



# Management's Discussion and Analysis



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The Secretary-General of the United Nations functions as Chief Administrative Officer of the Organization, as provided for in the United Nations Charter. In fulfillment of this responsibility he manages his role by delegating substantive programme management authority to the Under-Secretaries-General in their respective areas of specialty. The Secretary-General keeps himself abreast of programmatic and emerging issues that require his personal leadership and involvement by working through thematic executive groups and committees: the Senior Management Group, the Executive Committee on Peace and Security, the Executive Committee on Humanitarian Affairs, the Executive Committee on Economic and Social Affairs and the UN Development Group. The Senior Management Group is supported by two special committees, the Policy Committee and the Management Committee, both of which were created in 2005.

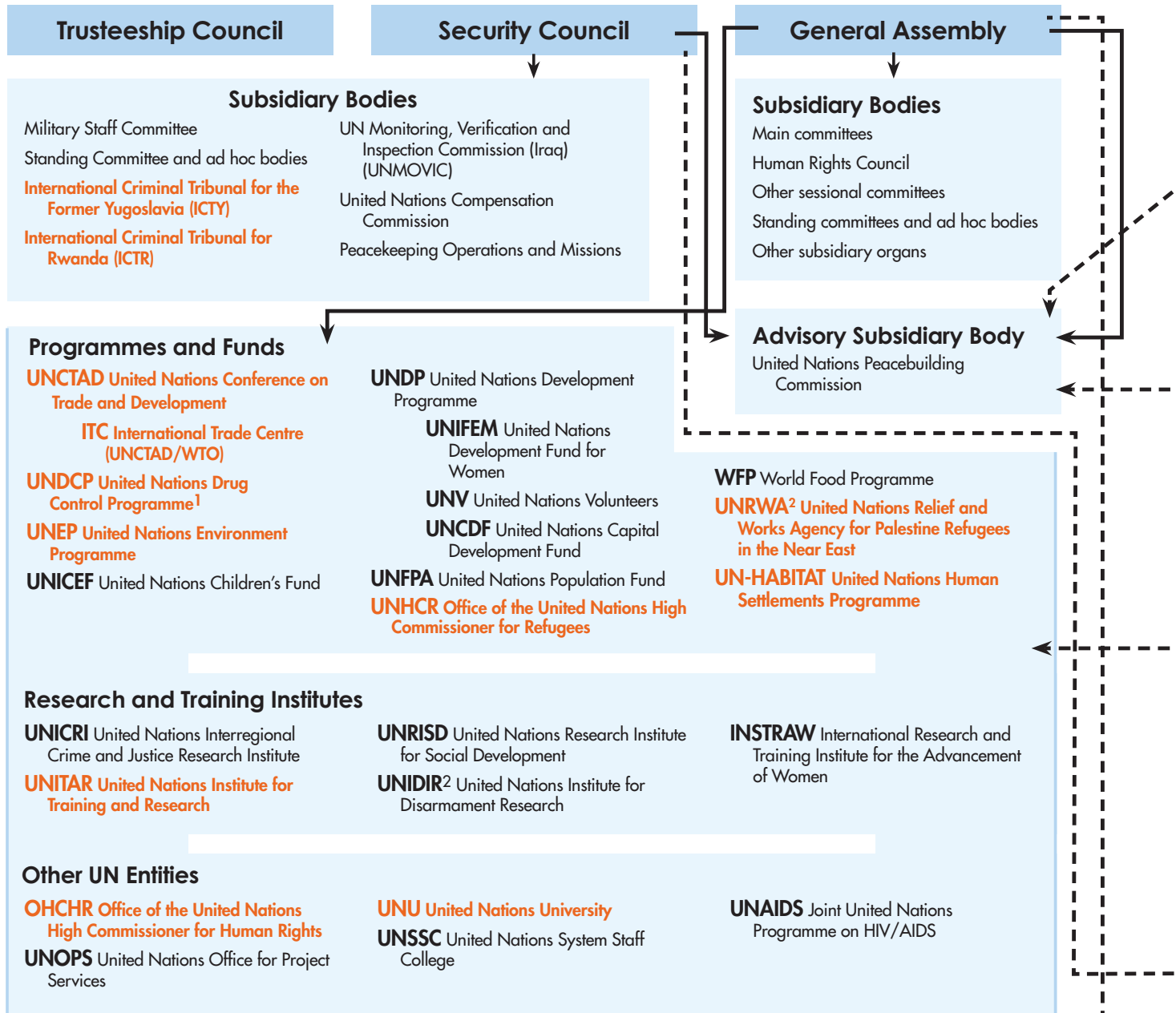
This report, when all its following sections are absorbed in sum, accounts for the impact and cost-effectiveness of the performance achieved in 2005 within this considerable range of delegated authority. This section draws on and summarizes the entire report. It includes an organizational overview; a digest of the most significant performance achievements and challenges for 2005; a concise analysis of financial performance; an account of the Secretariat's responses to key audit and oversight recommendations; and a perspective on the Secretariat's immediate challenges and future direction. The discussion and analysis here is supported by the detailed information to be found in the Performance and Financial Sections that follow, and this section's representations are set alongside independent performance analysis from the Office of Internal Oversight Services and the Board of Auditors.

The reporting covers the work of the United Nations Secretariat with its global network of duty stations that consists of UN Headquarters in New York, established offices in Geneva, Vienna and Nairobi, and Regional Economic Commissions for Europe, Africa, Western Asia, Latin American and Caribbean, and Asia and Pacific. In these and dozens of other locations, the Secretariat's staff carries out the diverse day-to-day work of the Organization. It services the other principal organs of the United Nations and administers the programmes and policies laid down by them.



# The United Nations System

## Principal Organs



**NOTES:** Solid lines from a Principal Organ indicate a direct reporting relationship; dashes indicate a non-subsidiary relationship.

<sup>1</sup> The UN Drug Control Programme is part of the UN Office on Drugs and Crime.

<sup>2</sup> UNRWA and UNIDIR report only to the GA.

