has to play it. I understand that. And I do have a lot of respect for him. He left the private sector to take on a very difficult job in Bosnia, and discharged it, I think, with great commitment and great ability.

And, as I have already indicated by my comment, he has been given, in some respects, a far more difficult job now and I appreciate his coming to testify today.

Senator GRAMS. Thank you, thank you very much, Mr. Sklar. I know you have mentioned a couple of times, as Senator Sarbanes has, about rebuilding the relationship. And we do not want to make it look like it is just the U.N. that is trying to, you know, rebuild its relationship with the U.S., but vice versa as well.

I mean, the U.N. might have some problems with us, but we definitely have had some problems with the U.N. and so hopefully this is not, you know—it should be viewed as and in that respect. So, I want to thank you very much for your time again.

And, of course, we might offer some questions in writing for more details, and I know we are going to be in contact, in conversations, over the next few days and weeks and months. So we really appreciate you coming.

We really appreciate your taking the time to come up and be with us today.

Ambassador SKLAR. Thank you, Mr. Chairman.

Senator GRAMS. Mr. Ruggie.

Mr. RUGGIE. Hi, Senator.

Senator GRAMS. And again, I want to thank you for taking your time. Mr. Ruggie, we can begin with your opening statement, if you would.

STATEMENT OF JOHN G. RUGGIE, U.N. ASSISTANT SECRETARY-GENERAL AND SPECIAL ADVISOR TO THE SECRETARY-GENERAL

Mr. RUGGIE. Thank you, Senator. It is a great pleasure to be here. I have prepared a written statement, which I have left with your staff. I do not propose to read it in its entirety.

Senator GRAMS. It will be entered into the record as read.

Mr. RUGGIE. Thank you very much. I bring you the best wishes of the Secretary-General.

Senator GRAMS. Thank you.

Mr. RUGGIE. It is a relatively unusual occurrence for U.N. officials to appear before a body such as this, and I think it demonstrates the Secretary-General's commitment not only to reform but also to establishing a mutually supportive relationship with the United States as we go forward.

Senator, as you know, the Secretary-General presented a very comprehensive report on United Nations reform to member States on July 16th. It explains in some detail the reasons for reform, the principles that guide his reforms, as well as various actions that he is undertaking in his own administrative capacity and recommendations that he has put before member states.

We have had debates in the General Assembly since September 22 on the issue of reform—first, at the general debate stage when heads of Government, heads of State, and foreign ministers come to the assembly. They virtually universally endorsed the Secretary-General's reform efforts, commended his report, and urged the Assembly to move toward implementing the various measures.

For the past 6 weeks, the Assembly has been meeting in a very unusual format, in informal sessions so as to allow for more pragmatic give and take and to avoid the posturing that sometimes occurs.

And this has been a very fruitful process. We expect that within a matter of days, perhaps as early as tomorrow, a resolution will be tabled and approved early next week, commending the Secretary-General for the reform effort and encouraging him to move forward with the major administrative and managerial issues that are in his domain.

We have already had a reading of the recommendations that he has put before member States—a first reading—and I suspect that the rest of that will be wrapped between now and the end of this month. So we have had good progress.

Reports in the press suggest that the proceedings have been slow. Legislative bodies, as you know better than I do, sir, have their own biorhythms, and the United Nations is proceeding in accordance with its own.

But each day, we've been further ahead at the end of the day than we were at the beginning. Keep in mind that we are dealing with 185 member States, each of whom has its own views and should have ample opportunity to express them on an issue that's as important as this.

Senator, if I may, I will just say a few words just to remind everyone briefly of what the major initiatives are in the Secretary-General's report. My colleague, Joseph Connor, will focus on administrative and managerial issues that he has been overseeing.

Broadly speaking, the reform efforts consist of four main types of issues. The first is the issues that Joe Connor will be speaking about in greater detail—rationalizing administrative processes and enhancing administrative efficiencies. These include a no-growth budget, the elimination of 1,000 posts, reducing administrative costs from 38 percent of the budget down to 25 percent, and so on.

In the same category, the Secretary-General has consolidated three departments in the social and economic sector into one.

He has merged several units that service conferences and the Assembly into one department. And he has proposed to member states that they rationalize or abolish several subsidiary bodies of the legislative organs.

Now, let me stress here that there are severe constraints on what the Secretary-General can do on his own by way of abolishing bodies. Most of them are an outgrowth of legislative mandates, and it requires legislative authorization to get these mandates undone.

The second type of measure and proposal that the Secretary-General put forward attempts to create within the Secretariat appropriate structures that will allow it to act as one, to deploy its resources strategically, to exploit synergies, to exploit complementarities in the many areas in which it is active.

To summarize quickly, Secretary-General clustered all of the work of the organization into four main business lines, if you will—peace and security, humanitarian affairs, international economic and social affairs, and development operations. It is the first time that we have ever imposed such a structure on the work of the organization.

Human rights was designated as a fifth area, cutting across each of the other four. For each of the four, an executive committee was established, comprising the heads of the major programs and entities within the cluster. They now manage the clusters. In the cross-cutting issue, human rights, the High Commissioner, Mary Robinson, the former President of Ireland, participates in all of the other four.

On top of that structure, the Secretary-General has established a senior management group, an in-house cabinet if you will, to oversee the entire functioning of the Secretariat.

It includes the conveners of each of the sectoral executive committees, plus the other senior officials whose participation is essential if we are going to assure a unity of purpose and coherence of efforts in the Secretariat. This senior management group meets on a weekly basis and non-New York members participate through teleconferencing.

As you know, the Secretary-General has also proposed the creation of the post of Deputy Secretary-General. This would relieve him of some of the administrative and representational duties he now bears, and the deputy would also be put in charge specifically of looking after issues that cut across institutional boundaries or sectoral boundaries and which often fall between the cracks.

This new management structure will be assisted by a strategic planning unit that the Secretary-General is establishing in his office to look at medium-term trends that affect the work of the organization and to present appropriate policy analyses and options to the Secretary-General and the senior management group.

There is a third set of initiatives: the Secretary-General is urging member States to do similar things on the legislative side of the House, to streamline the Assembly's agenda, to introduce sunset provisions, to focus the debate of the General Assembly more explicitly on priority areas rather than on the 150 items that are now on the Assembly's agenda.

Additionally, the Secretary-General has urged member States to introduce a system of results-based budgeting in place of the extensive micro-management that now characterizes the budgetary process.

Finally, the Secretary-General's reform proposals include longer-term initiatives concerning the future of the organization as a whole. For example, he has requested member States to establish a ministerial level commission to look at the relationship agreements between the United Nations and specialized agencies.

As you know, Senator, each one of these agencies is autonomous, it is based on its own treaty agreement, it has its own budget, it has its own governing board. The level of cooperation among them and with the U.N. proper is essentially voluntary. The Secretary-General has requested that a ministerial commission examine these treaty instruments with an eye toward inducing greater collaboration and efficiencies among the entire system.

He's also recommended that in the year 2000 a millennium General Assembly be convened to which this ministerial level commission would report, and which would adopt a forward-looking document and strategy guiding the United Nations in the decades ahead.

Mr. Chairman, these four sets of changes at headquarters level you will also see increasingly reflected at the level of field operations.

The means for closer integration at the country level, in the area of development operations, for example, include formulating joint policy frameworks within which each of the entities of the United Nations will operate, and wherever possible, having the various entities work out of a single United Nations house, under a single United Nations flag, using common services, common premises.

These kinds of changes also have been introduced into the specific sectoral programs. For example, in the area of human rights, the Secretary-General has consolidated the Office of the High Commissioner and a Center for Human Rights, and has placed High Commissioner Robinson in charge of the newly integrated operation.

Likewise, U.N. programs in crime prevention, drug trafficking and money laundering have been integrated into a single operation in Vienna under the direction of Pino Arlacchi, a former member of the Italian Senate and an expert on organized crime.

Senator, the Secretary-General has described these reform proposals as bold and comprehensive. They are the most bold and comprehensive ever in the 52-year history of the organization. The receptivity to these measures on the part of heads of State, heads of Government, foreign ministers, and now the Ambassadors in the Assembly itself, indicates that more and more countries have joined in the cause of reform realizing, as the Secretary-General likes to put it, that our choice is not to reform or not to reform. Reform is our survival. Thank you, sir.

[The prepared statement of Mr. Ruggie appears in the Appendix.]
Senator GRAMS. Thank you very much, Mr. Ruggie. Mr. Connor?

**STATEMENT OF JOSEPH E. CONNOR, U.N. UNDER SECRETARY-
GENERAL FOR MANAGEMENT**

Mr. CONNOR. Thank you very much, Senator.

I am going to be somewhat different. I had prepared and ask that you enter into the record a rather extensive paper, because I wanted to respond as fully as I could to some of the items.

And I will—

Senator GRAMS. Your entire statement will be entered as read, Mr. Connor.

Mr. CONNOR. Thank you very, very much. That is this document. Senator GRAMS. That is right.

Mr. CONNOR. And I guess I am reflecting my private sector background. But I have also prepared a series of charts which I believe will help you focus on the substance of the longer paper, and which I hope to conclude by going through in about seven or 8 minutes.

Let me just make sure that you and perhaps others in the room are looking at the several charts.

Of course, I am here to explain the management reform program, and I am going to start by calling your attention to our objectives. There are 10 objectives that we have in the management field. I am not going to read them all now because I will mention each one of them separately. But there are 10. Some of the more interesting ones—you have already mentioned reducing our budget levels and reducing our staff levels.

[The charts referred to by Mr. Connor appear in the Appendix, beginning on page 53.]

Let me turn instead to chart one. Objective number one is to reduce our administrative costs. This is the first time we analyzed how much administration we actually have in the United Nations. We did an analytical survey. It came up to 38 percent of all of our spending—that is too much. The goal is to reduce it to 25 percent.

Please turn to chart two, and that is objective two—creating out of those savings a dividend for development. We have already launched on a road that will terminate the first of January, 2002, when we will have shifted from administration to development output—meaning, services to real people—\$200 million a year.

We have already made a down payment. In the revised estimates placed before the General Assembly for enactment next month, we have taken the first step. We have restored all of the cuts in the budget made in earlier years in the development area, and we have identified a first deposit of \$12.5 million into the development account. So we are one-fourth of the way there.

Chart three, and this is objective three—simplify our processes, procedures, and rules. And clearly, an ally in achieving simpler processes and controlling the quality of data is our new computer system, IMIS. It is up, it is running. It is not perfect, but it is the results of 7 years of development. I must point out that the failure rate to put a computer system of this complexity and size in place in the private sector and government is 60 percent.

Senator GRAMS. Six-zero?

Mr. CONNOR. 60 percent. They write them off—they do not work. The software does not do the job.

I am not saying ours is perfect—we have got some fixes to make. But it is growing in usage and usefulness, and the cost, at about \$75 million, is pretty cheap.

Objective four, and that is on chart four. John Ruggie mentioned it before—expand and strengthen common services. We have put a task force together of United Nations, UNDP, UNICEF, and the other funds and programs people. We are going to try to merge procurement. We will try to merge information technology, personnel services, financial services, legal services. We can operate out of a common service capacity. There will be savings in that.

Next chart is five, and it sets out objective five—create an electronic United Nations. Two events took place in September. Every permanent mission in New York was connected to the Internet. Mission staff were offered training and can now access the United Nations Web Site and obtain documents electronically. The result? We do not need as much hard copy documentation as we did before.

Another event in September—finance experts from Africa were linked in an on line electronic meeting. Result? Extension of the experience to other meetings leads to reduced travel costs.

Already, because of the increased availability of electronic documents, reduced requests by permanent missions, and the new space-saving type faces and formats, the production of documentation is down, measured by both pounds of paper and the cost. We have made a start on remote interpretation. We use remote translation very frequently. Videoconferencing is an accepted way of life in the organization. Every cabinet meeting is by videoconferencing.

Charts six and seven, objective six—reduce the budget levels. This is a complicated chart, so let me just bring you down from top to bottom.

The budget appropriations through 1996–97 on a comparable accounting basis, and there has been some confusion about that, with what we now propose through 1998–99, the current biennium's budget was \$2,563,000. The one we are proposing for the next biennium, starting next January 1, on a comparable basis, the numbers are exactly—the accounting basis is exactly the same—is \$2,533,000. I am convinced that there is a real decrease of \$30 million.

How do we achieve it? Three factors. We cut people, we cut travel, we cut correspondence. That produced a resource reduction of \$84 million. We have to deal with inflation that push our costs up. They are going to push it up \$126 million. Remember—it is a 2-year budget.

And we have benefited from exchange rates going in the right direction relative to the dollar down 72. The net of that is \$30 million. It is a very simple presentation, but it is significant as to how we actually are living in this day and age.

Let me ask you to turn to chart seven. You may want to see the budget change over 6 years; the downward slope is shown in the chart before you. There has been some mystery about what accounting change we made. It was a very simple one.

We call it net budgeting, but what we were trying to do is to put into the U.N. budget only the portion of joint facilities, joint units, like the International Civil Service Commission that serves more than the United Nations. They serve the entire common system.

So we changed our appropriation line, and put in only that percentage of these joint activities that serve the U.N. I do not mind explaining the numbers as long as they are my numbers, but I do not want to explain somebody else's costs.

Please turn to charts eight and nine, objective seven—reduce staff levels. Since 1985, regular budget posts have been reduced by 25 percent, including the decrease planned for 1998–1999. This year, in the budget, we have suppressed a total of net 1,000 posts.

