



U.N. REFORM WATCH no. 22

Analyses from Associates of CENTER FOR U.N. REFORM EDUCATION

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REFORMING OVERSIGHT AND GOVERNANCE OF THE UN ENCOUNTERS HURDLES

by Irene Martinetti
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The long expected reform of the oversight and governance systems of the UN is now being discussed at the Fifth Committee. Despite the general consensus on the need for reform, achieving it will be a difficult and lengthy endeavor. The following analysis offers an overview of the main issues at stake.

The need to address accountability and governance issues in regards to the UN, its programs and personnel is a longstanding one that was deeply felt by its Member States as well as the wider international community long before a series of mismanagement scandals hit the organization. Unfortunately, past attempts to address such flaws in the organization, failed to significantly increase management accountability or efficiency in the delivery of UN programs. Finally, in September 2005, when the heads of UN Member States held their annual high level meeting in New York, they considered a package of reforms recommended to them by the Secretary-General and a high level panel of experts that included a major overhaul of the UN's oversight and accountability systems.

The United Nations Office of Internal Oversight Services (OIOS) was created in July 1994,¹ to provide the Secretariat with independent audit, investigative, inspection, programme monitoring, evaluation and consulting capacities. To date, however, it has carried out its functions rather ineffectively due to flaws in the scope of its work and inadequate funding that at times has led to conflicts of interest. Thus, it was widely agreed by Member States to put the OIOS under thorough scrutiny during its 60th session of the GA and to ask the Fifth Committee, the GA forum for budgetary and administrative matters, to consider proposals for improving the oversight systems during the current session of the General Assembly. In addition, in December 2005, the GA agreed to establish an Independent Audit Advisory Committee, IAAC.² A year has now gone by since an IAAC was approved and the decision to conduct an external review of the UN's accountability mechanisms.³ During this time a series of reports were issued that analyze the flaws in the oversight system of the organization and make recommendations for its improvement.

In the first half of 2006, the Secretary General appointed a Steering Committee with the purpose of conducting an external review of the oversight and audit mechanisms of the UN. The review was conducted by an external contractor, Price Waterhouse Coopers, PWC, under the *aegis* of the Committee. The Steering Committee's findings were circulated in August as a Secretary General's Report.⁴ One of the major problems that Member States have been struggling with, in regards to the report, has to do with the extent to which the recommendations of the Steering Committee report should be taken into consideration and acted upon. Several recommendations contained in the report are evidently based on a private-sector-like perspective and do not take sufficiently into consideration the peculiar nature and necessities of an organization like the United Nations. Also, the report is not consistent: some of its sections are based on very accurate analysis while others seem rushed through. Amongst the recommendations included in the report are: adoption of a UN Code of Governance system-wide; strengthening the effectiveness of executive management and accountability through, *inter alia*, enforcing



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the practice of result-based management; the improvement of OIOS through a rearrangement of its functions; implementation of an enterprise-wide risk management framework; and abolishment of the Joint Inspection Unit⁵ when all the suggested mechanisms of oversight are in place and running effectively.

In addition, Member States have been since long expecting the issuance of a last document by the Advisory Committee on Administrative and Budgetary Questions⁶ on the issue of oversight and governance. The ACABQ document elaborates on the proposals made to date and should be discussed by Member States shortly. The drafting of a resolution to present to the GA for adoption will begin once Member States have exhausted the discussion on the ACABQ's report. Considering that during the current session of the GA, the Fifth Committee is already under great time pressure to reach agreement on several other outstanding matters, including the scale of assessments and the reform of procurement and human resources management, among others, a resolution on oversight and governance reform, which will require extensive discussions, runs the risk to be deferred to the resumed session of the Fifth Committee, beginning in March 2007, thus inevitably causing some significant delay in its subsequent implementation.

Thematic clusters

In order to tackle the vast amount of reports and the massive endeavor of reforming the overall oversight and governance systems of the organization, Member States, under the guidance of a Facilitator, Mr Karl Van den Bossche of Belgium, are planning to divide their work into three thematic clusters. Thus, the draft resolution will comprise the reform of the OIOS, the structuring of the IAAC, whose terms of reference will be included in the draft resolution, and the accountability and governance system.