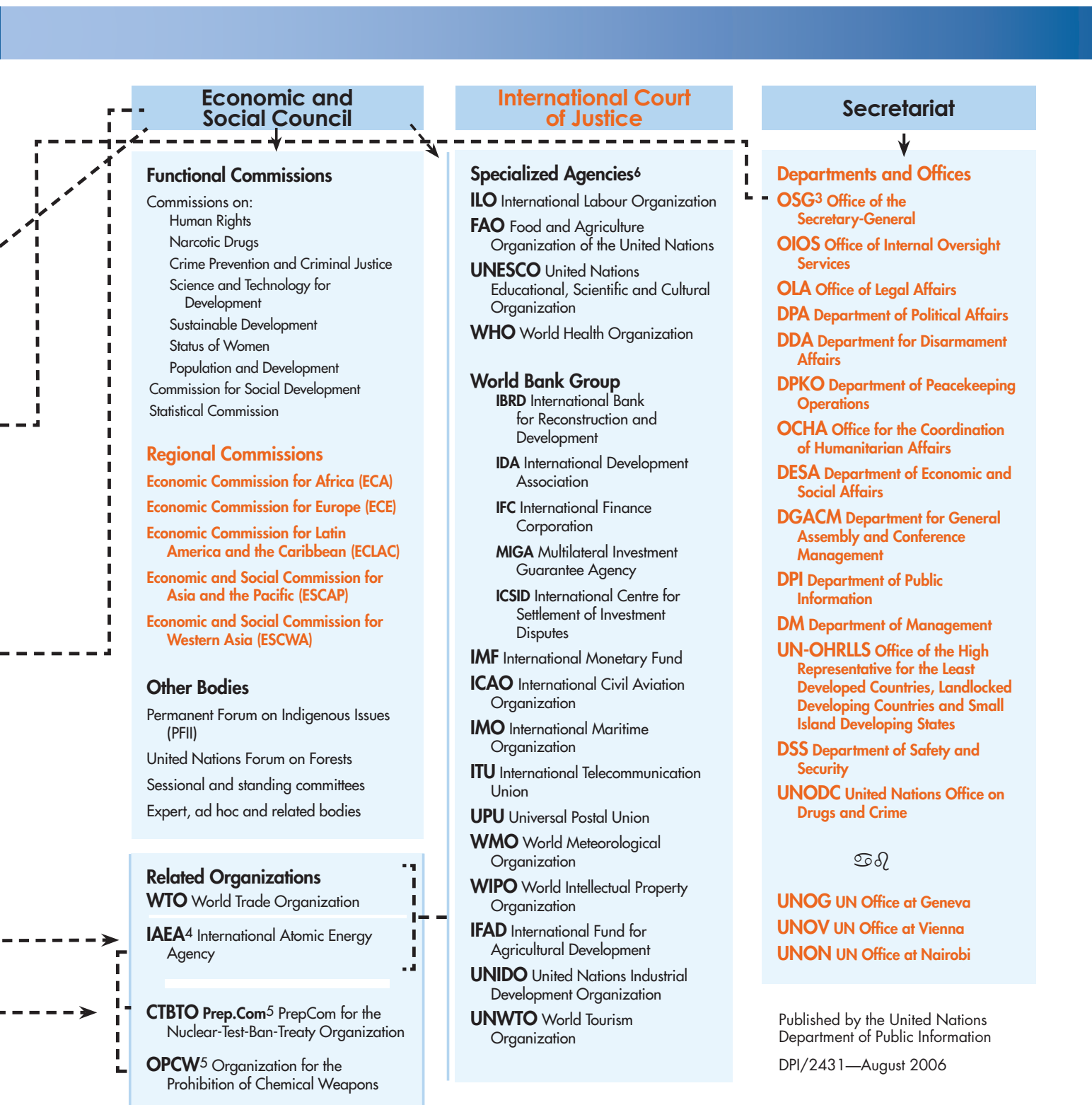
<sup>3</sup> The United Nations Ethics Office and the United Nations Ombudsman's Office report directly to the Secretary-General.

<sup>4</sup> IAEA reports to the Security Council and the General Assembly (GA).

<sup>5</sup> The CTBTO Prep.Com and OPCW report to the GA.

<sup>6</sup> Specialized agencies are autonomous organizations working with the UN and each other through the coordinating machinery of the ECOSOC at the intergovernmental level, and through the Chief Executives Board for coordination (CEB) at the inter-secretariat level.

Highlighting indicates the departments and offices covered by this report.

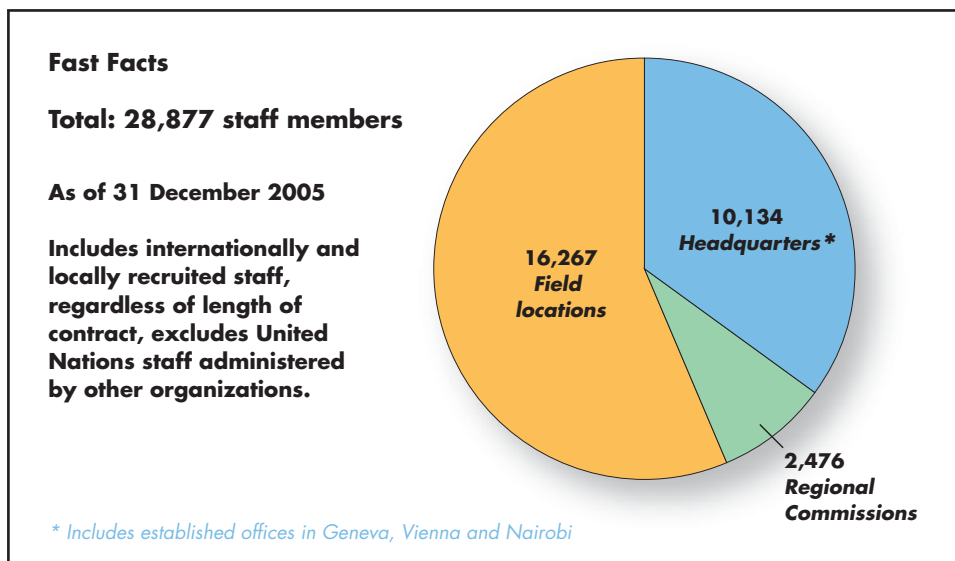


The duties carried out by the Secretariat are as varied as the problems dealt with by Member States of the United Nations. These range from administering peacekeeping operations to mediating international disputes, from surveying economic and social trends and problems, to engaging issues of human rights and sustainable development. Secretariat staff also inform the world's communications media about the work of the United Nations, and organize and manage international conferences on issues of worldwide concern.

## People

The Secretariat has a total staff of about 29,000, combining both international and national staff from all budgetary sources, drawn from over 170 countries of the current total membership of 192 nations.

The enormous scope of UN peacekeeping around the world generates its own special demands for personnel. One hundred and eight countries contribute individuals and contingents of military and police personnel. Currently, almost 64,200 serve as troops and military observers, and about 7,500 serve as international police.



## Performance Management, Measurement and Reporting: A Work in Progress

Over the last decade, the United Nations, like many public organizations, has been undergoing a fundamental shift away from a reactive, rules-bound approach to managing processes and resources, and toward an approach that focuses on results. Results-based budgeting (RBB) and the increased use of performance measurement systems have catalysed this shift, which is moving the Organization toward results as the basis of evaluating performance, while simultaneously formalizing more intensified and fact-based methods of accountability. Further evolution in the management culture and changes in the Organization's way of doing business represent the way forward.

The Organization's approach to managing performance is based on a framework that includes: setting of goals (expected accomplishments, indicators of achievement and associated metrics) as part of the preparation of the biennial budget for each programme and its subprogrammes; tracking of metrics during the budget period; and entry of the actual measurements of attainment in a central database which in turn is the source of information for the biennial Programme Performance Report (PPR), a comprehensive account that is vetted and transmitted by the Office of Internal Oversight Services.

Concurrent with the establishment and refinement of this system and its reporting have been other attempts to develop reporting in the form of fact-based assessment. Since 2002, the Progress and Impact Reporting System (PIRS) has captured and analysed information on the real impact of the management improvement measures implemented in support of the Secretary-General's reform programmes. Its data has enabled the Secretariat to initiate a series of more rigorous and quantitative reports to the General Assembly on the progress of reform in administrative processes and financial management. Reports to the General Assembly on information technology management and human resources management issues have also recently reflected a much greater emphasis on performance analysis, impact on the Organization's business processes and use of metrics. In sum, the Secretariat is engaged in organizational learning on how to make managing for results, and reporting on those results in a rigorous way, the normal state of affairs.

This report reflects in a transparent way the status of that learning curve. The Organization's strengths and weaknesses in the manner in which it presents information lays open the ongoing struggle to bring the performance management system and its

mechanisms, including reporting, up to a standard of excellence. The Secretariat's reporting has difficulties in three areas:

1. **Timely and continuous use of metrics** — performance measurements must be monitored, validated and fed into the planning process, so that changes in needs are identified, shortcomings are evaluated, and priorities, projects and budgeted resources for the succeeding period make good use of the performance analysis. Currently, lack of monitoring is a critical weakness in the system.
2. **Exploiting the full value of the measurement systems** — difficulties occur both in identifying and capturing the most salient metric, and in integrating the process of measurement into the regular implementation of programme operations, so that managers can use it dynamically, for course correction and self-evaluation, rather than post facto.
3. **Dealing with the “soft outcomes” problem** — that is, developing a valid and useful metric for a process intended to influence opinion and/or advance decision-makers' thinking on a policy matter. If the effect of such efforts will be necessarily indirect, it is difficult to measure through secondary, or proxy, phenomena. The United Nations, like so many organizations, struggles with this problem, whose solution calls for much trial-and-error, creative thinking and review.