Actually, you will see a staffing table for 1998–1999 that says 8,695 posts. It is a combination of the aggregate change—1,000 posts on a net basis are being suppressed. That means we have cut 1,059. We have added 30 new ones, and we converted from temporary assistance, 29 posts. That gives us the 1,000 down.

We did something else. We transferred out of the regular budget category 317 posts. Those 317 are the ones connected to result—to net budgeting. It seemed logical that we take out of the reporting the total number of posts because the total activity is not in our reporting. But they are not part of the 1,000 net. It is something else. 317 down from 9,012 gives us 8,685.

Chart 10, objective eight—adopt results-based budgeting. We have rigid input controls—how many P4s, how many P3s, how many D1s you can have. You cannot cross budget lines. There is no flexibility.

What we do not have is a focus on what we are trying to get out of the budget spends. That does not mean how many meetings, how many reports, what is the quality, what is the receptivity, did it answer the problem? We have got to do what member states themselves are doing—identifying the actual costs of producing results, allocate resources accordingly, and measure what you have got.

For example, it would be very interesting to see how much more we pay for an administrative committee than we do for the Security Council. I think that is the way the costs fall.

Chart 11, objective nine—provide the organization with a sound financial base. The graph you are looking at is what our cash balances look like throughout several years. The peaks above the line represent the times when we have real cash. The valleys below the line of zero is when we are in a borrowing position.

1997 is now forecast to end with negative cash in the regular budget account of \$272 million. The year began with a deficit of \$197 million. So 1997 adds one more year of a pattern of cash deficits in the regular budget account.

We cover the shortfall in regular budget cash by borrowing cash from the peacekeeping accounts. That is an imprudent practice at best, and a destructive practice, potentially. Usable peacekeeping cash at the beginning of 1997 was \$848 million. It is only \$670 million forecast for the year end.

Lesson—our peacekeeping cash is dwindling and our debts to member States are increasing. We now owe the member States \$900 million for troop and equipment amounts. And that is up from just over \$800 million a year ago.

In a few years, this organization has slid down this slippery slope to a point where the organization has little if any financial flexibility, is highly illiquid, and rests on a precarious financial perch.

The Secretary-General's reform proposals includes one aimed at providing a \$1 billion credit revolving fund to tide the organization over during periods of cash-flow shortfalls. The Secretary-General has challenged member States if they do not like that, what else? We are dealing with a situation that is real and needs to be addressed.

And the last point I would make is on objective 10—enhance the scope and coverage of OIOS. In operation now for 3 years, I wrote the regulations that set it up, OIOS is one reform that has already helped strengthen the organization in its effort to use resources in the most efficient and effective way.

We have had glaring instances of fraud and mismanagement. OIOS, as well as management, has uncovered a number of them, and both OIOS and management have worked well together to discipline or prosecute perpetrators. I must add that OIOS, with its distinctive capability to carry out investigations—that is a fundamental capability to the task of uncovering fraud. Frankly, it is doing the job that was intended.

Well, I hope I have kept to my time schedule. I want to just end with the words that have already been said here—“Reform is not an event; it is a process.” But so, too, is a change in management, and a change in management culture. We are trying to change generations of being brought up a different way. We have to continually reinforce, update, and review that situation.

Senator, it has been a pleasure to see you in New York a number of times; we have good conversations. I look forward to continuing to work with you in the years ahead.

Senator GRAMS. Thank you very much, Mr. Connor.

[The prepared statement of Mr. Connor appears in the Appendix]

Senator GRAMS. I have a list of questions here. I would start out with Mr. Ruggie first. But, Mr. Connor, if there is anything you would like to add to those questions. And vice versa, when I have a list of questions also for Mr. Connor, Mr. Ruggie, if there is something that you think you could interject or add to the comments, feel free to do this.

Mr. RUGGIE. Can I give him the hard ones?

Senator GRAMS. That is basically the way we have outlined them; yes.

In other words, you can defer some to him as well.

First, Mr. Ruggie, in the introduction to the Secretary-General's reform proposal, he stated that the major source of institutional weakness in the United Nations is that certain organizational features have become—and this is quoting him—“fragmented, duplicative in some areas, ineffective in others, superfluous.” Which organizational features at the United Nations do you believe are superfluous? Were they eliminated under the Secretary-General's plan?

Mr. RUGGIE. Yes, to the extent that the Secretary-General is capable of doing it. Let me describe an episode that took place recently. The Secretary-General proposed, for the purpose of streamlining, to move a unit that deals with decolonization issues from the Department of Political Affairs to the Conference Servicing Department.

A resolution was introduced in the appropriate committee of the General Assembly protesting that move, contending that it would

downgrade the Organization's commitment to decolonization. The issue had to be reviewed and resolved in a mutually satisfactory way.

Senator, as I stated at the outset, when it comes to abolition of entities and programs, they typically involve mandates by the legislature, and they require cooperation by the legislature to bring about abolition. The Secretary-General can merge. He can consolidate, and, in the process, generate savings. The new consolidated Department in Economic and Social Affairs—Joe will have the figure at his fingertips—is going to be substantially smaller than its three predecessors. That he can do. For outright abolition, he has to go to the legislature, unless the mandate can be serviced in some other manner.

Senator GRAMS. It appears that the primary goal of the Secretary-General's reform plan was to—again, I think, as you have mentioned—define the core missions of the United Nations and to restructure the organization accordingly. But I am concerned that the U.N. appears to be committed to emphasizing new priorities, like drug interdiction, disarmament, terrorism; and while adding these which may be worthwhile, not curtailing efforts in other areas, again, looking at like the abolition of decolonization areas.

But has the Secretary-General proposed to eliminate a single function of the U.N. in order to devote more resources to the core mission which he outlined?

Mr. RUGGIE. Senator, I do not mean to be pedantic; how do you define "function"? What do you mean by "function"? Do you mean an area of activity?

Senator GRAMS. Or an organization or a department or whatever it might be.

Mr. RUGGIE. Certainly. Among the recommendations to the General Assembly are several for streamlining and eliminating various bodies, for example, a number of subsidiary bodies of the Economic and Social Council. So the answer is yes.

Senator GRAMS. But consolidating without eliminating; there are differences.

Mr. RUGGIE. No; including elimination. Including outright elimination.

Senator GRAMS. One of the few reforms contained in the recent Senate legislation that is reflective in the Secretary-General's plan is some of the sunset provisions. But under the Secretary-General's proposal, specific time limits would only apply to new organizational structures and/or major commitments of funds. But the report does not mention applying any time limits to existing programs. Also, the definition of what constitutes major commitments of funds is not included.

So new programs, which would have relatively low costs, could escape this modest provision for controlling growth of new programs and offices.

Mr. RUGGIE. Sir, the modalities of the sunset provision are something that is still to be worked out once the legislative approval of the concept is given. If, as we hope, the General Assembly will agree to the principle of sunset provisions, the Secretariat will then be expected to make specific proposals for the legislature's consid-

eration of how the modalities would operate. But you are correct, sir, in suggesting that it is forward-going and not retroactive.

Senator GRAMS. Given the Secretary-General's concerns about duplicative and superfluous organizational features, why did not he propose to apply the sunset provisions to current programs instead of just to the new organizational structures and/or major commitments of funds, which would have seemed to have been a more straightforward effort to reduce?

Mr. RUGGIE. Sir, because I suspect—I would not want to speak for him without doublechecking—but I suspect it was because of a judgment that it would be exceedingly difficult if not impossible to get a retroactively applicable sunset provision through; that getting a forward-going one was, in itself, a sufficient challenge.

Mr. CONNOR. If I could add just a word, Senator. We have not forgotten the 166 agenda items on the General Assembly. That is the nut that has to be cracked. Many of them have been there for many, many years and are established. There is a supportive reaction among the member states to clearing up the agenda. And so I think it is more than just going forward with the new ones. There is an effort, and he has given it to me, to see how we can clear up the agenda in the past. That is going to take some careful discussion. The target has not been lost. We are just trying to get at so many targets right now that this is one that is clearly on our list, and we will get to it.

Mr. RUGGIE. Senator, can I add one point.

Senator GRAMS. Sure.

Mr. RUGGIE. I think it applies to other questions that have been raised today as well: What is it that is driving some of the member states in their apparent resistance?

I do not believe that it is, in most instances, an opposition to reform. I think there is, however, a deep-seated political suspicion on the part particularly of developing countries that the primary objective of reform is to deny the organization the capacity to operate effectively in areas that concern them—namely, economic issues, macroeconomic issues and development operations—to subordinate the United Nations to the Bretton Woods institutions, where they do not believe their interests are as well served.

So when they view the proposals that we make in the Secretariat for streamlining and for consolidation, these proposals, you have to understand, are viewed through the lenses of: Are you going to weaken the organization's capacity to do the things that we deeply care about? And our job in the Secretary-General's is to persuade them no, that reform in fact will enhance the capacity of the organization to do the things that it is mandated to do. But, as you can imagine, this act of persuasion does take time.

Senator GRAMS. And I can see maybe some of their concerns. But, again, as I have tried to point out many times, that our goals in streamlining are not to give us an advantage or someone else a disadvantage, but to look at it in a way of restructuring the entire U.N. so it can deliver these type of core missions in a much more effective and streamlined way.

Mr. RUGGIE. Absolutely.

Senator GRAMS. Which would basically free up more dollars, with better results.

Mr. RUGGIE. Absolutely.

Senator GRAMS. So that is the attitude that we have tried to take. But I can understand maybe some of the perception. So, Mr. Sklar has a tough time, along with Mr. Richardson.

Mr. RUGGIE. Yes.

Senator GRAMS. What does the Secretary-General mean by the term "new organizational structures"? Would this provision apply to all new programs that are being talked about?

Mr. RUGGIE. Do you mean the sunset provision?

Senator GRAMS. When it comes to the sunset provision, yes.

Mr. RUGGIE. Yes.

Senator GRAMS. Would the sunset provision apply to all new organizational structures, including those with relatively modest expenditures?

Mr. RUGGIE. Well, the term "significant" has not been defined. And that is going to be the subject of negotiations among member states. The U.S. will have a definition of "significant" and the Group of 77 will have a different one. And somewhere a compromise will be reached.

We cannot specify what that is going to be, because it requires legislative agreement.

Senator GRAMS. And before we leave sunset, to go back, is basically the opposition to looking at any existing programs and attach any sunset language to them? Those are the bulk of the core of the problems. And if we cannot get at the heart of those, you know, prospectively it's not going to cure the problems that we see that are behind us or that have been there for a long time and have built up these huge bureaucracies. So sunset is important as long as it is attached some time with some definite end and date, but it has to go back to some of the existing programs.

Mr. RUGGIE. You are absolutely right, Senator. And as Joe Connor has mentioned, the sunset provision should be viewed in conjunction with the recommendations to deal with the rigid and long agenda of the General Assembly. Each year, the same recurring issues are on the agenda. And mandates grow out of those items each year.

If we succeed in building into the formulation of the agenda a provision that will routinely update the agenda in accordance with new priorities and couple that with the sunset provision, then I think we will achieve the objective that you are pointing to.

Senator GRAMS. To meet these new demands of the no-growth budget, you have to have the money from somewhere.

Mr. RUGGIE. That is right. Exactly.

Senator GRAMS. And what you need to do is get rid of the lesser priorities.

Mr. RUGGIE. Exactly. But, at the moment, we do not have the mechanism to routinely update the Assembly's agenda. That is what we are trying to propose here.

Senator GRAMS. To move on, and I know we are going to keep you a little bit over time. I appreciate your staying for a little bit.

Mr. RUGGIE. That is OK.

Senator GRAMS. I will try to go through some of these questions quickly. Let us move on to specialized agencies. What provision in

the Track II plan would help to streamline the specialized agencies, such as the WHO, the FAO, and to make them more effective?

Mr. RUGGIE. Sir, the major component in the Track II reforms that deals with this is the ministerial commission that I mentioned. The Secretary-General, as you well know, has zero authority over the specialized agencies.

Senator GRAMS. That is correct.

Mr. RUGGIE. There is an interagency group; the heads of agencies meet twice a year in the context of something called the Administrative Committee on Coordination, the ACC. The Secretary-General chairs that. It provides a forum for them to discuss policy issues of mutual concern and to establish mechanisms for collaboration where there are mutual interests.

The ministerial commission would be tasked to revisit the constitutional bases of the agencies and their association agreements with the United Nations proper, with an eye to harmonizing the system more effectively.

Senator GRAMS. Lead by example.

Mr. RUGGIE. Yes.

Senator GRAMS. The results based budgeting. Budget proposals currently submitted to the UNGA contain specific results or budgets, implementation of planned activities, is measured in the evaluation cycle, which occurs upon the completion of the budget biennium. So, one, under the result-based budgeting, what authority would member states have to determine budget levels and revised staff or resource allocations proposed by the Secretary-General?

Mr. RUGGIE. I will let Joe handle that, since he is writing the paper on the results-based budgeting scheme.

Mr. CONNOR. That is a good question. Member states are always going to have total control over the total budget. What we are trying to do in results-based budgeting is lessen the control on specific inputs. Senator, I will be perfectly frank. The currency in operation in the debate is people. I will give you a P-3 in this department if you will back up my P-4 in that department. That goes on all the time.