- *Reform of the Office of Internal Oversight Services*

Currently, the scope of work of the Office of Internal Oversight Services includes four main activities, namely: internal audit, inspection, evaluation, monitoring and investigation. The Office has also been charged to date with the task of providing management consulting services. In July, in response to the recommendations offered by the Steering Committee in its report with respect to the reform of the OIOS,⁷ the Under Secretary General (USG) for Internal Oversight Services, Ms. Inga-Britt Ahlenius, issued a report, "Proposals for the strengthening of the OIOS."⁸ The report supports the suggestion that the OIOS be discharged of its management consulting functions, which indeed represent a crucial conflict of interest in the exercise of its independent auditing, evaluation and monitoring activities. It also takes into consideration and agrees with a few other Steering Committee recommendations, but dismisses the overall restructuring of its Office as proposed by the Committee, rebuts the allegations that the Office's independence is jeopardized by the fact that OIOS is internal to the Organization, strongly discourages the relocation of its evaluation functions to the Department of Management and the removal of its inspection functions to the Office of Legal Affairs. The report then makes its own proposals for a more effective delivery of its tasks.

With respect to the OIOS, Member States will be considering its four mandated activities and several sub-themes such as operations, relations with agencies, and functioning of the Office. Member States



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generally agree that the management consulting functions should be transferred to a different office. As far as the budget process is concerned, there is wide agreement that the OIOS must get operational independence. The discussion will focus on how to ensure that the Fifth Committee still has a hold on controlling the budget of the OIOS. Currently, Member States have different approaches to this matter.

In terms of the investigational activity of the OIOS, the USG of Internal Services has proposed to establish a separate special investigation task force for sexual exploitation and abuse (SEA) as well as a procurement investigations task force in addition to the existing investigation division. At this juncture, even though Member States agree that investigations should remain a core function of the OIOS, there could be some difficulties in reaching agreement on how to reform its investigational activities, since investigations focus on people who come from different countries and at times could directly hinder the interests of some Member States.

As for the evaluation and monitoring functions of the OIOS, Member States have different points of view on how to conduct this reform. For instance, the G77 feels that evaluation of programs should be carried out more often than every 20 years, as provided by the current directives, since such systematic evaluations could be used as a way to enforce legitimization of mandates, making it more difficult to eliminate them during periodic reviews.

- *The Independent Audit Advisory Committee*

Perhaps one of the most contentious elements in completing the reform of the oversight and governance systems at the UN will be the finalization and implementation of the IAAC. The Independent Audit Advisory Committee, which requires resources amounting to almost one million dollars for the biennium 2006/2007,⁹ was agreed to in December 2005¹⁰ to help the Secretary-General (SG) and the GA exercise their oversight responsibilities better and ensure that audit processes work effectively across the organization. At the end of 2005, Member States did not have the time to go into further discussions with regards to the terms of reference of the IAAC, or its composition, scope of work, selection process and qualification of experts. The updated terms of reference for the IAAC, issued in June this year,¹¹ are currently being discussed in light of the comments of the ACABQ included in a document also issued in June.¹² Additional discussions on these matters will take place during the formulation of the draft resolution.

Two of the burning issues concerning the IAAC are its composition and the selection process to be used to choose its members. The selection process of the members of the IAAC will present much matter for discussion: will the Secretary General or the Member States nominate its members and will it have enough members to ensure proper geographical representation? A heated debate is also expected to revert around how the IAAC will function. The main question at this juncture is whether it will be empowered to block, filter or just question information before it goes to Member States. The answer to this question could alter the distribution of power within the UN's budgetary process and determine how the Fifth Committee will interact with the IAAC in order to keep full control of the budgetary process. The fear many smaller countries have is that the power of the Fifth committee may end up diminished. Agreeing on the scope of the activities of the IAAC could also present difficulties since what the IAAC's scope of work will be is not yet completely clear. The updated terms of reference assign a rather wide scope of



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work for the Committee, but some Member States believe that, possibly, a narrower scope would guarantee better results and a more effective *modus operandi*.

- *Reform of Secretariat's governance and accountability*

The debate on governance and accountability is also expected to present difficulties because there have been many inputs but no concrete proposals. One of the key points will be the formulation of clear references for a system of enterprise-wide risk management that are suitable for the organization. The Steering Committee, in its report, did not go into details on how to establish a risk management framework and it will be the task of Member States to delve into the issue and formulate sensible directives. This is inevitably a task that will require much consultations and the counseling of experts. In fact, with respect to enterprise risk management, the Secretary General is proposing another round of consultations to work out how to organize a framework for enterprise-wide risk management within the system.