## Performance Management in 2005

### ***Major issues and accomplishments***

A summary discussion of the performance of the United Nations Secretariat falls naturally into two streams of reflection and analysis. The first stream of discussion focuses on those cross-cutting issues that challenged the Secretariat as a whole, regardless of programmatic function, and the solutions devised to address them. The second stream addresses the record of performance on the responsibilities that flow directly from the mandates and missions of the separate strategic areas of work, such as international peace and security, human rights, development and so on.

### ***Safety and Security of United Nations Personnel***

For 2005, the first stream of issues reflects the need for a proactive response to emerging problems—actions whose time has come. Nothing could be more critical than the very

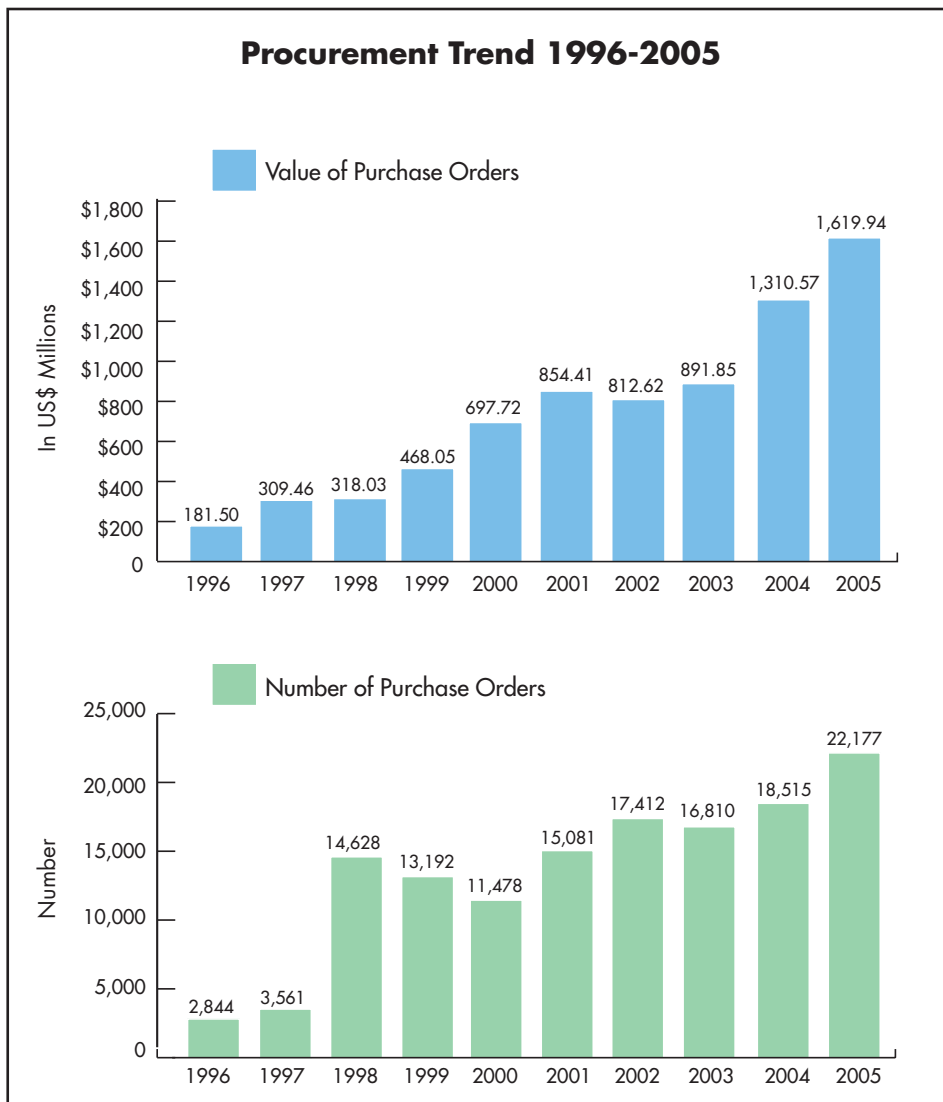
physical survival of the United Nations staff and of the assets needed to do its work. The devastating bomb attack on the UN mission headquarters in the Canal Hotel in Baghdad on 19 August 2003 signaled a sad new era of threat to the United Nations people and facilities, an era in which the “moral shield” of the UN flag could no longer be relied upon to automatically protect UN staff across the globe.

In the aftermath of the Baghdad attack, the 2003 assessment report of former Finnish President Martti Ahtisaari's Independent Panel on the Safety and Security of United Nations Personnel called for a new, drastically revised security strategy for the United Nations. Responding to this and other reports, as well as to proposals put forward by the Secretary-General, the General Assembly in December 2004 decided to establish a Department of Safety and Security (DSS) as the central node of a strengthened and unified security management system for the United Nations System as a whole. The goal was to ensure the safety and security of United Nations staff, operations and premises in all locations and establish a unified capacity for policy, standards, coordination, communication, compliance, and threat and risk assessment. Accordingly, all the relevant security management components at Headquarters, at other main duty stations, and in the field were consolidated into the new Department that came into being in 2005. The birthing of an organizational framework with new leadership was only a beginning, and the Department laboured throughout the year with the task of attaining full staffing strength, with the challenges of finding the best people and filling positions in contemporary areas of expertise.

### **Procurement**

One of the most daunting challenges of the past decade for the United Nations has been the extraordinary expansion in the scale and scope of procurement. Driven largely by the huge growth in peacekeeping — which today accounts for 85 per cent of all procurement — but also encompassing growing support to other field operations and relief initiatives, the value of United Nations global procurement has increased steadily from about US\$ 300 million in 1997 to over US\$ 1.6 billion in 2005. The trend is still heavily upward: in 2006, it is expected to exceed US\$ 2 billion. During the same period, however, the number of dedicated procurement staff at Headquarters has in fact fallen.

Inevitably, this has tested the robustness and effectiveness of both systems and controls — and both have been found lacking. On the one hand, it has become clear that the United Nations' procurement rules and regulations are too complex and cumbersome for the kind of quick actions often required in field missions. To take one glaring example, otherwise sensible requirements on seeking bids from multiple vendors can prove a real



obstacle to the effective and timely delivery of critical goods and services from food to fuel to transport services in inaccessible and isolated places, such as parts of Sudan or the Democratic Republic of the Congo. On the other hand, it has also become clear that some of the limited steps that the Organization has taken to try to deal with this in recent years, such as providing more authority for field-based procurement, have not been accompanied by sufficient support and controls to prevent mismanagement and possible abuse. As a result, despite the hard work and dedication of the vast majority of staff, often in extremely complex and difficult situations in the field, the Secretariat has too often fallen short of the high standards that the United Nations needs to set itself.

Along with the challenges of dramatically expanded scale, management control and practicality of existing rules, are the purely technical demands of contemporary large-scale acquisition. Current peacekeeping logistical operations require sophisticated supply chains based on detailed negotiated terms and conditions of contracts that ensure well-balanced risk allocation. Financial and technical evaluations have also become relatively more sophisticated and complex. The same applies to legal terms and conditions of contracts. The fact that the Procurement Service has opened most of its major contracts to other UN organizations to share expertise and leverage purchasing power has also put additional requirements on the quality of UN procurement — in many instances such issues as global certifications, the most advantageous use of INCOTERMS<sup>1</sup>, and knowledge of the global capabilities of UN contractors have become crucial to successful implementation of contracts within the UN family. Examples include software licensing, civil engineering and logistics-related contracts.

While some of the procurement problems documented in the reports of the Independent Inquiry Committee into the United Nations Oil-for-Food Programme have already been corrected, significant problems remain. A separate review conducted late in 2005 by external experts found major weaknesses in culture, management oversight and controls—including outdated procurement processes, a failure to align and support the procurement needs of clients, an inconsistent execution of processes, a poor governance structure and lack of sufficient resources. Equally worrying, an audit into peacekeeping procurement, undertaken by the Office of Internal Oversight Services in 2006, has raised significant additional concerns with regard to both mismanagement and possible fraud.