We sit there, after having prepared a budget, and watch resources shifted around, to the point where sometimes we cannot do what we are supposed to do because we have the wrong resources. The emphasis should be on defining what the member states get out of the moneys they spend.

I gave you an example before. We simply do not know how much the Security Council costs. We do not know how much the Fifth Committee costs. I bet the Fifth Committee costs more than the Security Council. We do not know. We have great statistics. We know exactly how much it costs to produce a page of documentation. We know exactly how much it costs to service a meeting. But we have never channeled what types of meeting into the 140 programmatic outputs, and we have not defined what is an acceptable performance.

Mr. Paschke and I have spent hours on this process. He is the one who now operates the performance measurement system. It does not measure performance. It counts documents. It counts meetings.

For example, results-based budgeting in the economic and social side. Very few U.N. papers that are on the Internet have a high hit rate. That is an expression of how good they are. We do not have that in our performance measurement system. We have in our performance measurement system that they produced a paper. We are trying to put into the system an evaluation of how good the paper was, not the fact that it was produced.

When we come up with this array of measurements, we will change the focus of program managers into the valuable items that they produce, or do not produce, as opposed to just the number that they produce. That is performance measurement. It is going to take 3 or 4 years. It is not going to come easily. But we have sent teams to New Zealand, to Singapore, to Australia, because they have put it in, in their governments. It is working and it is good. They have also shrunk the size of their people as a result.

I think this is one of the things that has always hampered the U.N.: the output. They are not quite conscious of exactly how department A's output may or may not duplicate department B's. This will sharpen that up.

I think it is an exciting change. It will also be an encouraging one to our managers. Would cannot, for example, within a budget for a department, decide to use a consultant instead of hiring staff. In approaching this development account, the initial \$12.5 million, we will be taking costs out of the administration and we will be reducing the personnel that used to do that.

The program manager, who has the responsibility for the output of the development account, wants to hire particular capabilities on a short-term basis to produce certain results. That is giving him flexibility. Before he was stuck with a cost structure that was 70 percent personnel. He could not go for the better output. He had to deal with what he was given by way of input. That is a change.

Senator GRAMS. The UNDP's March 1996 compliance report noted that only 62 percent of projects which are required to receive mandatory evaluations were actually evaluated. Furthermore, an April 1997 GAO report on the U.S. participation in the United Nations Development Program noted that UNDP has no system to track the implementation of recommendations contained in project evaluation reports, and also cannot readily determine how many of its projects are completed on time or within budget.

Now, how can the U.N. shift to a results-based budgeting process when the U.N. cannot even judge whether its programs today are effective?

Mr. CONNOR. But that of course just states the problem that we are faced with, and why I think it is going to take several years. I am not, as you obviously know, familiar that much with UNDP. I hate to say it—they are across 1st Avenue. But we are now beginning, through the common services, beginning to share that sort of information, moving toward common output measurement.

As a matter of fact, one of the key people who will be dealing with results-based budgeting has been loaned to me from UNDP. We are trying to deal with the organization.

By the way, that also does define—the Secretary-General is exercising, through this cabinet, the two functions that he has relative to UNICEF, UNFPA and UNDP, to name or nominate the head.

And the second function is to interpret mandates that should guide that individual. He has invited them to the cabinet table, and they all showed up.

So, for the first time, we actually have a functioning leadership group, meeting every Wednesday morning for a couple of hours, deciding policy and issues, where those that we do not quite control legally participate, and, through that participation, develop agreement commitment and, of course, then they become responsible in their eyes, reporting to the SG as to how well they did. That was the concept.

I am familiar with it. I have worked in that concept for 40 years. I think it will work here.

Mr. RUGGIE. Senator, more and more, we are organizing ourselves by what we do and not where the funding for specific programs comes from. That is a major, major development in the structuring and functioning of the United Nations.

Mr. CONNOR. I might add that in dealing with the enormous gift of Ted Turner, we are approaching it that the organization will respond to identified opportunities in the humanitarian field, regardless of whether the implementer is inside or outside the Secretariat proper.

The Department of Humanitarian Affairs is in the Secretariat. Mrs. Ogata's UNHCR is in the Secretariat. The World Food Program is not in the Secretariat. But we are focusing, as Mr. Ruggie says, on what we do. That is where the idea of the four sectors and the crosscutting of human rights came from. We should be organized by what we do, just like a corporation is, not by the accident of who comes up with the money.

Senator GRAMS. I have one question, too, about the \$1 billion, the generous offer from Mr. Ted Turner. I was curious, when the U.S. gives a voluntary contribution, that is assessed at a 13 percent value of the services or of the cash contribution, like if there was personnel to the Rwanda war crimes, et cetera, but is the U.N. going to treat Ted Turner's \$1 billion contribution the same way—and that is, taking 13 percent for administrative costs? I just thought I would ask, as long as we were here.

Mr. CONNOR. Of course, I am the point man on the Ted Turner contribution, too, which has enormously increased my popularity around the place.

Senator GRAMS. A lot of calls?

Mr. CONNOR. Thirteen percent is the overhead charge we impose when we cannot define a more precise one. If you think I am going to say to Mr. Turner, We just took \$130 million away from your gift, I am not going to do that. We have designated three or four people, three or four people. Their salaries will be charged to the trust fund of his contribution. And we will add 13 percent onto their salaries, because they are in our building, using our light and heat.

The reason to that is that we not invade the assessed activities. The money has been provided by your government and all the others to run the Secretariat building, to turn on the lights and keep up the heat. But we have got to make sure that we do not infringe on that assessed contribution resource and divert it to what we call an extrabudgetary. But is it going to be 13 percent in whole? No.

But we also apply this many, many times. The 13 percent, Senator, came from a study years ago in UNDP, and it got legislated. But we always have the freedom to measure exactly what support is being given to the activity that is being supported. And certainly there has been flexibility. We have used rates as low as 2 and 3 percent on other contributions. They must be empirically defended and assessed. You know, it is not a guesstimate. There has to be a cost study behind it to sustain that it is 1 percent and not 13. And when we cannot figure out anything else, then we use the 13 percent.

But I know it is a sore point. And we hear from governments all the time on that. And it got a lot of sympathy on that score. We want voluntary contributions. We do not want to make it harder to give them.

Senator GRAMS. Moving on to the area of development. The Secretary-General's plans also call for the savings achieved through reform to be funneled into development projects, as Mr. Connor noted in one of his charts, instead of back to countries with advanced economies in the form of lower assessments. This appears to violate the longstanding U.S. Government policy that U.N. regular budget contributions must not be used to pay for technical assistance programs in developing countries.

Mr. CONNOR. We have some technical assistance programs in the regular budget. They are not big. They are relatively small. And I cannot think of any one in particular.

Your quote eludes me at this point. I appreciate your raising it, and we will look into it.

Senator GRAMS. The Secretary-General's plan also calls for a dividend for development.

Mr. RUGGIE. That is correct.

Mr. CONNOR. The dividend simply means that we are going to reduce our administration and we are going to use the resources for development.

For example, one of the projects that is being talked about now is increasing electronic communications with the African countries. You can come up with all of the cost-saving devices on paper, by turning it into electronically transmitted information. And while we have done that with the missions, we have not done that with all the capitals. That is not a problem with the United States.

As a matter of fact, the State Department is one of the biggest users of U.N. information that is electronically available. But when you get into the smaller countries, that could well be something we would do. It is going to be cost beneficial to use to do it.

Senator GRAMS. But looking at this even further, are you concerned that by opening up a separate funding stream, through regular budget assessed contributions, that you would be complicating rather than streamlining the budget and oversight process itself?

Mr. CONNOR. I think we are going to be improving the relevance of the budgeting. We are not going to approve the project under the development account. Monies are put in the budget without any specific use. Every dollar of that has got to be justified by project, with very rigid outputs. We are going to have some competition in the place, among offices, to get some of that activity dollars awarded to them.

The condition of getting the money is that you use it well and you achieve results and that it be timeframe-limited, nothing for more than 4 years. At the end of 4 years, it is canceled. We will go on to something else. It is not going to be a self-perpetuating project. Those are some of the rules that we have worked up, and it is a change.

Senator GRAMS. Moving on to another area, the revolving credit fund, some questions there. For the past decade, the U.N. Secretariat and some member states have explored ways and means to expand U.S. cash reserves to neutralize the effects of U.S. withholdings. The revolving credit fund is one of those efforts—the latest effort.

The Secretary-General has proposed the creation of a \$1 billion revolving credit fund, which will be capitalized through voluntary contributions and any other means of financing that member states may wish to suggest. Have any other means of financing this been suggested to date, including any kind of a special assessment to create and to build this fund?

Mr. CONNOR. In the past, there have been periodically, generically termed, “special assessments.” There were working capital funds that were provided that way. There were one or two other ones. They have all been drawn down and disappeared in our immediate cash crisis situation.

We felt that we were torn between two alternatives. There is a concern among many, many member states that that will impede our ability to collect assessments. That is a valid concern.

On the other hand, we could well run out of cash. That is worse. Neither alternative is particularly good. We are getting to the point—Senator, the numbers I gave you, we are going to end up with about \$300 million to \$400 million in cash at the end of December. That is about a month and a half, generously, to keep us going. We use most of that money in January, waiting for the early payers to come in. We are getting close to the edge.

With the peacekeeping assessments going down, we simply do not have the capacity in the peacekeeping cash account to borrow for regular budget purposes. The numbers I gave you show a very stark change in the last year. If peacekeeping assessments go down, it will tighten next year. And we will get to a point where there simply is not enough flexibility in the borrowing. It will happen fast, and it could be disastrous.

We are doing this, frankly, as a fail-safe mechanism. During the course of the last real tight one, frankly, before the United States began to, in effect, substantially appropriate the regular budget—a late payment, but substantially appropriate—there were informal conversations among member states about the subject: What do we do if we run out of cash? We formalized those discussions in this suggestion.

We have put many, many ideas on the table, over the years, on improving our cash situation. Most of them have had more objections than those who applauded them. We know the only way that we can really establish stability is to have member states make their contributions on time, in full, because that is the only real source we have of income.

Mr. RUGGIE. Senator, if I just may add one point.

Senator GRAMS. Mr. Ruggie.

Mr. RUGGIE. We had the first reading of the recommendation that contains this revolving credit fund in the General Assembly a week ago. I might just report that some of the strongest opposition to the idea has come from the West European countries, some of whom have argued that what ought to be adopted instead is the imposition of interest penalties on late payments and arrears. The problem is the arrears. It remains to be solved. In the meantime, we have to deal with the severe cash-flow problem that Joe has spoken about.

And if the idea of a revolving credit fund is unacceptable, it has to be another idea, because I suspect that the proposal to impose interest penalties on late payments and arrears would not be one that we welcome in this capital.

Senator GRAMS. Are you aware that existing U.S. legislation forbids the U.S. from paying any form of interest on its arrears?

Mr. RUGGIE. Yes.

Senator GRAMS. Let me turn to peacekeeping. Does the Secretary-General's reform plan make any effort to eliminate programmatic and administrative functions between the Department of Peacekeeping Operations, the Department of Political Affairs, the Department of Information and the Department of Administration and Management? Any plan to look at where there is duplicative services and how to streamline those operations to make sure that we are not doing the same thing by a couple of different agencies or groups?

Mr. RUGGIE. Senator, I will discuss political affairs and peacekeeping; and then perhaps Mr. Connor will pick up on some of the other issues.

There are several areas involved here. The answer is that at the overall policy level, the two departments, peacekeeping and political affairs, work together increasingly closely. The Secretary-General, in the reform package and through other means, has designated one or the other as the focal point in the organization for a particular set of issues. So, for example, for postconflict peace building, the Political Affairs Department has been designated as the lead agency, if you will. For land mine removal, it is peacekeeping. So division of labor gradually is being worked out.

Also, to the extent to which political affairs also engages in procurement activities, that, too, is being rationalized between the two departments.

Joe, perhaps you can say more about that.

Mr. CONNOR. Mr. Ruggie has mentioned some very key elements of that rationalization. But, overall, what we are doing is to adopt a policy where my own department ceases to approve transactions. The history of the organization has been to have a central control group that reviews and sometimes repeats and recalculates everything that program managers at the operating level do, and then applies the magic signature that makes it all happen.

We can eliminate that oversight duplication of the central administrative function by delegating the responsibility to one level, not three. And there are three levels frequently. One of the ways we are going to get the 38 percent down to 25 is basically to change my own department. It is an anachronism. It controls transactions

as opposed to setting policy, giving advice and providing oversight. We can take out that whole level of centralized management, just like corporations do.

So this is the epitome of how we are going to deal with program managers, not only in the departments that you mentioned, but all across the board.

Senator GRAMS. I want to followup on that. Does the plan provide for any mechanisms to prevent further what has been labelled as corruption, mismanagement on the part of U.N. staff of what may be stolen or squandered millions of dollars from peacekeeping operations such as has been alleged in Somalia, Angola, Cyprus, Haiti, Rwanda, and elsewhere? Is there a mechanism that is also being talked about under these reforms to look into these areas as well?

Mr. RUGGIE. Well, there is no specific mechanism in the reforms, but there are mechanisms in place.

Joe, perhaps you could comment.

Mr. CONNOR. You cannot overlook the deterrent effect of having a capable operating OIOS. It is preventative. They are all around the world now. But it is also stimulated that the first line of control is management, not the auditors.

The approach we are taking here is to tighten up our controls and tighten up our review of controls by OIOS. I would like to talk a little bit about the OIOS report.