Other Oversight and Governance Reform Issues

Downsizing the Fifth Committee?

To date, the process has not advanced without some controversies, notwithstanding the general consensus that substantial reform is needed. The report of the Steering Committee in particular has stirred up an animated debate by mentioning among its recommendations that the size of the Fifth Committee is a substantial obstacle to the swift reaching of agreements on budgetary matters that has a detrimental effect on the organization's functionality. The report suggests that the Fifth Committee be reshaped to a more manageable size. This proposal, even though it caused some uproar, is not an issue that will endanger the negotiations or create miscommunications amongst groups as the issue related to the budget cap did earlier this year, since in this case there is common agreement among all groups, including the Western Group, that such a proposal is not feasible or necessarily healthy for the organization.

The Fifth Committee is generally recognized as the only organ within the General Assembly that functions as a counterweight to the Security Council based on its power over budget priorities and dues assessments. Unlike the Steering Committee members, Member States see the Fifth Committee as a unique organ that cannot be equated to the financial board of a firm, corporation or smaller agency. Furthermore, according to a Fifth Committee delegate: "...within the *modus operandi* of the Fifth Committee there is a natural selection process; a *de facto* downsizing of the Committee happens when Member States are negotiating a resolution at 4.00 a.m. in the morning, then you will see only Member States which have an interest in the outcomes of the resolution being discussed, certainly not all 192 of them. Moreover, the fact that a considerable number of Member States work in groups, such as the EU and the G77, already works as a rationalizing factor."

Discontinuation of the Joint Inspection Unit

Many Member States feel that the Steering Committee's suggestion that the Joint Inspection Unit should be abolished was based on the false premise that once all the suggested mechanisms for oversight are



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implemented, the JIU will no longer be needed. However, there is general consensus among Member States that it would be rather naïve to believe that all recommendations for the various existing governance bodies and those in the making, like the IAAC, will be implemented, achieving effective system-wide oversight swiftly. Besides, the Joint Inspection Unit is currently the only body with a system-wide mandate to conduct evaluations, inspections and investigations. Thus, it is rather certain at this stage that the JIU will continue to have an important function to fill for quite some time. The main difficulty afflicting the Unit is that oftentimes its recommendations are not implemented. Although the Unit was given sharper terms of reference (TOR) in December 2004,¹³ more still needs to be done to make sure that its recommendations are actually implemented.

The Reform of the Committee for Programme and Coordination

Finally, the proposed reform of the Committee for Programme and Coordination, CPC, the main subsidiary organ of the Economic and Social Council and the General Assembly for planning, programming and coordination, is also expected to stir up great controversy. Whereas Japan and the US have expressed their frustration with the work of the Committee and pleaded for its dismantlement, the G77 is defending the work of the CPC as needed to help guarantee coordination within the United Nations system.

Conclusion

Given its importance in making the UN more effective and increasing its credibility, the reform of the accountability systems of the United Nations should have been given greater priority in the aftermath of the World Summit of 2005. Instead, fourteen months later, there is still no resolution in sight. Considering the scale of the endeavor and the long period of adjustment that implementation will require, the hope now is that Member States will compromise their differences so that they can reach agreement as soon as possible, without engaging in lengthy power struggles.

¹ A/48/218 B

² A/60/568

³ The constitution of the IAAC was agreed to in December 2005 (A/60/568) but Member States had insufficient time to complete discussions with regard to the IAAC's terms of reference, composition, scope of work, selection process and qualification of experts. Since then, several documents have been issued with updated TORs for the IAAC and are now being discussed by the Fifth Committee.

⁴ A/60/883/Add.1 & 2

⁵ The Joint Inspection Unit is a standing subsidiary organ of the GA. It is composed of 11 inspectors. The Unit has the mandate to provide an independent view through inspection and evaluation aimed at improving management across the organization and at achieving greater coordination between organizations. It has a system-wide mandate and issues an annual report.

⁶ The ACABQ is a 16 member subsidiary organ of the GA which has, *inter alia*, the important task to advise the Fifth Committee on administrative and budgetary matters referred to it

⁷ A/60/883/Add. 2, Vol. V

⁸ A/60/901

⁹ "Budget Committee Considers Updated Terms of Reference for Independent Audit Advisory Committee," DPI Report, GA/AB/3747, June 28 2006

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¹⁰ A/60/568

¹¹ A/60/846/Add. 7

¹² A/60/903

¹³ A/59/646