Quite apart from correcting systems and implementing robust internal controls to prevent potential wrongdoing, there is also significant potential for the United Nations to purchase goods and services more cheaply and efficiently if systems and procedures are properly modernized. To take one example, although a contractor performance rating system exists, the results are not yet easily accessible across the United Nations System, nor have such performance reports been routinely examined to provide a measure of the future worthiness of United Nations contractors. Indeed, from outdated master contracts to overstretched data systems, an overworked team lacks the tools it needs to provide the highest quality procurement services. And as in other areas of the United Nations, spending on training — just \$20,000 annually for the 70 procurement staff at United Nations Headquarters — is also well short of what is needed.

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<sup>1</sup> INCOTERMS provide a set of international rules for the interpretation of trade terms commonly used in foreign trade defining the obligations of sellers and buyers.

### **Procurement actions and proposals**

This is a formidable array of problems. In response, a number of additional audits and investigations have begun, while an intensified and accelerated programme of procurement reform is being implemented.

To ensure that the 2005 audit and review findings about possible irregularities are urgently addressed, the Secretary-General has instructed the Office of Internal Oversight Services to conduct an expeditious review of these cases and additional allegations of possible procurement-related wrongdoing by staff. In addition, a more comprehensive, forensic audit is being carried out by external experts and the United Nations is fully cooperating with national law enforcement bodies in their own investigations. The Secretary-General has directed that these investigations be concluded quickly and that swift action be taken against any United Nations staff members found to have acted inappropriately.

A foundational series of critical proposals for extensive management reform of procurement were developed and presented in March 2006 by the Secretary-General, in his report *Investing in the United Nations: for a stronger Organization worldwide* (A/60/692). The General Assembly, in response, requested in their resolution A/RES/60/260, that the Secretary-General submit a more detailed report, showing actions to date and a comprehensive plan of action. At the time of this writing, this was satisfied by submission of report A/60/846/Addendum 5 in June 2006. The Secretariat intends to complete all actions within 18 months.

In the period straddling 2005 and 2006, major steps were already underway to further enhance internal control processes and mechanisms, to optimize acquisition and procurement management and to manage the UN procurement more strategically. To cite a few, the Secretariat has developed and implemented an ethics and integrity programme for the Procurement Service, reinforced procedures, reviewed senior staff appointments for this function and strengthened the process of selecting best-qualified staff for peacekeeping missions, updated the UN Procurement Manual, required prospective bidders to disclose engagement of recently separated UN staff, strengthened invoice payment approval functions, enforced the procedure for obtaining and maintaining performance bonds, begun monitoring cumulative awards to each vendor so as to develop a vendor risk profile, initiated development of improved management reporting processes and systems—including diagnostic software tools to identify potential anomalies in financial transactions — **and finally, among measures implemented immediately**, taken steps to optimize acquisition and procurement management by intensifying proper acquisition planning based on formal inputs from peacekeeping missions and validation of actual needs.

Pending deliberation and General Assembly endorsement of the full procurement reform, the entire 18-month agenda will be implemented.

### ***Organizational Integrity and Ethics***

In 2005, as a result of a number of identified weaknesses in management controls, systems and ethical concerns, the Organization took steps through a series of bold initiatives to build greater strength, resiliency and fairness in the conduct of business. Given the operational complexities, expansion and resource utilization previously adduced in this discussion—for example, the substantial spike in peacekeeping operations—the Organization had no choice but to deal vigorously with all the revealed weaknesses.

A new Ethics Office, guided by a Special Advisor to the Secretary-General, was set up, with a charge to set and interpret ethical standards, advise staff members on ethical questions, develop an ethics training curriculum for all staff, identify vulnerabilities to fraud and corruption and administer a more rigorous financial disclosure mechanism for all senior staff and those mid-level staff with special fiduciary responsibilities, such as procurement officers.

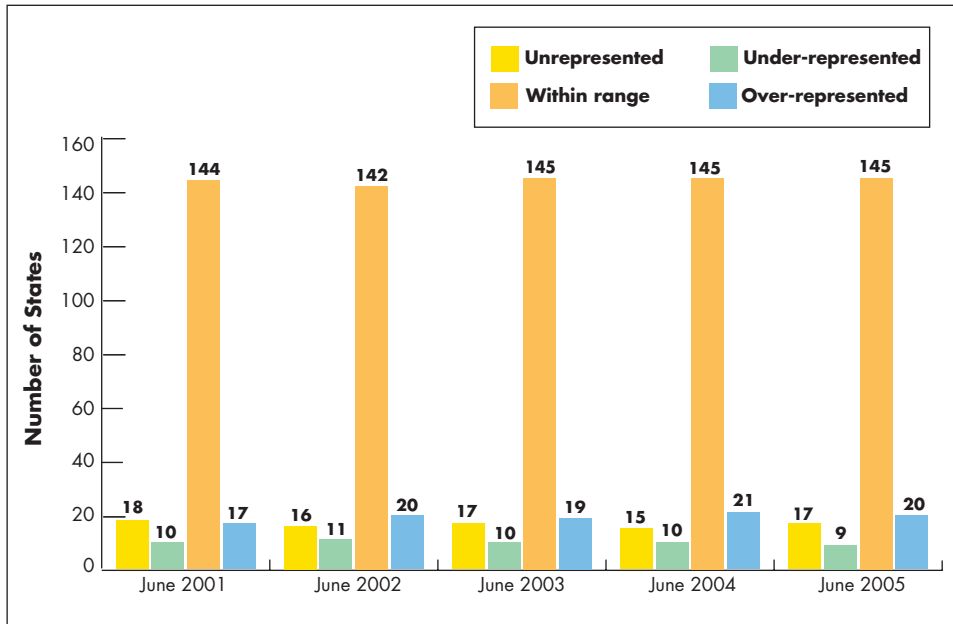
In addition, the Ethics Office has the role of protecting individuals who report wrongdoing or cooperate with authorized audits or investigations. Such individuals who report in good faith have the right to be protected against retaliation. The Organization's commitment to providing protection is embodied in a new policy promulgated in late 2005 that has been deemed the "gold standard" of whistle-blower policies by a leading advocacy group.

Further, in the light of the unfortunate incidents of sexual misconduct among peacekeeping contingents that took place in 2004, the Organization adopted a zero-tolerance policy toward sexual exploitation and abuse, in keeping with the General Assembly resolution 59/296. The Office of Internal Oversight Services' review of this matter, performed at the request of the Department of Peacekeeping Operations, stressed the requirement to enforce accountability and responsibility for misconduct in the spirit of the UN's standards of conduct, the Organization's core values and competencies, and the United Nations Charter, which requires that all staff commit themselves to "...the highest standards of efficiency, competence and integrity."

### ***Human Resources: Special Goals***

Two vitally important management issues that receive high priority within the Organization's human resource management goal-setting are attaining gender balance in staffing, and achieving a balance in geographic distribution of the national origin of staff by way of effective recruitment policy and practice.

The graph below provides the trend data between June 2001 and June 2005 as the Secretariat attempts to fulfill its commitment to minimize disparities among under-, over- and unrepresented Member States.



As the data indicates, the performance of the Organization in accomplishing this over the last several years has not been satisfactory. More intense attention to this issue in the recruitment process is called for.

Regarding gender balance in staffing, in June 2004, of 5,325 total staff in professional and higher categories, 37.37% were female, against 62.63 per cent male. Twelve months later, in June 2005, of 5,754 total staff in the same categories, the ratio remained essentially the same, with 37.12 per cent female, 62.88 per cent male. This represents a flattening of the earlier curve of progress during the period 2001-2003. A more proactive approach to attract and retain female applicants should help overcome this stagnation.