As I said, they are doing the job they were created for. But let me illustrate some specifics. The one that hit the newspapers the most was when the staff member in Geneva—the immunities were waived and he was prosecuted for fraud. Now that particular fraud was not uncovered by OIOS; it was uncovered by the management. And OIOS appropriately did the investigation, brought the case before the prosecutors and worked to the conclusion.

I think we are instilling a system that has always guided corporations: You cannot totally prevent fraud, particularly when it is collusive fraud. And most of the cases are collusive fraud. The fraudulent medical reimbursements. And you know about those in the United States. The false dental claims, where dentists were in collusion, faking the imprints that were being made. It is hard to stamp out collusive fraud, but we have certainly raised the control environment awareness and we have tightened the procedures.

And in that respect, we are working well with OIOS. It is always going to be a joint effort. There is a new feeling in the organization over exactly what is meaningful.

Senator GRAMS. As you mentioned, even in our system, like Medicare, if there is no threat of getting caught, it gets larger and larger. But at least if there is cooperation and an attempt, it at least checks the vast majority of them. Which is very important to have that type of attitude from the top on down. So that is encouraging.

Mr. CONNOR. Senator, I fired 18 people in Bangkok for that sort of fraud. That sent a message throughout the organization.

Senator GRAMS. Just to followup on a few other questions here. And these, again, are for either of the gentlemen that want to address these. But a second key commitment made by the Secretary-General was the reduction of staffing levels by 1,000 posts. Let me list some of these. On October 22nd of this year, a U.N. General

Assembly press release says that the budget calls for the abolition of 904. The same press release also noted that the ACABQ claims the Secretary-General will actually abolish 895. What is the reason for the discrepancy there?

Mr. CONNOR. They were dealing with the original submitted budget, the one that was put in, in May 1997. The revised estimates, which were submitted to ACABQ and have not yet gone to the Fifth Committee, brought the number from 905 up to 1,059. We always said to the member states that this is being done in two waves. The first wave would reduce most of the 1,000 posts, but not all of them. But the reform measures we were looking to, to create additional opportunities to reduce posts.

Now, the spread there, of about 260 posts, a lot of them came out of the consolidation of the three economic departments. For example, we had 37 executive officers when we had three departments. We now have 19. That was the sort of thing we did. Most of the rest of them came out of the Department of Public Information, the Department of Humanitarian Affairs and a few sprinkled here, there and everywhere else.

It is two different documents that they are talking about: the preliminary budget and what we call the revised estimates, which is the final budget. The numbers in my paper included the final budget, because that is what it is going to be on January 1.

Mr. RUGGIE. Senator, just to make sure that this point is underscored. At the time that the original budget went in, we did not have the 1,000 cut yet. We were somewhat short. The Secretary-General made his commitment on the 1,000 back in March. When the original budget was submitted, we only reported those cuts that we had achieved. Then the revised estimates came some 3 months later. By then, we had the full 1,000 cut, and we reported the final figure.

Senator GRAMS. So, basically, if we get through the differences and how they are calculated or when, under this budget, will there be fewer people employed at the U.N. next year than there were this year? Or is the 1,000-post target being reached solely by eliminating vacant posts?

Mr. CONNOR. The vacancies that we achieved through the downsizing, approximated about 900, and gradually moved up to a full 1,000. We are now at 1,100.

We are doing this seriatim. It is the easiest way to do it when we downsize the budget. And perhaps that is not so well recalled. While we have downsized the 1998–1999 budget, we took a bigger cut in 1996–1997. We reduced \$154 million on top of another \$100 million, so \$254 million. You are absolutely right, most of the real cleaving of people occurred in 1996–1997. And there has been an add-on, if you are really looking at how many people are there, in the 1998–1999 budget.

The vacancies were created in the first biennium. The posts were eliminated in the second. That is the way that you make sure that people do not come back into the organization. It was much easier to do this with 184 member states.

Most of the vacancies were created, as I think you are well aware, by voluntary buyouts and attrition and putting a recruitment freeze on. There is another element. That while we are sup-

pressing the posts—and the number of suppressed posts is the famous 1,000—we are also creating, as we have to, a vacancy rate. And that vacancy rate has the effect of keeping, or recognizing, that throughout the biennium, on average, somewhere around 250 to 300 of the reduced number of posts, 8,600, will be vacant. We do not broadcast that as a retrenchment, because it is not. But it is an economic fact that only about—if we accept the base is 8,600, as the measuring base, we probably pretty close to 8,350 that are actually filled.

Senator GRAMS. Are any funds appropriated toward the vacancy posts?

Mr. CONNOR. No. No. The way we do it—it rather amazed me, because you never know where the vacancies are going to occur throughout the departments—we just budget for 97 percent of the personnel costs. And the other 3 percent takes care of the vacancies. It is a simple device that actually works quite well. And it also means that we hit our personnel costs right on the head. Unless we have 300 vacancies, we go over it. So there is a bit of management behind all this.

Senator GRAMS. Now, Ambassador Sklar told me that you have a new computer data base that is up and running, and that it can tell you exactly how many people are employed at the United Nations. So that would lead to the question of: How many people are currently employed at the United Nations?

Mr. CONNOR. The computer functionalities in the personnel area do involve the strict accounting for who is on what post. So we know every day how many of the now legislated 10,012 are occupied and by whom. And we can run that off. That is where I came up with 1,100 vacancies. I see that report every single day—as to how many vacancies against established posts.

What I do not see is the other part of it. And there is a small number that represent real people on temporary assistance. That has not yet been integrated into the system. You heard some talk about the team that built the IMIS system; 29 people, on temporary assistance, for about 6 years. They do not occupy legislative posts. We have not put them in the system yet, but we will.

The other area that is just coming on stream now is that we have about 5,000 extrabudgetary posts. They exist because member states decide to fund them to do something extra that they want to see done. A lot of member states do that. We are just putting those people now into the computer.

So the best I can give you is 8,900 on the regular budget posts. I do not know the small number of temporaries. And I can only estimate for a while how many of the extrabudgetary posts are filled. We do not worry much about the extrabudgetary posts. Because if the donor is not satisfied with what they do, the staff member goes. Because we have no funding for it. It is not on the regular budget. And, in fact, while we have about 4,000 to 5,000, the budget shows, for information purposes, that there is a potential for about 8,000 of those posts.

It is getting under pretty good accounting control. But I did say, I think perhaps to you, that I thought it would not be a bad idea to have a personnel audit, to make sure that the numbers are as

they are. And I mentioned that to Mr. Paschke. It is 70 percent of our costs, you know.

Senator GRAMS. Correct.

Mr. CONNOR. If you control personnel, you control the budget.

Senator GRAMS. Just using some of those numbers, on December 31st of last year, there were 8,500. So while the posts may have gone down, people have gone up. It is now 8,900.

Mr. CONNOR. I do not accept that number. I have never seen a vacancy rate on the regular budget posts. We are now at the highest point, at 1,100. The numbers that I have seen at about that time were about between 1,000 and probably 1,089. So the number that you are quoting to me, I just do not recognize it. I would be glad to follow it up.

I do not see how that could be. Because we had, largely, a recruiting freeze in effect for several months during that particular period. But, thank you for your number, and I will see if I can follow it up and see what it is.

Senator GRAMS. We will followup, as well, with you.

Mr. CONNOR. OK.

Senator GRAMS. Let me ask about a couple of other areas. Dealing with the administrative costs, another key reform, is the reduction of the administrative costs, as we have talked about and as, Mr. Connor, you outlined, which currently consume 38 percent. You want to reduce those by a third, and redirect the savings into programs.

Now, I understand that the U.N. press reports indicate some 400 efficiencies will be achieved by December of this year. How much reduction in administrative costs do you feel that these efficiencies are going to yield?

Mr. CONNOR. Our count is roughly \$100 million in total, but that includes peacekeeping, because a lot of them were in the peacekeeping area, as well as the regular budget activity. Actually, the number of completed projects by the end of this year will be about 600; 400 was an earlier number, and we have accelerated that process. They are not all in the administrative field, and they do not all involve personnel.

For example, it is an easy one, we now have out a contract to buy 7,000 vehicles for the missions. It is the first blanket purchase procedure that we have gone through. We used to buy them in quantities of 200 or 300. Well, we computed that we could save \$2,500 a vehicle if we bought them on a larger scale, since 7,000 is more than we normally buy at a time. But if we buy our normal requirement of about 4,000 vehicles a year, of course that way we save \$10 million. That \$10 million sits in the \$100 million that I just reported to you.

But there are some other ones: Time chartering of vessels to repatriate troops. Instead of always chartering, we now do time chartering. We do not have to pay for the return voyage. That saved \$21 million.

There are a whole series. Not all of the 600 end up with money savings. Some of them are just better ways of doing things so that we get a better product out. But, in the aggregate, \$100 million was the number. And I would guess that a good portion of those ended up in the regular budget, as well as in peacekeeping.

There was no way that we could—well, first of all, we have reduced real costs, in the present biennium, \$250 million, and \$84 million in the biennium budget that is coming up. You can do that two ways. You can just do not do the job, with fewer people, where you can try to re-engineer the job so that fewer people do it better. We have tried the latter. It has actually been a fairly morale-building experience.

The people who were never asked before, “What is wrong with the way you are doing things now?” were asked. They came up with good ideas, and we have put them into effect. That is how we saved the money.

Senator GRAMS. One last question on peacekeeping before we move on from that. And that is in the area that the Secretary-General has urged member states to establish a standing rapid deployment force. Now, if this is done, will the countries that are going to be there, or providing the troops and equipment, for what would be considered a U.N. dedicated force, are they going to be able to be reimbursed even if that force is not deployed? So if the Secretary-General asks to have this force prepared and ready, will there be a billing to the U.N. for those numbers, even if they are not deployed?

Mr. CONNOR. Only if you vote for it. It has to be assessed. I know of no plans for such assessment. The Canadians, as you know, train a certain number of their soldiers for peacekeeping activities. I believe the Nordics do exactly the same. They are doing it all on their own. They make the offer available, that if they are needed for a mission that is voted by mandate by the Security Council and then funded by the General Assembly, they are there. And they will be paid the same rates as we pay soldiers from any other country, \$988 a month.

Mr. RUGGIE. Senator, if I just may followup on that as well.

Senator GRAMS. Sure.

Mr. RUGGIE. First, it is not a standing force. It is a standby force. And that is an important difference to underscore. And, second, these are soldiers who are in the armed forces of the member states involved in any case. They are being trained now for peacekeeping duties as part of their regular missions for their national armed forces. There is no incremental expenditure to be assessed or to be paid for until such a point at which they would be deployed for a mission that the Security Council has authorized.

So the answer is no.

Senator GRAMS. All right. Thank you.

Code of Conduct. The Secretary-General recently released a new Code of Conduct, as you are aware. Does the Code of Conduct specifically contain any prohibition against nepotism?

Mr. CONNOR. No, I do not believe it does. I cannot recall any prohibition in there against nepotism.

Mr. RUGGIE. It is mostly for disclosure of various kinds.

Mr. CONNOR. Disclosure-type things.

Mr. RUGGIE. Yes.

Mr. CONNOR. The way we recruit is an international competitive exam and candidates getting on a roster. That would work against singling out any particular recruit. Obviously, within the Secretar-

iat we have informal rules. But there is nothing by way of a formal requirement that I am aware of.

Senator GRAMS. Also, in the area of conflict of interest, there was an Under Secretary-General for Internal Oversight Services report recently that noted the lack of a very stringent U.N. applicable definition of what would be considered as a conflict of interest. Are there any rules currently in effect which mandate that U.N. staff recuse themselves from activities which would promote the interests of their former employers, for instance? And would this be addressed in that?

Mr. CONNOR. I think that recusion is very meaningful, but it is done informally. I do not know of any rule that has been promulgated to that effect specifically. This is an issue, for example, in many of our more senior people, who come from private industry and have backgrounds and associations and all that.

I must say, in my own case, my former firm does work for many parts of the organization, always on a competitive bid basis. But I followed the same rules, and suggested the application of the same rules, by Dr. Boutros Ghali. In other words, my continuing relationships with the firm were severed financially. I receive a pension. But I had to give up an increasing pension and settle for a fixed amount. At age 90, I may not like that too well, but that is the way it is. [Laughter.]

We did follow whatever the U.S. procedure is on that, and many other partners in my former firm have gone through the same thing with the U.S. Government. It is an interesting second career.

Senator GRAMS. And that is one of the problems with having to take on that second career.

Mr. CONNOR. It is well worth it.

Senator GRAMS. Moving on, just to wrap this up, dealing again with the OIOS, which we feel is very important, and I think can be a very important tool. But given the Secretary-General's focus on accountability and reform, why was not the Office of the Inspector General provided with an increase in funding over last year's level?

Mr. CONNOR. It is up 23 percent for the next year.

Senator GRAMS. For the 1998 and 1999 biennium?

Mr. CONNOR. Yes. And, in addition, he has been able to arrange quite a few additional extrabudgetary posts. Meaning that other parts of the organization are funding those. I think he will end up with something like 116 staff members, in looking at the budget this year, plus the extrabudgetary ones.

I think, because of the recruiting freeze, he fell into that category, by his own election. We have no control. He is independent in personnel financial matters. He has operational responsibilities. So he has full delegated authority on recruiting and others.

I think that if there was any shortfall in the past—and I am not so sure there was—I would agree with Ambassador Sklar that Mr. Paschke believes he is well staffed at this point.

Senator GRAMS. I have some report language here that was reported that said—and I will just quote out of this—that the full financial impact of this strengthening of OIOS—and this deals with—becomes evident in our budget proposal for 1998 and 1999, which shows an increase in our total submission of over \$2.5 mil-

lion. But, it says, in reality, it is very close to a maintenance budget.

So is that—

Mr. CONNOR. He had \$15 million in 1996–1997. I forget how many hundreds of thousands in addition to that \$15 million. He is over \$18 million in the new budget.

There is a budgeting anomaly in that during the year that a new post is created—and Mr. Paschke has a number of new posts—we only budget for 50 percent of the value of that, on the assumption that the total number of new posts will be filled during the course of the biennium. So we just take half the biennium and put in that money. That could be the origin of it. I think he really had more resources by way of people in the 1996–1997 than the raw numbers on dollars would make you believe. Because a lot of those new people were only in at 50 percent.

What happens—this goes on all the time—if he over expends his personnel line as a result of, for example, bringing the people on closer to the first year of the biennium than the mid point, he is going to overspend the budget. Nobody worries about that. Because, overall, in the entire U.N. system, it comes out at about 50 percent. So the overs and the unders about balance out.

We have had long meetings and tried to be responsive to Mr. Paschke's budgetary requests. I think he has gotten everything he wants.

Senator GRAMS. Well, we will have to ask him, and let him defend that.

One last question that I will ask. And, by the way, I just want to mention that I would like to submit some other information to you. And as we go along in this process, if you will just respond to some of these questions, rather than going into detail on them now. But we would have some questions I would like to submit in writing.

Senator GRAMS. But, just the last one, I would like to bring up. And it is kind of an example of dealing with the annual report of the OIOS. The U.N. Inspector General highlights numerous administrative inefficiencies in that report. And one particularly egregious example was in the U.N. Center for Human Rights. And the OIOS report states that, and I am quoting now: In terms of oversight and administration, the situation remains disquieting.

It goes on to say: Over the past 2 years, OIOS has continually stressed the urgency of establishing a system for monitoring the implementation of the work, and assessing its results. It goes on to say: The existence of such a system is not apparent as yet, nor are the plans for its establishment.

So the question I would have is, what actions has the Secretary-General taken with regard to this center as an example of some of the things that need to be reformed?

Mr. CONNOR. Well, we now have a new High Commissioner, and the new Deputy has not yet been named. The two that were in there before have moved on to other things.

There was a problem that has now been dealt with. They have got a new organization. They have got a new organizational structure. And I think that, from my conversations with him, Mr.

Paschke is supportive of giving them a free hand to put the situation right.

Mr. RUGGIE. Senator, just to add a footnote on that. I think the issue that you point to is perhaps one of the most significant reasons why the Secretary-General, in the reform report, announced—or in the reform process—consolidated the High Commissioner's Office with that of that Center.

The two units, quite frankly, were at loggerheads. The Center was not responsive to the High Commissioner. They responded to different constituencies. The situation was unacceptable. And the Secretary-General, as you know, consolidated the two, and put the entire operation under the control of Mary Robinson. So we believe that that problem will be solved by this appointment and by the consolidation.

Mr. CONNOR. The new Deputy will be a deputy, not a rival.

Senator GRAMS. Well, I want to thank you, gentlemen. I just underscore or highlight that good intentions sometimes do not get the job done. And I am not saying that this is what is going to happen here. I appreciate your candor and your being here today. I appreciate the efforts that the Secretary-General is making. I think what the U.S. Congress has tried to put on the table and support and encourage has been very important, and goes a long ways.

And I do not underestimate, or do not underscore, as the Secretary-General himself has pointed out, the hard job that is ahead of him, even in getting his plans implemented, let alone tackling some of the things that Congress has outlined. But, again, how we believe that it is so important to maintain the integrity and really the viability of the United Nations, to be the good agency worldwide that we know it can be and should be.

So, again, I really appreciate your time to be here. I want you to convey to the Secretary-General how much we appreciate his cooperation and allowing you to come down. As you mentioned earlier, this is quite unusual, and we really appreciate what you have done here today. And, again, we look forward to working closely with you in the months ahead and in the years ahead, too.

As I told the Secretary-General way back in January, I hope once all this is put behind us we can really look at what the U.N. should be and could be doing. And we hope that is the goal that we get completed in the near future.

Thank you very much, gentlemen.

Mr. RUGGIE. Thank you, Senator, for your interest and your commitment.

Mr. CONNOR. Thank you.

Senator GRAMS. Thank you very much.

[Whereupon, at 5:50 p.m., the hearing was adjourned.]

APPENDIX

Prepared Statement of John G. Ruggie

Mr. Chairman, Members of the Subcommittee:

I welcome the opportunity of appearing at these hearings today to brief you and the Members of the Committee on the Secretary-General's measures and proposals to reform the United Nations.

As you know, on 16 July the Secretary-General presented to the General Assembly a comprehensive report, entitled *Renewing The United Nations: A Programme for Reform*. The report explains why United Nations reforms are necessary; it describes the principles guiding the Secretary-General's reform efforts; and it contains actions that he is undertaking on his own authority as Chief Administrator Officer of the Organization, together with recommendations to Member States in areas of activities that fall within their jurisdiction.

During the General Debate at the current General Assembly, virtually every Head of State, Head of Government, or Foreign Minister who spoke commended and broadly endorsed the Secretary-General's reform initiatives. For the past six weeks the Assembly, meeting in informal sessions that encourage a pragmatic give-and-take approach, has been reviewing in detail the specific reform measures and proposals.

We expect that, within a matter of days, the General Assembly will adopt a resolution welcoming the Secretary-General's report and encouraging him to proceed with those measures that are within his own administrative capacity. Thereafter, the Assembly will move to finalize its disposition concerning the recommended reforms in areas that are within the domain of Member States. The legislative calendar calls for the process of political endorsement to be completed before the end of November, so that the Budgetary Committee can conduct its work and provide the appropriate budgetary authority before the current session of the Assembly adjourns in December.

The discussions in the Assembly to date have been positive and constructive. As reported in the press, the deliberations have taken some time. But that is only to be expected in light of the fact that the Secretary-General's reforms are both comprehensive and bold, and that the United Nations is an Organization of 185 sovereign Member States each of which must and should have ample opportunity to express its views on these important matters.

Mr. Chairman, permit me to summarize briefly the main features of the Secretary-General's measures and proposals. In essence, they consist of four types.

1. The first concerns rationalizing administrative processes and enhancing administrative efficiencies. For example, the Secretary-General's proposed budget for the next biennium again shows no growth, and it includes the reduction of 1,000 posts. Moreover, the Secretary-General is committed to reducing non-programme administrative costs from 38 per cent of the total budget down to 25 per cent through the next two budget cycles. Far more extensive use of common services and common premises are foreseen. My colleague, Under-Secretary-General Joseph Connor, will discuss these matters further in his presentation.

In addition, the Secretary-General has consolidated three departments in the social and economic sector into one; he has merged several units in the area of conference servicing into one department; and he has proposed to Member States that they rationalize or abolish several subsidiary bodies of major legislative organs.

2. The second type of measure and proposal attempts to create the appropriate Secretariat structures that will permit the Organization to act as one within and across its diverse areas of activities.

To begin with, the Secretary-General has focused the entire work programme of the Secretariat into four clusters: peace and security, humanitarian affairs, international economic and social affairs, and development operations. For each of these clusters, an executive committee has been established, the function of which is to

sharpen the specific contributions that each participating entity makes to the overall mission and objectives of the cluster. Human Rights has been designated as a cross-cutting issue, as a result of which the High Commissioner for Human Rights participates in each of the four executive committees.

In addition, the Secretary-General has established and chairs a Senior Management Group. It consists of the conveners of the sectoral executive committees, together with other senior officials whose participation is essential to establishing a unity of purpose and coherence of efforts throughout the Secretariat. The Senior Management Group meets on a weekly basis, and non-New York officials participate through teleconferencing.

The Secretary-General has also proposed to Member States the creation of the post of Deputy Secretary-General. The Deputy would relieve the Secretary-General of some of the administrative and representational duties he now bears, and he/she would be tasked in particular to oversee areas of activity that cut across sectoral and/or institutional boundaries.

Finally, the Secretary-General is setting up a Strategic Planning Unit within his Executive Office. Its purpose is to analyze medium-term trends that affect the work of the Organization, and to present appropriate policy analyses and options to the Secretary-General and the Senior Management Group.

This set of measures and proposals is designed to reduce fragmentation and overlap in the work of the Organization, to take advantage of synergies and complementarities among its component units, and to deploy its scarce resources with maximum efficiency.

3. Through a third set of initiatives, the Secretary-General is seeking to stimulate parallel processes on the legislative side of the House. Largely for reasons having to do with the cold war practice of "bloc politics," a large number of the inefficiencies and rigidities with which the Organization is afflicted are, in fact, mandated by Governments. The Secretary-General is urging Member States to move beyond that legacy of the past and to restructure the legislative agenda and processes to more fully reflect the new international reality.

Among the proposals made by the Secretary-General in this regard are that General Assembly debates be focused in accordance with the Organization's own medium-term plan, and that Member States streamline and continually update the Assembly's agenda. As a result of such efforts, it is believed that General Assembly sessions could be shortened perhaps by as much as three weeks. In addition, the Secretary-General has proposed that sunset provisions for new mandates be instituted, and that Member States consider establishing a system of result-based budgeting in place of the extensive micro-management through input-based budgeting that is currently the practice.

4. The Secretary-General's reform proposals also include several longer-term initiatives concerning the future of the United Nations as a whole.

Governments are asked to convene a ministerial commission to look at the charters of various United Nations specialized agencies and their relationship agreements with the United Nations itself, with an eye towards facilitating closer collaboration. A Millennium General Assembly is proposed for the year 2000, at which Member States would discuss their vision for the United Nations in the decades ahead, and to which the ministerial commission would submit its report. A Millennium Peoples' Assembly is recommended alongside so as to include the views of participants from as wide a spectrum of civil society as possible.

Mr. Chairman, thus far, I have focused on changes in the overall managerial structure and functioning of the United Nations that the Secretary-General has undertaken and proposed.

It should be noted that the reform effort comprises corresponding changes in the field. The Secretary-General has established the means for closer integration among United Nations entities engaged in development operations at the country level, for example. The mechanisms for doing so include joint policy frameworks, and wherever possible having the various entities work out of a single United Nations house, under one United Nations flag, and using common services.

Similar changes are under way within the major programme areas of the United Nations. In the case of human rights, for instance, the Secretary-General has merged the office of the High Commissioner for Human Rights and the Centre for Human Rights, with Mary Robinson, the former President of Ireland, having recently joined the United Nations as High Commissioner in charge of the new integrated operation.

Likewise, United Nations programmes in crime prevention, drug trafficking and money laundering have been integrated into a single entity under the direction of Pino Arlacchi, a former Member of the Italian Senate and an expert on organized crime.

Mr. Chairman, Members of the Subcommittee, these are some of the major actions and recommendations undertaken and proposed by the Secretary-General. We fully expect that these initiatives will revitalize the United Nations, making it a more effective and efficient instrument in the pursuit of peace and progress for all.

Thank you.

Prepared Statement of Joseph E. Connor

Introduction

Mr. Chairman, Members of the Sub-committee:

I am pleased to have been asked to come before you and respond to your questions as to management reform actions announced by Secretary-General Kofi Annan on 16 July 1997 as part of his *Renewing the United Nations: A Programme for Reform*. I would like to submit a statement for the record summarizing some of the key management reforms and how we are progressing to implement them.

Management actions being taken currently are part of a significant managerial reform initiative that has been underway in the United Nations since 1995. The aim is to enhance the effectiveness and efficiency of the Organization. The bedrock of this effort is the hundreds of projects being carried out by UN staff members across the entire Secretariat, encouraged and catalyzed by a Management Reform Group consisting of experts in public sector reform provided by Member States. This unique effort, which began in 1996 to support the Efficiency Board, was reinforced and refocused by Secretary-General Kofi Annan in the context of his major management reform initiatives. The aim today is not only efficiency but also effectiveness.

The principal management reform objectives are the following:

1. Reduce Administrative Costs
2. Create a "Dividend for Development"
3. Simplify Processes, Procedures and Rules
4. Expand and Strengthen Common Services
5. Create an Electronic United Nations
6. Reduce Budget Levels
7. Reduce Staff Levels
8. Adopt Results Based Budgeting
9. Provide the Organization with a Sound Financial Base
10. Enhance the Scope and Coverage of OIOS

Objective No. 1: Reduce Administrative Costs

On 17 March 1997, the Secretary-General established a goal to drive down administrative and other non-programme costs (meaning administration, overhead and information services costs) included in the budget by one third and to make these resources available for reallocation by Member States to development activities.

Three primary factors led to the conclusion that an important reduction in the overhead of the United Nations was feasible. First, current non-programme costs constitute a significant proportion of the regular budget, about 38 per cent of the total; and a similar proportion of the staff. The 38 per cent includes executive direction, direct administration costs, programme support, facilities, communications and the cost of producing reports and servicing Member State meetings concerned with finance, personnel and administrative matters. The objective is to reduce that proportion to 25 per cent.

Second, there are relevant precedents in many Member States and international organizations for reductions of overhead costs of this type. We're following a proven path already traveled by many Member States, including the United States.