## Programme Management Accomplishments and Challenges

The second stream of discussion covers the strategic areas of work conducted by individual programmes and through collaborations among programmes. The following tabular digests are extracted from the full treatments provided in the Performance Section that follows later in this volume. Here, at a glance, the reader will find the accomplishments and challenges identified by the programme managers as most significant during 2005.

### International Peace and Security

#### Significant Accomplishments in 2005

- ✓ Post-conflict elections in Afghanistan, Burundi and Liberia.
- ✓ Election in the Democratic Republic of the Congo (first in four decades).
- ✓ Electoral support in Iraq.
- ✓ Disarmament, demobilization and reintegration (DDR) of combatants in Afghanistan.
- ✓ Launch of Sudan peacekeeping mission; evolving implementation of newer peacekeeping mandates in Haiti, Côte d'Ivoire and Burundi.
- ✓ Transition from peacekeeping to peacebuilding in Timor-Leste and Sierra Leone.
- ✓ Resolutions adopted at the 14 September World Summit on a) prevention of incitement of terrorism, denying safe havens, strengthening border security, and enhancing dialogue among nations; and b) measures to enable UN and its partners to respond early to disputes and emerging crises, particularly in Africa.

#### Areas of challenge

- ◆ Special Envoys of the Secretary-General were not able to significantly affect negotiations in Western Sahara and Myanmar; peacemaking efforts did not lead to a resumption of negotiations in Colombia.
- ◆ Provision of security for UN political affairs and electoral activities in Iraq.
- ◆ Executing the "integrated" (Haiti) and "unified" (Sudan) peacekeeping mission concepts with their multi-component and/or multi-organizational complexities.
- ◆ Attaining the expected level of performance from the Standby Arrangements System for rapid deployment of a peacekeeping mission.
- ◆ Lack of response from regional organizations to the call in World Summit Outcomes resolutions to put their peacekeeping capabilities under UN standby arrangements.

## Economic and Social Development

### Significant Accomplishments in 2005

#### Department of Economic and Social Affairs

- ✓ Produced two high-impact reports on gender inequality, enhancing the scope and reliability of data that supports social and economic analysis and planning.
- ✓ Supported negotiations leading to the first-ever treaty on disability rights.

#### Areas of challenge

- ◆ Department of Economic and Social Affairs rethinking and re-engineering its activities in technical cooperation, particularly by pursuing knowledge management and networking capacities within the Department and with key partners.

#### In the Regional Commissions:

- ◆ Western Asia: political instability; need to improve information technology and outreach mechanisms.
- ◆ Europe: implementation of the large number of legally binding instruments agreed in past years.
- ◆ Latin American and the Caribbean: maximizing the exchange of statistical information and analysis between research units and end users.
- ◆ Africa: greater assistance to member countries in sustainable management of natural resources; deal with duplication among developmental partners in the region.
- ◆ Asia and the Pacific: Production, collection and analysis of data has been a concern—quality data for many regional indicators is still insufficient, as is capacity for data analysis and evidence-based planning.

- ✓ Issued “International Guidelines on Environmental Management Accounting” in partnership with the Board of the International Federation of Accountants, with global potential to assist businesses in identifying cost savings from improved environmental practices.

#### Regional Commissions

- ✓ The Economic Commission for Western Asia supported the efforts of the region’s member countries to adopt integrated water-resources management measures.
- ✓ The Economic Commission for Europe accomplished 60 new ratifications and accessions to environmental conventions and protocols.
- ✓ The Economic Commission for Latin America and the Caribbean assisted 21 countries to build national-level institutional networks to coordinate and follow up on gender policies.
- ✓ The Economic Commission on Africa’s innovative African Peer Review mechanism—in which representatives from other States conduct collegial assessments of a nation’s policy and practice in a given area—has become more widely used, with nine new peer review missions in 2005, plus several follow-up missions.

#### United Nations Environment Programme

- ✓ The UN Environment Programme completed the Millennium Ecosystem Assessment, a four-year effort describing the consequence of ecosystem change and offering options for response.
- ✓ The United Nations convened the World Conference on Disaster Reduction in Kobe, Japan, where participants agreed on a global strategy for reducing disaster risk by 2015.
- ✓ The Kyoto Protocol entered into force in February 2005, realizing the first legally binding agreement to reduce combined emissions of greenhouse gases by 2012 to levels below those of 1990.

### Significant Accomplishments in 2005 (continued)

#### UN-HABITAT

- ✓ The Water and Sanitation Trust Fund of UN-HABITAT attracted approximately US\$ 50 million to help mobilize international finance and investment in water and sanitation projects that benefit the poor. This amount in turn leveraged US\$ 1 billion in matching grants and loans for projects in 30-plus urban areas.
- ✓ The Sustainable Cities Programme, a UNEP partnership in environmental planning and management, expanded to eight new countries and 22 municipalities, bringing the total to 64 cities in 21 countries.
- ✓ In reconstruction efforts following the destructive effects of long conflict, UN-HABITAT worked in urban planning, slum upgrading, housing rehabilitation, women's empowerment, and water and sanitation in Somalia, Liberia, Afghanistan, Burundi, the Balkans, Eritrea, Iraq and Rwanda, among many others.

#### UN Conference on Trade and Development (UNCTAD)

- ✓ Energetic follow-up on adoption of the São Paulo Consensus, a widely accepted reaffirmation of multilateralism in trade, positioning trade as a substantial contribution to assisting countries in reducing poverty and promoting development.
- ✓ The Debt Management Financial Analysis System—a key technical cooperation project that helps countries develop effective administrative, institutional and legal structures for managing debt—expanded to serving 95 institutions in 65 countries.
- ✓ The offices of the International Trade Centre, jointly operated by UNCTAD and the World Trade Organization, were effective in expanding involvement with advocacy networks of developing countries whose economies are in transition, participation growing by 40%; concurrently, eight new inter-institutional committees were established for Africa alone, to coordinate and develop positions and strategies for multilateral trade negotiations.

#### Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States (UN-OHRLS)

- ✓ UN-OHRLS and the UN Development Programme jointly issued two major reports on the devastating reach of HIV/AIDS in the Least Developed Countries, examining the efforts and capacity needs of these countries in confronting the pandemic, and spotlighting some key obstacles, with special attention to unsustainable debt burden.

#### Areas of challenge (continued)

- ◆ UN-HABITAT's Governing Council is working to advocate for the mainstreaming of the urban poverty agenda by governments and civil society partners.
- ◆ Increase the relevance of UNCTAD research to the concerns of Government policy-makers.
- ◆ Need for a more systematic process for monitoring outcomes of International Trade Centre products and projects in the areas of poverty reduction, gender equity, and environmental sustainability.
- ◆ Improving the coordination mechanism between the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States (UN-OHRLS) and UN Resident Coordinators and other key actors in least developed countries remains a challenge in maintaining the Output Implementation Rate called for in the Brussels Programme of Action for these countries.
- ◆ In Outer Space Affairs, capacity building in space law is being conducted in English only, due to limited financial resources; this limits participation of the full range of jurists and educators.

## Development of Africa

### Significant Accomplishments in 2005

- ✓ Issued first report of the Advisory Panel, making a case for greater international support and for harnessing private initiative for redevelopment.

### Areas of challenge

- ◆ Key study found that the involvement of the private sector in NEPAD projects has been limited, profitable opportunities notwithstanding. Private equity/public-private partnerships/joint ventures will be a critical challenge to NEPAD's success.
- ◆ Remittances from Africans working overseas are a significant source of capital and offset limited social safety net; NEPAD needs to adopt a strategy to advocate in public policy circles for solutions that reduce the cost of transfers.

- ✓ Co-sponsored aid and debt reduction event at G-8 Summit in Gleneagles, Scotland, with African Business Roundtable (ABR), resulting in increased public and corporate pledges.
- ✓ Contributed to formulation of Joint Action Plan under auspices of the African Partnership Forum, coordinating implementation of commitments made by African countries and their development partners.
- ✓ Organized Conference on Disarmament, Demobilization, Reintegration and Stability in Africa, jointly with Government of Sierra Leone, bringing together development/peacekeeping practitioners to share solutions and best practices.