Third, in-house experience has shown that significant savings are possible. Managers and staff members in all departments and offices in the Secretariat have designed and initiated more than 600 projects that are enhancing services, reducing overlap, simplifying processes and making more optimal use of information technology. Over 400 of these projects have been completed or are nearing completion, many resulting in concrete savings and all contributing to a more efficient and effective Organization.

These efficiencies are adding up to substantial economies—estimated for 1997 at \$100 million in total for the regular budget and extra-budgetary funds including peacekeeping. For instance, the United Nations Treasury has saved over \$500,000 in the first eight months of a cash management project to buy foreign currency more competitively. United Nations mainframe operations have been consolidated, saving

\$1.2 million per year. Automated financial processes have decreased the monthly number of cheques used in Geneva by 33% and saved over \$1 million. These efforts confirm that it is often the people who are involved in the daily work who best understand the problems and can find the most practical solutions to improve value and service.

Objective No. 2: Create a “Dividend for Development”

In his July 1997 report, the Secretary-General also proposed that Member States create a Development Account, funded by the dividend arising from the reduction in the Organization’s administrative and other overhead costs. The proposal is straight forward: reduce bureaucracy and turn the savings into results for some of the world’s poorest peoples. By reducing administration and other overhead by one third from its current level of 38 per cent of the regular budget, it should be possible to produce and sustain a dividend that will grow to \$200 million a biennium, no later than 1 January 2002. For the biennium which begins on 1 January 1998, \$50 million in the form of reduced administrative and overhead costs has already been achieved. As a result, reductions made in 1996–1997 in development spending have been restored in 1998–1999 budget proposals, and an initial down payment of \$12.7 million recommended in the development account—all within the framework of maintaining no increase in our overall budget.

As we work forward towards 1 January 2002, the central administrative and support offices of the Organization as well as every department will be given specific savings targets to reduce their administrative and other overhead costs over the next two bienniums.

Objective No. 3: Simplify Processes, Procedures and Rules

As part of the Secretary-General’s overall effort to reform the United Nations and to reduce the costs and burdens associated with administration, the Secretariat is simplifying administrative processes, with particular reference to the processes used for the management of human and financial resources.

The need is clear. Rules and procedures first developed decades ago and added to over the years no longer fit the needs of the Organization. They are hard to understand, sometimes conflicting, time-consuming to follow, and costly to carry out. Despite good intentions, they may even fail to achieve the intended purpose of supporting the accomplishment of mandated programmes while assuring transparency and accountability.

A clear ally in achieving simpler processes and controlling the quality of data input is the United Nations’ new computer system—IMIS. Deployment of the new system is now underway in seven duty stations. As the “home” for all of the Organization’s administrative processes—personnel, finance and procurement—IMIS is fast becoming the administrative backbone of our worldwide operations.

When systems of comparable complexity have been tried in other organizations the failure rate is around 60 per cent. By comparison, the United Nations’ effort is growing in usage and usefulness, and the cost at around \$75 million is modest compared to that of similar systems.

Several other United Nations entities and specialized agencies have adopted or are considering adopting IMIS, suggesting that the time is not far off when United Nations managers throughout the system will adhere to a common, unifying and efficient management tool.

Objective No. 4: Expand and Strengthen Common Services

The provision of support services has the potential to serve as the administrative and technical centerpiece of a cohesive, cost-effective United Nations system. In this connection, the Secretary-General has decided to set up in New York, Geneva and Vienna a Common Services Facility to enhance the provision of common services to the United Nations, funds and programmes.

A Task Force comprised of executives from the UN, UNDP, UNICEF and other UN Funds and Programmes is assessing a number of support services to determine how they could be regrouped, strengthened and streamlined in order to provide cost-effective, quality and timely common services on a competitive basis.

Working groups of the Task Force are reviewing the areas which would benefit from the provision of common services. At this stage those areas being reviewed for possible inclusion in a common service facility include procurement, information technology and telecommunications, the Integrated Management Information System, personnel services, including Medical Services, financial services, including

banking, treasury and payroll, legal services, transportation and traffic operations, security and safety services, facilities management and printing facilities.

Objective No. 5: Create an “Electronic United Nations”

In September 1997, two events took place that symbolize what the future may bring as the United Nations takes increasing advantage of information technology:

- every permanent mission in New York was connected to the Internet, mission staff were offered training and can now access the United Nations Web Site and obtain documents electronically; *Result:* the need for hard copy documentation is diminishing.
- and finance experts across Africa were linked in an on-line electronic meeting. *Result:* Extension of the experience to other meetings would lead to reduced travel costs.

The United Nations is particularly well situated to take advantage of rapidly evolving information technology and access to electronic media in all countries. It's unique capacity in multilingual, multicultural development communication complements the information and data bases of UNDP, the World Bank and other entities. It is also uniquely situated to contribute to the evolution of the Internet, by increasing the amount of material in the official languages of the United Nations and by encouraging access and use of this new technology.

Thus, the Secretary-General is undertaking a number of steps to build the foundation for a truly electronic United Nations, including strengthening the UN web site, modernizing how the Secretariat prepares, produces, disseminates and stores documents and expanding the use of Intranet to communicate within the Secretariat.

Already, because of the increased availability of electronic documents, reduced requests by Permanent Missions, the new space-saving typefaces and formats and other steps, the production of documentation is down, measured by both pounds of paper and cost.

A start has been made on remote interpretation. Video conferencing is also being used extensively, especially for the weekly meetings of the Senior Management Group and the Executive Committee, so all high-level personnel are informed and knowledgeable of the immediate as well as long-term priorities of the Secretary-General. The Secretary-General has also promoted remote translation which is now used broadly by UN offices in New York, Santiago, Vienna and other sites to reduce travel costs and make better use of translation staff.

Objective No. 6: Reduce Budget Levels

Budget appropriations for 1996–1997 were \$2,603 million, an amount now adjusted for comparative purposes by \$40 million to reflect an accounting change recommended for 1998–1999. The restated amount is \$2,563 million. In May 1997, the Secretary-General submitted for the biennium 1998–1999 a resource requirement then estimated at \$2,583 million but anticipated to be \$50 million less or \$2,533 when recosted for foreign exchange rate fluctuations in December 1997. Thus, the best estimate for 1998–1999 is \$30 million less than 1996–1997, on a comparable basis. That is the acid test of whether or not a budget is growing. The UN budget is not growing.

The \$30 million decrease results from a resource reduction of \$84 million offset in part by inflationary increases of \$126 million and foreign exchange benefits of \$72 million.

Of course, we don't yet know how actual spending for 1996–1997 will turn out. The General Assembly has been informed several times that there are no signs the 1996–1997 budget is being overspent. As is the usual practice, the situation will be updated in December 1997 and the General Assembly will be informed so that they can have all the elements at hand at the time they legislate the 1998–1999 budget.

By way of background, the original budget for 1994–1995 totalled \$2,608 million. The current appropriation for the 1996–1997 budget is \$2,563 million, after adjustment for comparative purposes to reflect an accounting change, \$40 million, recommended for 1998–1999. As stated above, the Secretary-General believes the budget originally submitted for 1998–1999, at \$2,583 million, will be about \$2,533 when fully recosted in December 1997.

On a technical point, there seems to be a great deal of confusion regarding the accounting change that was made in the 1998–1999 proposed programme budget called net budgeting. What does this mean? It means that only the United Nations share of expenditures are included in the Secretariat's budget, not the entire gross budget of jointly financed system-wide activities. The “net budgeting” mechanism has already been used for a number of years for other jointly financed secretariats. The Secretary-General is now proposing this same budgetary mechanism be ex-

tended to the International Civil Service Commission and its Secretariat, the Joint Inspection Unit and its secretariat and for the services provided by the United Nations at the Vienna International Centre.

Why was the change made? Very simply, to provide uniformity to the budget methodology—to include in the United Nations budget only those costs which relate to United Nations activities—not activities that pertain to some other organization's activity.

Objective No. 7: Reduce Staff Levels, Improve Quality

The Organization's future depends on the quality and competence of its staff. The Secretary-General's human resources programme focuses on improved procedures for recruitment and placement that will provide better support to managers in the management of their staff resources. Staff development at all levels is an essential investment in the capacity of the Organization to improve, change and adapt. This is especially true as our staffing numbers are declining.

Since 1985 regular budget posts have been reduced by 25 per cent.

For the next biennium, Secretary-General proposes a staffing level reduced by 1,000 posts. The proposed staffing table for 1998–1999 stands at 8,695 posts; in 1996–1997, the number of posts at year end 1997 was 10,012, representing a net change of 1,317 posts in the aggregate.

Of the aggregate change, 1,000 posts, on a net basis, are being suppressed. This is a net change number which includes the abolition of 1,059 posts, less the conversion from temporary assistance of 29 posts and the proposed creation of 30 new posts.

In addition, 317 posts are being transferred out of the regular budget, a change related to the adoption of net budgeting procedures. These 317 posts are not being suppressed; they are simply no longer considered regular budget posts for reporting purposes.

With staff numbers being reduced, it is essential that the staff be better trained, more versatile, more mobile, better managed and better integrated as a global team.

Further steps are also being undertaken as part of the Secretary-General's reform agenda, including carrying out a fundamental review of the management of human resources of the Organization with a view to creating a global team for the United Nations of the future. This will include identifying and undertaking concrete steps in recruitment and placement, human resources planning, career service and compensation packages, career development and mobility, and performance management. The Secretary-General has also submitted a code of conduct to the General Assembly for its approval.

Objective No. 8: Adopt Results-Based Budgeting, Shift From Micro-Management to Macro-Accountability

As part of his reform package, the Secretary-General has proposed a fundamental shift in how the United Nations manages its affairs to put a much greater emphasis on results. He has recommended that the General Assembly consider moving the Organization's programme budget from input to output accountability.

What does this mean? It means shifting the focus of planning, budgeting, reporting and oversight away from the rigid control of inputs, putting in place instead a system which emphasizes defining what results are to be achieved and measuring outputs and outcome. It means identifying the actual cost of producing results and allocating resources accordingly. It means giving programme managers greater flexibility and at the same time, greater accountability for performance.

To complement these efforts and strengthen the management of the Organization, the Secretary-General is taking steps to delegate greater authority and flexibility to managers and hold them fully accountable. This principle has driven successful reform in organization after organization, in developed and developing countries: managers and staff can produce more efficient and effective programmes when they are given the flexibility and responsibility to achieve specified results and are held accountable for achieving them.

Objective No. 9: Provide the Organization With a Sound Financial Base

The implementation of the proposed programme budget and of the reform plan will be seriously compromised unless the financial soundness of the Organization is restored. Continuing high levels of unpaid assessments—regular budget, international tribunals and peacekeeping—are undermining the financial stability and liquidity of the Organization. 1997 is now forecast to end with a deficit in regular budget cash of \$272 million. The year began with a deficit of \$197 million.

1997 adds one more year to a pattern of cash deficits in the regular budget account. Through 1994, there had been a pattern of a modest and short-lived negative cash balance each year around 30 September. Collections in October erased the negative balance. Year-end cash had a positive balance in the years up through 1994. In 1995 the pattern changed.

Beginning in 1995, the depth of negative cash increased. So too the number of months the regular budget was in deficit. Every year since 1994 ends with major deficit positions, maximum amounts of deficit frequently occur in even larger amounts; deficit periods of four or so months are usual.

The United Nations covers this shortfall by borrowing cash from the peacekeeping accounts—an imprudent practice at best, a destructive practice potentially. When peacekeeping cash is borrowed to cover regular budget cash shortfall, the United Nations is unable to pay its peacekeeping bills—principally amounts owed to Member States for troops and equipment.

Usable peacekeeping cash at the beginning of 1997, was \$848 million. \$670 million is forecast at year end.

Our peacekeeping cash is dwindling. Our debts to Member States are increasing.

It is estimated that at year-end 1997, the Organization will owe \$907 million to troop and equipment contributing countries, up from \$838 million at the end of 1996. The increase in unpaid troop and equipment obligations leads to a situation where one group of Member States awaiting payment for troops and equipment are financing the late payment of regular budget and peacekeeping assessments by another group of Member States.

The Secretary-General is able to pay down the amount of debt to troop and equipment providing Member States only when Member States remit substantial assessment arrearage amounts. This was done late in 1996 when the Russian Federation paid over \$200 million in arrearage payments.

At 31 December 1997, the combined regular budget cash account deficit, and balances in the peacekeeping cash account will aggregate \$398 million, about half the amount in 1995—a steady and now sudden decline in two years.

In a few years, the Organization has slid down the slippery edge to a point where the Organization has little if any financial flexibility, is highly illiquid and rests on a precarious financial perch. The Organization is highly dependent on the level of peacekeeping activity and the forbearance of troop and equipment providers.

The Secretary-General's reform proposals include one aimed at providing a \$1 billion credit revolving fund to tide the Organization over during periods of cash flow shortfalls in collecting assessments.

In effect, he is suggesting borrowing from one group of Member States to finance non- or late payment by other Member States.

The Secretary-General has challenged Member States to suggest other means of dealing with this situation. The problem is real. It needs to be addressed.

Objective No. 10: Enhance the Scope and Coverage of OIOS

One more management reform—perhaps the initial one approved by the General Assembly—the functions of an Inspector General. Our term is the Office of Internal Oversight. In a few words, it is the internal control put in place to see that all the other controls are in place and working.

In operation now for three years, OIOS is one reform that has already helped strengthen the Organization in its effort to use resources in the most efficient and effective way and to uncover instances of fraud and mismanagement.

The United Nations has had glaring instances of both. OIOS, as well as management, has uncovered a number of them. Both OIOS and management have worked well together to discipline or prosecute perpetrators.

I must add that OIOS with its distinctive capability in carrying out investigations, as contrasted with auditing, is fundamental to the task of uncovering fraud. It is doing the job intended.

Conclusion

As has been repeatedly stressed by Secretary-General Annan, reform is not an event, it is a process. Management is also a process which must be continually updated and reviewed. The need is clear. The path has now been set. With your help and that of other Member States the potential of a modern, streamlined and effective United Nations can emerge.

Objective 1. Reduce Administrative Costs

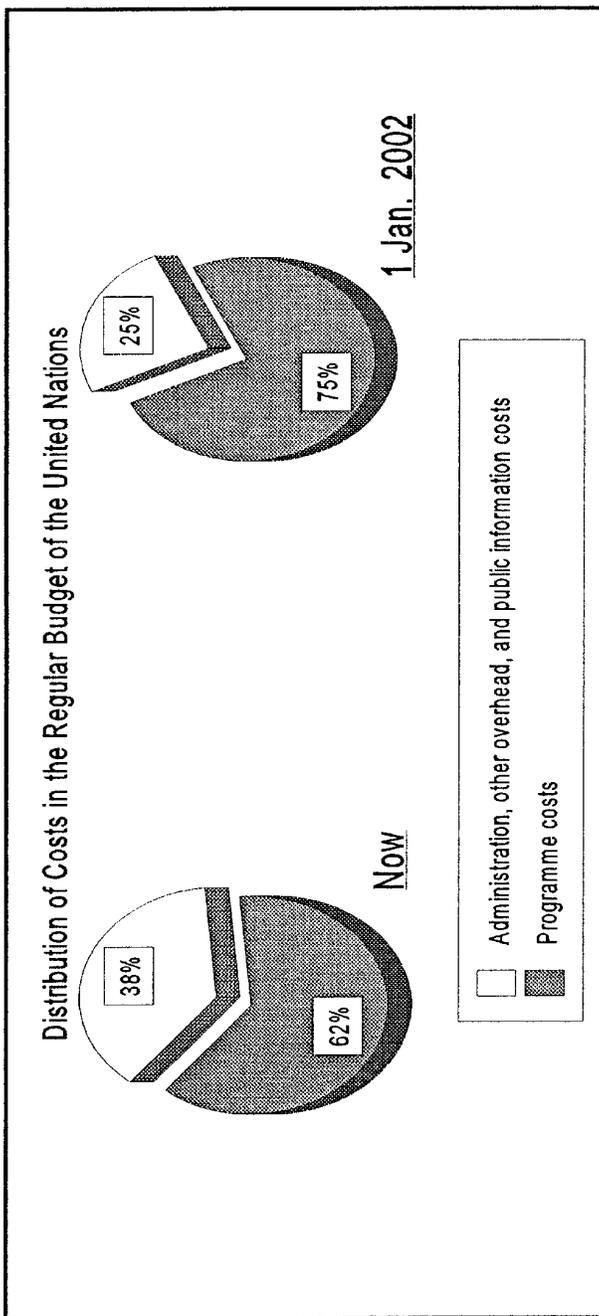


Chart 1

Objective 2. Create a "Dividend for Development"

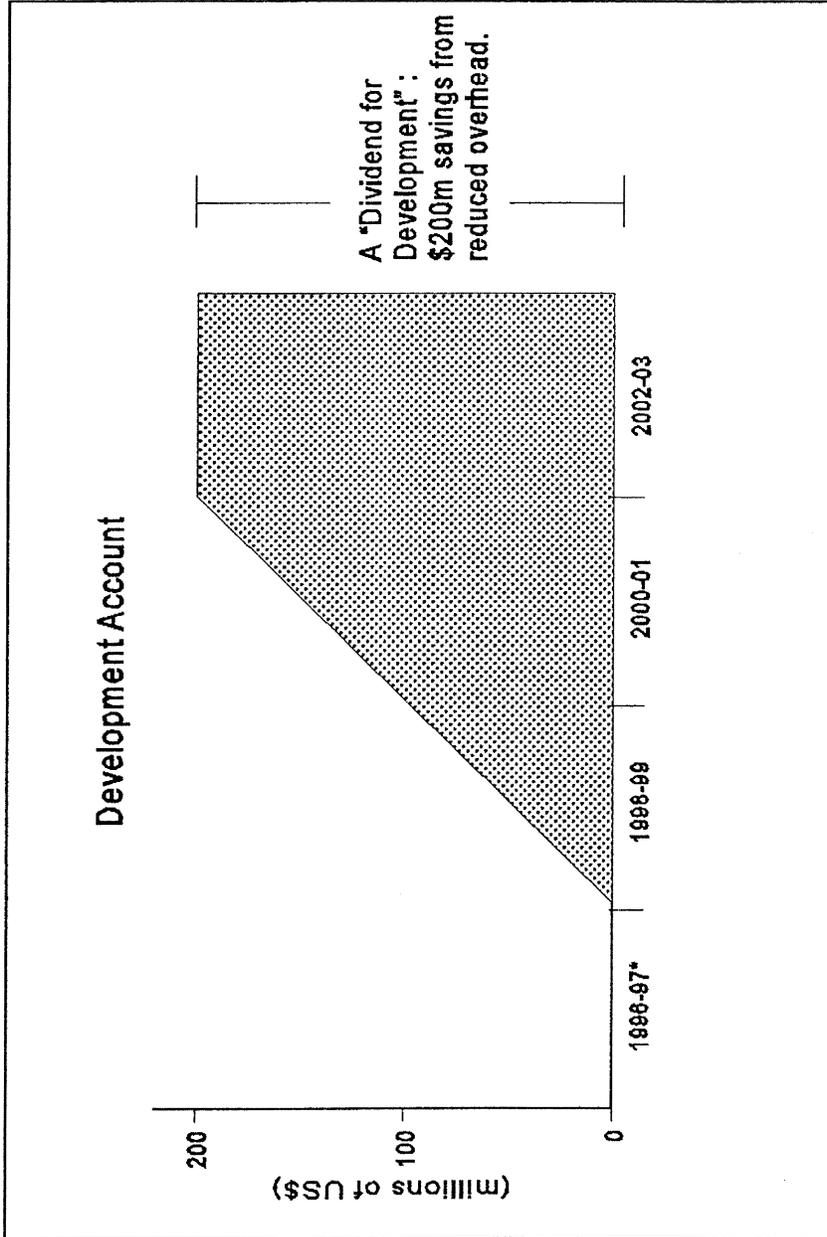


Chart 2

Objective 3. Simplify Processes, Procedures and Rules

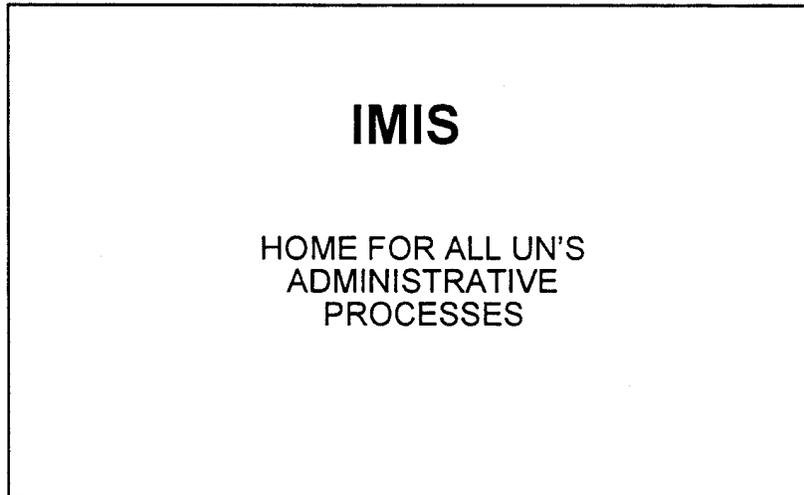


Chart 3

Objective 4. Expand and Strengthen Common Services

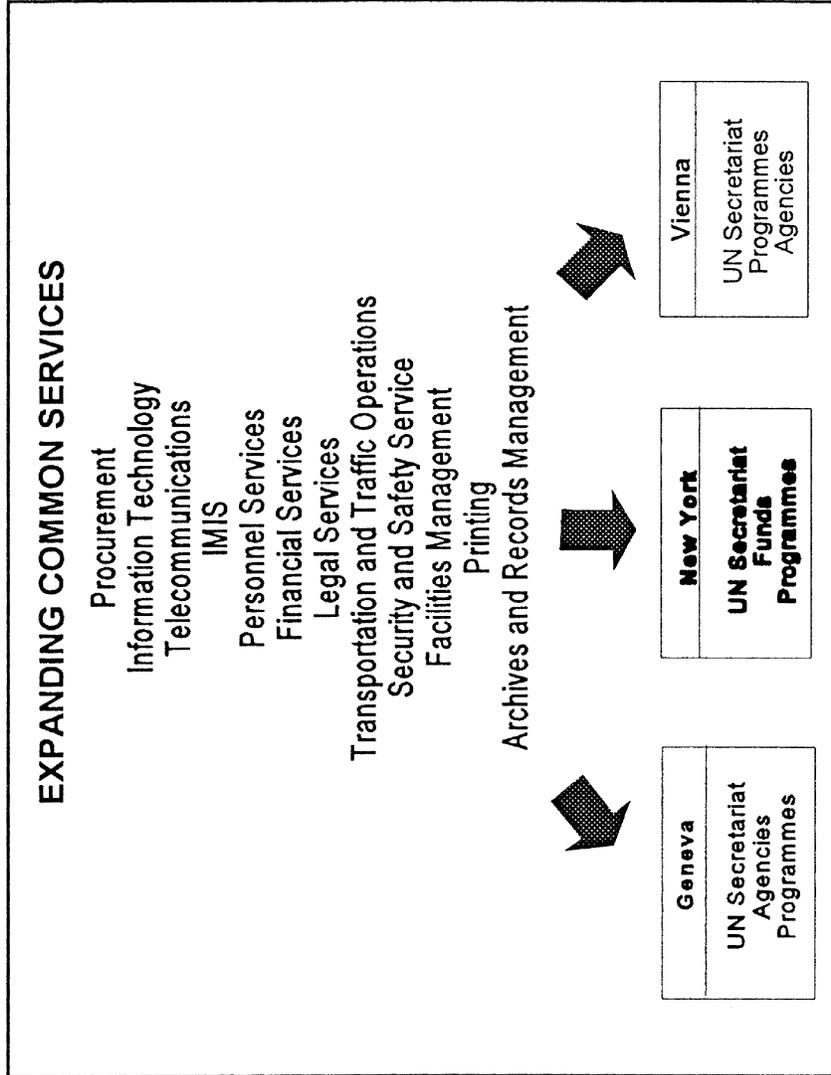


Chart 4

Objective 5. Create an "Electronic United Nations"

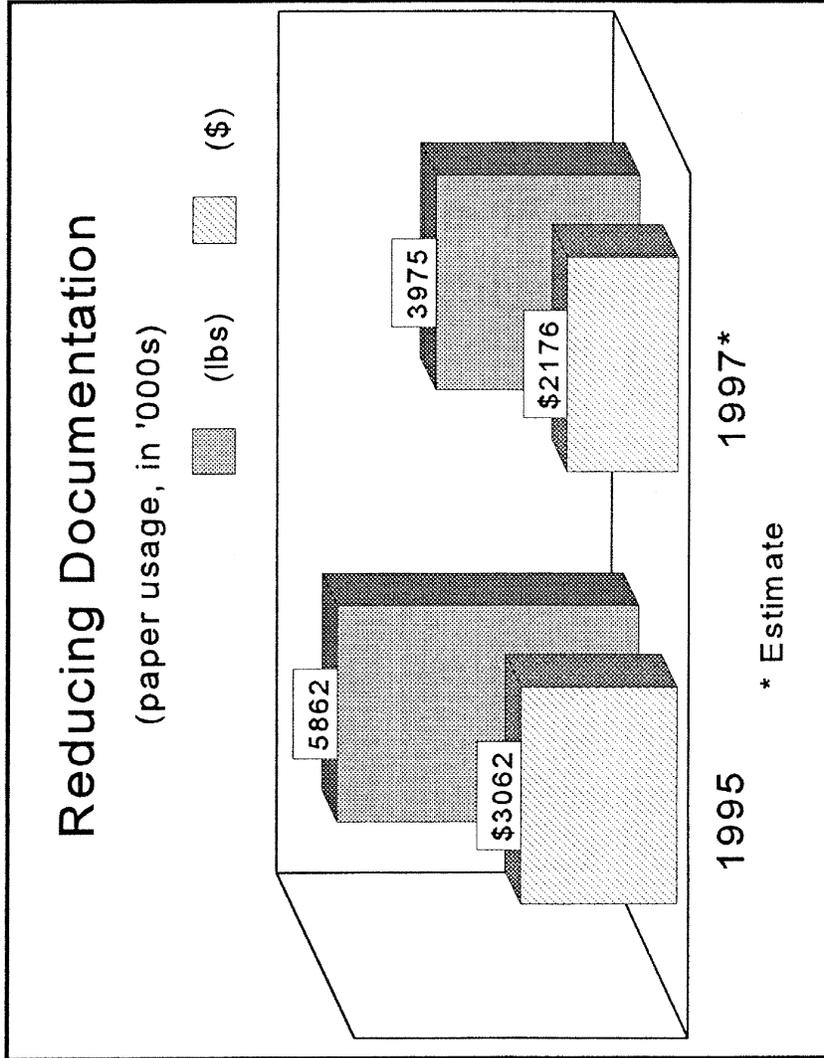


Chart 5

Objective 6. Reduce Budget Levels

SUMMARY OF 1998-1999 BUDGET PROPOSALS (Including estimated exchange recosting of \$50 million to be made in December 1997)		(in US million)
1996-1997 appropriation		
	\$2,603.0 million, adjusted for comparative purposes to reflect an accounting change, \$40 million, recommended for 1998-1999	2,563.0 a; b
1998 - 1999 proposed budget		<u>2,533.0</u> c
Resource change		(30)
Reductions/increases as compared to 1996-1997 appropriations:		
	Resource reduction	(84)
	Inflation	126
	Exchange rates	<u>(72)</u> b; c
		(30)
a	The original 1996-1997 appropriation was \$2,608 million; that appropriation was updated to \$2,603 million in December 1996 to include more current estimates of foreign exchange through 1996 and Special Mission costs for 1996 that are being absorbed within existing resources.	
b	In December 1997, the Organization will report to Member States the level of actual spending under the 1996-1997 budget including the full extent of foreign exchange changes through 1997, the effect of Special Mission costs that are being absorbed within existing resources and other spending variations from appropriated amounts.	
c	Includes estimated exchange recosting of \$50 million to be made in December.	