## Human Rights

### *Significant Accomplishments in 2005*

- ✓ Developed Plan of Action and Strategic Management Plan resulting in General Assembly support: doubling of the budget for the Office of the High Commissioner for Human Rights, five-year phase-in.
- ✓ Established new human rights offices in Guatemala, Nepal and Uganda.
- ✓ Influenced Colombia's domestic debate on their "Justice and Peace" law by promoting international norms for treating members of demobilized illegal armed groups.
- ✓ Dispatched Special Envoy for fact-finding to Togo, where violations were alleged during a government transition; by year end, the Government had begun taking steps for achieving truth, justice and reconciliation in keeping with the Envoy's recommendations.
- ✓ Assisted the Afghanistan Independent Human Rights Commission in the preparation of a comprehensive report on human rights abuses in Afghanistan (1978-2001).

### *Areas of challenge*

- ◆ Managing expansion of country-level operations, including strengthening of OHCHR's headquarters capacity and greater cooperation with operational partners in each country.
- ◆ Given increasing call for crisis intervention, develop more standardized procedures for rapid deployment, including financial, logistical and human resource arrangements.
- ◆ Advance the feasibility analysis and develop recommendations for consolidating the separate bodies that now set standards for the promotion and protection of human rights and create legal obligations for States that are party to the seven core human rights treaties.

## Coordination of Humanitarian Assistance

### Significant Accomplishments in 2005

- ✓ Flash Appeals coordinated by the United Nations helped orchestrate and fund the international response to the tsunami and Pakistan earthquake crises.
- ✓ Vigorous engagement with the media has raised understanding of UN humanitarian work among donors and the public at large.
- ✓ Significant increase in level of global humanitarian funding, from US\$ 4.6 billion in 2004 to US\$ 12.8 billion in 2005; this is promising as regards the ongoing effort to sustain levels of funding across peaks driven by high-profile emergencies.

### Areas of challenge

- ◆ Creating a roster of emergency experts who can be mobilized on very short notice.
- ◆ Limited humanitarian funding.
- ◆ Gaining access to critical areas when heightened security concerns apply.
- ◆ Coordinating the proliferation of humanitarian actors on the ground.
- ◆ Improving timeliness of response to crises by strengthening early-warning information and analysis in the period before disaster strikes.
- ◆ Continue to strengthen monitoring and accountability.
- ◆ For Palestinian refugees, curriculum changes in host-country precipitates budgetary strains in maintaining parity of schooling.
- ◆ Difficulties of recruiting skilled staff, due to UNRWA's relatively low salary structure within its region.
- ◆ Uncertainties of the Middle East peace process continue to make it difficult to plan, forecast budgetary needs and set annual performance goals.

- ✓ General Assembly approved the creation of a Central Emergency Response Fund, to provide more predictable humanitarian finances for new or rapidly deteriorating crises and underfunded emergencies (tenfold increase to US\$ 500 million).

### Assistance to Palestinian refugees:

- ✓ Some 70 per cent of the 1.4 million registered refugees in the occupied territory benefited from some form of UN assistance, including food aid, emergency employment and medical services.
- ✓ One-third of nearly 3,400 refugee shelters destroyed in the recent West Bank & Gaza conflict had been rebuilt by year end.
- ✓ High elementary and preparatory enrollment and low drop-out rates in 652 mixed-gender schools serving roughly half a million refugee pupils; significant introduction of information technology into the classrooms.
- ✓ The UN microfinance and microenterprise programme completed its 15th year in 2005, with 20,000 business loans in the past year — now the largest source of credit to microenterprises, amounting to over US\$ 100 million in total.
- ✓ A related loan product retailed specifically to women in the Gaza Strip has been highly successful; 33,000 loans issued, with demonstrable benefits for women's economic independence and increased participation in the work force.

## International Law and Justice

### *Significant Accomplishments in 2005*

- ✓ Developed and negotiated several major agreements with Member States regarding the establishment and operation of peacekeeping and humanitarian missions.
- ✓ The Office of Legal Affairs negotiated a reduction in the Organization's potential liability by resolving claims of over US\$ 23 million to less than US\$ 1 million.
- ✓ Attained agreements resolving the relationship of the Organization with the International Criminal Tribunals and establishing procedures for securing justice for victims of violations of humanitarian law in Cambodia and Burundi.
- ✓ Reviewed regulations and legal regimes established in circumstances where the Organization provided transitional authority, such as in Kosovo, so that orderly transition could occur within Security Council and General Assembly mandated time frames.
- ✓ Reduced duration of proceedings before the International Court of Justice and the International Criminal Tribunals through procedural improvements and exploitation of contemporary technologies.

### **Areas of challenge**

- ◆ Failure of the Member States to reach consensus on the definition of terrorism, a critical element of the pending draft Comprehensive Convention on International Terrorism.
- ◆ Reluctance of Member States to accept persons acquitted by tribunals.
- ◆ Lack of cooperation by some Member States in apprehending International Criminal Tribunal for Rwanda-indicted fugitives.
- ◆ For tribunals, unavailability of witnesses or loss of evidence and witnesses.
- ◆ Difficulties in transferring tribunal cases to national jurisdictions.

## Disarmament

### Significant Accomplishments in 2005

- ✓ Adoption of an International Instrument to Enable States to Identify and Trace Illicit Small Arms and Light Weapons (December).

### Areas of challenge

- ◆ While the UN's register of conventional arms and its comparable instrument for reporting military expenditures maintained a wide participation by Member States, meeting the target for increasing participation remains a difficult task.
  - ◆ Stagnation in the political process: the Disarmament Commission was unable to agree on an agenda for its session; there was no substantive outcome of the Review Conference of the parties to the treaty on nuclear non-proliferation; and the World Summit Outcome Document failed to incorporate a disarmament or non-proliferation component.
  - ◆ Financial challenges persisted in raising funds for regional activities, such as regional centres for peace and disarmament, creating difficulties in sustaining the work, especially in Africa.
- ✓ In September, the fourth Conference on Facilitating the Entry into Force of the Comprehensive Nuclear-Test-Ban Treaty (CTBT) adopted a final declaration signalling a strong international consensus on the treaty's urgency, adding force to the advocacy for complete ratification, currently lacking 11 of the total 44 States.
  - ✓ In partnership with the Global Campaign for Peace Education of the Hague Appeal for Peace, full operation began for a peace education programme aimed at children in Albania, Cambodia, Niger and Peru—countries emerging from years of conflict.

## Drugs, crime and terrorism

### *Significant Accomplishments in 2005*

- ✓ Entry into force of the Convention against Corruption, a global legal framework of over 30 national signatories; and of the UN Firearms Protocol, a new instrument to regulate the illicit manufacturing and trafficking in small arms.
- ✓ 47 countries adopted a Programme of Action at the Round Table for Africa, setting benchmarks and five-year deadlines, with objectives of strengthening rule of law, tackling conventional and organized crime, corruption and smuggling, and promoting measures to prevent drug abuse and drug-related HIV/AIDS.
- ✓ The Eleventh UN Crime Congress exchanged knowledge on the best ways of dealing with challenges posed by all forms of crime; more than 2,300 participants attended, including 85 ministers and other government officials.
- ✓ Significant progress in increasing number of signatories to the International Convention for the Suppression of Acts of Nuclear Terrorism; 75 countries ratified by year end.