Chart 6

Objective 6. Reduce Budget Levels

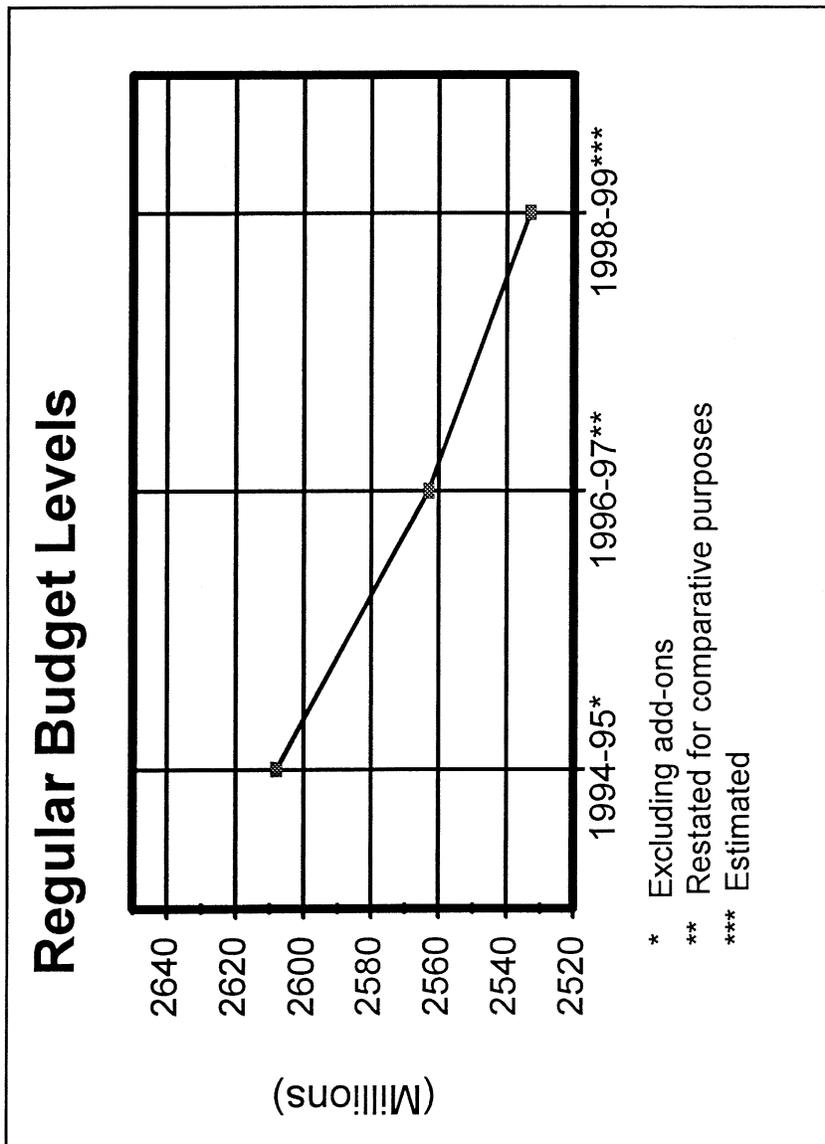


Chart 7

Objective 7. Reduce Staff Levels

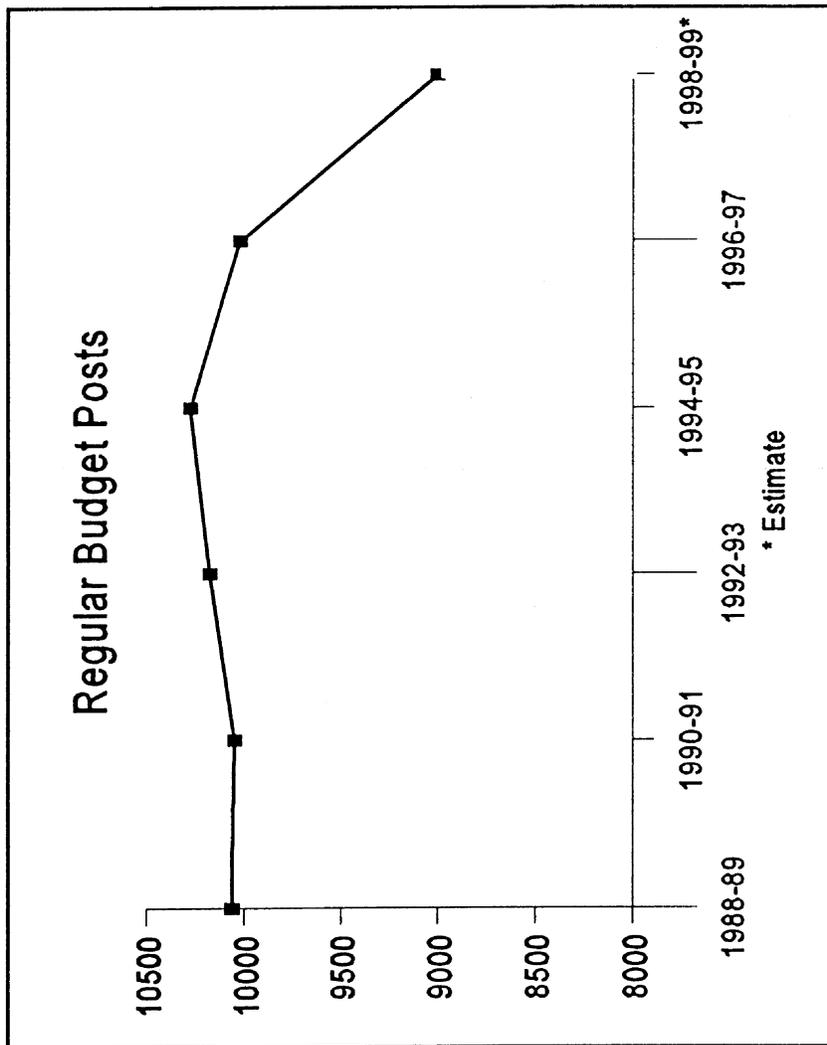


Chart 8

Objective 7. Reduce Staff Levels

	POSTS
1996-1997	10,012
ABOLISHED	(1,059)
CONVERTED FROM TEMPORARY ASSISTANCE	29
NEW POSTS	<u>30</u>
	1,000
SUBTOTAL	9,012
TRANSFERRED OUT	<u>(317)</u>
1998-1999 PROPOSED	8,695

Chart 9

Objective 8. Adopt Results-Based Budgeting: Shift From Micro-Management to Macro-Accountability

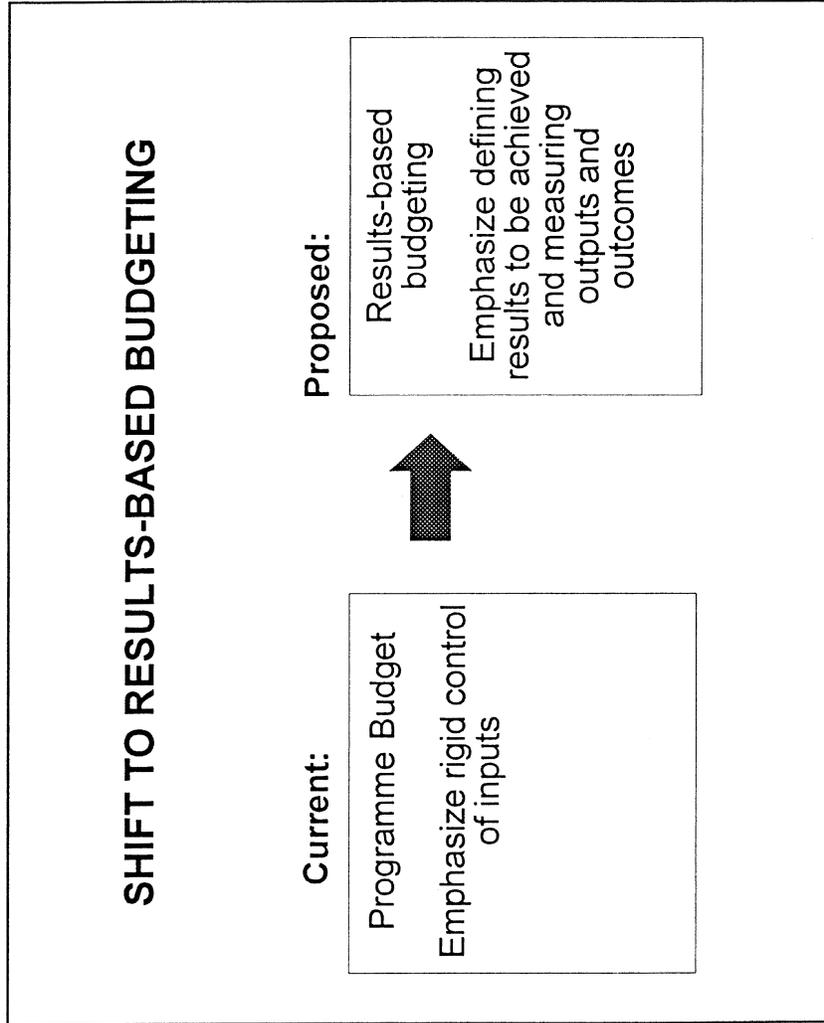


Chart 10

Objective 9. Provide the Organization With a Sound Financial Base

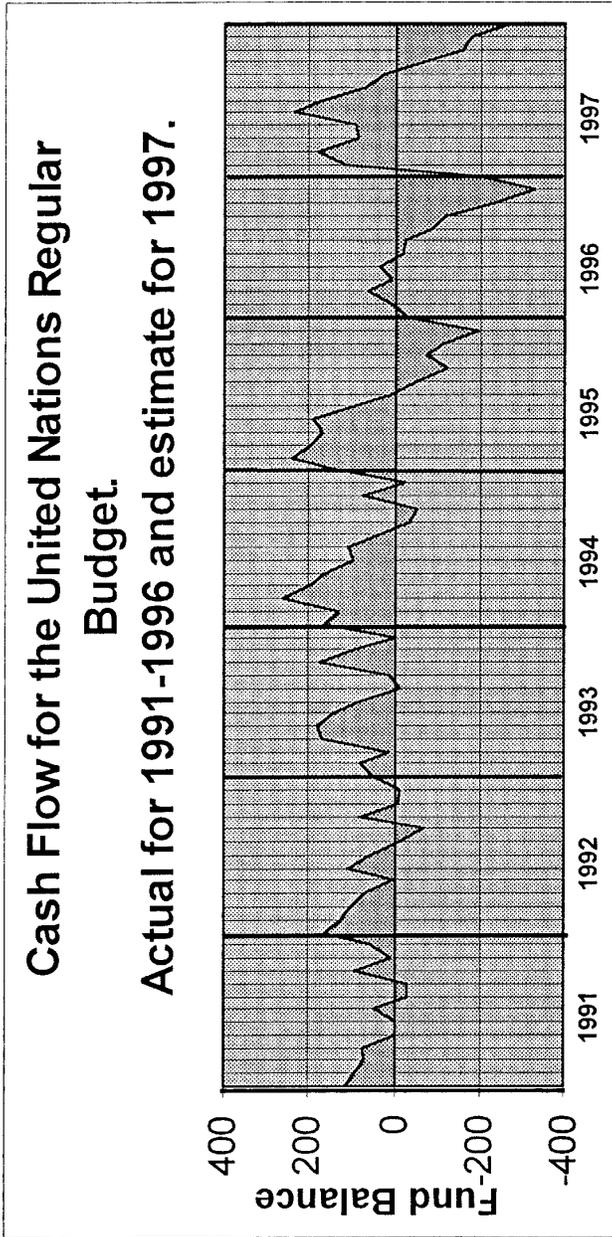


Chart 11