### **Areas of challenge**

- ◆ Fully integrate the drugs and crime aspects of the Office's work, previously administered separately. Breadth and variety of UNODC's projects call for the integration into an effective whole.
- ◆ Ongoing attempt to clarify the potential role and value-added of UNODC in post-conflict situations; the Office began developing criminal justice reform tools and manuals in cooperation with the OHCHR, DPKO and the UN Development Programme (UNDP).
- ◆ Special focus on trafficking in human beings as a crime, addressing the need to prosecute and convict the traffickers and to support and protect the victims; advisory services have included assisting in the drafting of anti-human trafficking legislation.
- ◆ Assist States in developing mechanisms for combating money-laundering and the financing of terrorism, including improvements to the database and legal analysis supporting the International Money-Laundering Information Network.

## Refugees

### Significant Accomplishments in 2005

- ✓ An estimated 40,000 refugees departed for resettlement countries and resettled with the assistance of UNHCR country offices (1.1 million repatriated voluntarily to their countries of origin).

### Areas of challenge

- ◆ Growing number of internally displaced persons (IDP).
- ◆ Uneven observation by States of internationally accepted standards for the treatment of refugees, especially the fundamental principles of asylum and non-refoulement.
- ◆ The strategy of development through local integration has proven to be difficult to pursue; central to success is the attitude of the host government—many States are reluctant to consider the local integration of refugees on their territory.
- ◆ Improved operational cooperation with a range of actors; in particular, better focusing the effort to enlist the support of bilateral development agencies in the search for durable solutions.

- ✓ Progress toward a more timely and effective response to protection of women, children and the elderly, including prevention of, and response to, sexual and gender-based violence, was recorded through the Project on Age and Gender Mainstreaming.
- ✓ Improved registration data resulting from new systems, procedures and tools developed under Project Profile, with the revised Registration Handbook.

## Organizational Management\*

### Significant Accomplishments in 2005

- ✓ Ethics Office established on 1 January 2006.
- ✓ Management Performance Board launched, to systematically assess the performance of the senior-most tier of managers.
- ✓ Appointment of Redesign Panel on the UN Internal Justice System.
- ✓ Major technical studies completed for renovation of the UN Headquarters complex.
- ✓ Department of General Assembly and Conference Management undertakes project to integrate fragmented conference service systems into a single global system.
- ✓ Improvement in quality of results-based budgeting (RBB) in peacekeeping operations, with 84 per cent of outputs clearly measurable in 2004-05, against 51 per cent in 2002-03.
- ✓ Improved efficiencies attained in human resources information technology systems, such as the electronic performance appraisal system and the staff selection tool ("Galaxy").
- ✓ Doubled the reach of the UN radio programmes to 300 million listeners per week.
- ✓ Increase in young professional applicants from unrepresented and underrepresented Member States, as a result of procedural improvements in the National Competitive Examinations.
- ✓ United Nations joined the Society for Worldwide Inter-bank Financial Telecommunications (SWIFT) to maintain secure and reliable global arrangements with banks to send payment instructions, execute payments and receive transaction data.

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### Areas of challenge

- ◆ Very modest improvements in geographical distribution of staff appointments.
- ◆ Staff selection system remains limited in coverage and is not fully integrated between duty stations.
- ◆ Inadequate investment in developing and managing talent at all levels of the Organization; training funds amount to only 1 per cent of staff costs.
- ◆ Client satisfaction with financial reporting and accounting services is only fair, with only 50 per cent of clients surveyed reporting that services had improved.
- ◆ Need to increase procurement opportunities and participation of vendors from developing countries and economies in transition.
- ◆ Lack of a Secretariat-wide information management (IM) strategy has limited the ability of information and communications technology (ICT) to serve as an enabler of effective management and reform.
- ◆ The new Department of Safety and Security has not been able to meet its staffing targets; relying on temporary personnel for some core functions.
- ◆ The United Nations must foster a wider and deeper system of media partnerships so as to efficiently and cost-effectively reach multiple target audiences worldwide.

\* This table extracts information from the final chapter of the Performance Section, which covers the three types of programmes that, in concert, accomplish the internal work of managing the Secretariat as an organization: conference management, resource and assets management, and safety and security management. In the external sphere, public information seeks to raise global awareness of the work of the Organization, thereby ensuring support for its aims and activities.

## **Organizational Management\* (continued)**

### **Significant Accomplishments in 2005 (continued)**

- ✓ Free public access to the UN's Official Documents System (ODS) was implemented.
- ✓ Policies on information and communications security and on business continuity and emergency preparedness went into effect.
- ✓ Secretariat-wide global intranet system (iSeek) introduced and quickly became the primary vehicle for all internal organizational communications.
- ✓ New Department of Safety and Security was established, consolidating all key security management components, in HQ, the field and other main duty stations.
- ✓ Culmination of a three-year evaluation, in collaboration with the Office of Internal Oversight Services, of the effectiveness of the activities of the Department of Public Information (DPI) in strategically communicating the activities and concerns of the United Nations.

## Financial Performance

### Financial controls and management systems

The United Nations has been criticized for its weak financial controls and for not keeping up to date with best practices in accounting standards and information technology management. In response, the Organization has taken a number of actions to address these weaknesses. Numerous control measures have been initiated with respect to the procurement process, where the surge in demand from peacekeeping operations and the complexity of the procurement process have not been matched with higher staffing levels or with more effective processes and systems. Management is actively engaged in correcting these shortcomings, and tangible steps have already been taken, including updating the Procurement Manual, revising the terms and conditions for tenders, reviewing procurement rules and procedures applicable to field operations, and enhancing training.

Recommendations have also been made for improved anti-fraud and corruption measures and for strengthening oversight and governance mechanisms. Important and necessary actions were taken, as highlighted in other sections of this report.

Another important area of reform pertains to accounting standards. The Organization currently applies United Nations System Accounting Standards (UNSAS), which were developed in-house in the mid-1990s for use by the UN System. Though a major step forward at the time, these standards are now viewed as being less credible than those developed externally by the leading international accounting bodies. Therefore, following an intensive two-year study, management recommended that the UN System as a whole adopt International Public Sector Accounting Standards, known as IPSAS, by the year 2010. In July 2006, the General Assembly approved the adoption of IPSAS.

The UN's main system for administration, the Integrated Management Information System (IMIS), was developed in-house more than 15 years ago. When compared with today's industry standards and the Secretariat's growing requirements, this system has outlived its usefulness. In addition, over the years, a number of stand-alone systems were developed to supplement IMIS. Management recognized that IMIS needs to be replaced with an off-the-shelf Enterprise Resource Planning (ERP) system in order to provide higher quality, consistent and more timely information and to modernize processes. A new ERP system is also needed to implement IPSAS. The General Assembly agreed and, in July 2006, approved the replacement of IMIS with a next-generation ERP or other comparable system.

Overall, despite these difficulties the Organization has managed reasonably well. This was confirmed by the reports of the Board of Auditors, which noted certain shortcomings, but nevertheless provided positive audit opinions on the Organization's financial statements. With the changes outlined above, the foundation has been laid for strengthened controls and modernized systems in the coming years.

## Financial Highlights

### Summary of budget and expenditures for 2005

Total funds available for 2005 are estimated at US\$ 9 billion, taking into account the various sources of funding available to the Organization during the period, namely the biennial regular budget and budgets of the international tribunals, the annual peacekeeping budgets, and other extra-budgetary resources. Expenditure for 2005 for the regular budget (US\$ 1.9 billion), international tribunals (US\$ 0.2 billion), peacekeeping operations (US\$ 4.1 billion) and other extra-budgetary resources (US\$ 2.6 billion) total to US\$ 8.8 billion. Estimates for the period include new funding allocations for the Department of Safety and Security, which was established at the start of 2005, and for expanded or new special political mission initiatives, including the United Nations Office in Timor-Leste (UNOTIL). Miscellaneous income and income from the staff assessment during the period are estimated to amount to US\$ 376.3 million. Staffing resources available during the period total to 35,051 posts, of which 9,538 were funded by the regular budget, 15,476 by peacekeeping operations, 2,032 by the international tribunals, 7,902 by extra-budgetary resources and 103 by income operations.

### United Nations regular budget<sup>2</sup>

- Expenditures for 2005 increased 11 per cent over 2004, largely due to expenditures for new and expanded special political missions in Iraq and Afghanistan, higher salary costs partly attributable to a weaker US dollar and higher expenditures for security.

<b>Regular budget</b> (US\$ in millions)			
	<b>2003</b>	<b>2004</b>	<b>2005</b>
Expenditures	1,550	1,714	1,898
Cash <sup>3</sup>	(233)	(76)	158
Unfunded liability <sup>4</sup>	1,485	Not available	2,073

- The cash position showed some improvement but remained precarious. At the end of 2005, cash was equivalent to only four weeks' worth of expenditures.
- The unfunded liability for accrued After Service Health Insurance costs grew 40 per cent compared to 2003. Proposals to begin funding this large and growing liability were made to the General Assembly at its sixtieth session. The Assembly recognized the liability, and requested proposals for funding, which will be re-introduced at the sixty-first session.

<sup>2</sup> Refers to the United Nations General Fund.

<sup>3</sup> Excludes Working Capital (US\$ 100 million) and the Special account (US\$ 213 million in 2005).

<sup>4</sup> Refers to accrued liability for the After Service Health Insurance (ASHI) costs, as estimated by an independent actuary.

## Peacekeeping operations<sup>5</sup>

- Expenditures rose by 39 per cent during 2005 compared to 2004, mainly due to expanded operations in the Democratic Republic of the Congo, the full-year impact of missions established in 2004 (Liberia, Cote d'Ivoire, Haiti and Burundi), and the start-up of a new mission in Sudan, partly offset by lower expenditures in missions that were winding down (Sierra Leone and East Timor).
- Combined cash in all the active missions at the end of June 2005 was healthy — over US\$ 1.2 billion. However, as amounts for each mission are distinct and must be kept segregated, periodic shortages continued for UNMIK (Kosovo), MINURSO (Western Sahara) and UNOMIG (Georgia). These shortages delayed reimbursements to Member States who had provided troops or police units for these missions.

<b>Peacekeeping operations</b> (US\$ in millions)			
	<b>2003</b>	<b>2004</b>	<b>2005</b>
Expenditures	2,500	2,934	4,074
Cash <sup>6</sup>	1,046	1,052	1,245
Loans by:			
— Closed missions		178	244
— Reserve Fund		112	73

- Cash in closed missions is used as a means of last resort to meet essential day-to-day operating expenditures. During the year ended 30 June 2005, a total of US\$ 244 million was temporarily utilized: US\$ 126 million for active peacekeeping missions (UNMIK, MINURSO and UNOMIG), US\$ 105 million for the United Nations regular budget and US\$ 13 million for the International Criminal Tribunal for Rwanda. This compares to a total of US\$ 178 million that was similarly utilized in 2004: US\$ 102 million for UNMIK and MINURSO, and US\$ 76 million for the International Criminal Tribunal for Rwanda and the International Criminal Tribunal for the former Yugoslavia.
- During the year ended 30 June 2005, loans totaling US\$ 73 million were made from the Peacekeeping Reserve Fund to meet the immediate cash requirements of new missions, compared to US\$ 112 million loaned from the Fund the previous year.

<sup>5</sup> Comprises peacekeeping missions authorized by the Secretary Council. For financial purposes, these peacekeeping operations follow a 12-month cycle from 1 July to 30 June of the following year.

<sup>6</sup> Comprises total cash in all the active peacekeeping missions.

## Tribunals

- Expenditures for the two Tribunals—the International Criminal Tribunal for Rwanda and the International Criminal Tribunal for the former Yugoslavia—grew by only 7 per cent during 2005 compared to 2004, reflecting continued efforts to contain spending.

<b>Tribunals</b> (US\$ in millions)			
	<b>2003</b>	<b>2004</b>	<b>2005</b>
Expenditures	272	268	287
Cash	8	16	59

- The cash position of the Tribunals improved as Member States paid their arrears from previous years.

## United Nations extra-budgetary resources<sup>7</sup>

- Income rose by a sharp 51 per cent in 2005 as higher voluntary contributions were received, mainly for human rights and humanitarian trust funds and for emergency relief operations.

<b>Extra-budgetary resources</b> (US\$ in millions)			
	<b>2003</b>	<b>2004</b>	<b>2005</b>
Income	582	585	885
Expenditures	502	521	685
Surplus	686	724	886

- Expenditures were up 31 per cent in 2005.
- As a result of the above, the Surplus, which represents the maximum amount available for spending in future years, rose to US\$ 886 million by the end of 2005.

<sup>7</sup> Comprises general and technical cooperation trust funds of the United Nations.

# Response to Major Audit and Oversight Recommendations

## Introduction

In addition to the governing, legislative oversight provided by the General Assembly and other intergovernmental bodies, the United Nations is subject to the oversight of the Board of Auditors (BOA), the Office of Internal Oversight Services (OIOS) and the Joint Inspection Unit (JIU). These three bodies conduct independent audits, inspections, investigations and evaluations of the UN and its funds and programmes. Each body issues reports, either to the intergovernmental bodies or to the management directly, that contain findings and recommend remedial action.

The Board of Auditors' primary role is to audit the Organization's financial statements, although it also carries out specific assignments given by the General Assembly and addresses broader management issues during the course of its financial audits. During 2005 the Board prepared reports on the annual financial statements of peace-keeping operations for their budget year ending 30 June 2005, and those of the Office of the UN High Commissioner for Refugees for the year ending 31 December 2004. The Board's audit opinions on extracts of the financial statements for the United Nations and certain Funds and Programmes as well as its major findings and recommendations are itemized and summarized in the Financial Section of this report.

OIOS provides internal oversight services in the areas of Internal Audit, Investigations, Programme Monitoring and Evaluation, and Management Consultancy Services. During 2005 OIOS issued 660 recommendations considered critical.

The Joint Inspection Unit (JIU) provides an independent view through inspection and evaluation aimed at improving management and methods, and at achieving greater coordination among organizations of the United Nations System. During 2005 JIU issued nine thematic reports and two special notes commissioned by member organizations.

Beyond the above noted oversight, from time to time special reviews and investigations are initiated. During 2005, one such investigation, that of the Independent Inquiry Committee (IIC) into the United Nations Oil-for Food Programme, brought its work to a conclusion and issued a series of reports which included recommendations aimed at addressing fundamental weaknesses in management within the United Nations.

## Management's response mechanisms

The programme managers to whom the oversight report or individual recommendation is addressed are responsible for responding to oversight body findings and recommendations and taking remedial action. As required by General Assembly resolutions they are obliged to provide time frames under which recommendations will be implemented. The programme managers report regularly back to the Oversight Bodies (to OIOS semi-annually, BOA annually, and JIU annually), who in turn report progress on implementation of their recommendations to the General Assembly.

Major findings and recommendations that require a high-level organization-wide response (such as those of the IIC, or Volcker, report) are dealt with by the Management Committee. In addition to this, regular (at least monthly) meetings between the Under-Secretary-General for Internal Oversight and the Deputy Secretary-General have been instituted to ensure timely action on urgent findings of OIOS.

In recent years the General Assembly has expressed concern that audit recommendations are not being implemented in a timely and effective manner and that a high-level mechanism needs to be put in place to deal with this. To this end the Secretary-General proposed to establish an Oversight Committee that included a senior member from outside the United Nations. This Committee's primary task would be to monitor effective implementation of oversight recommendations. While the work of establishing such a mechanism was still in play, the General Assembly decided to establish its own Independent Audit Advisory Committee (IAAC), thus satisfying an important criterion of the original initiative ensuring the independence and adequacy of UN oversight arrangements. As of this writing, the Management Committee of the Secretariat decided to take this function upon itself, meeting quarterly on this agenda item, with the Under-Secretary-General for Internal Oversight attending in an ex officio capacity. This decision will be promulgated in a revised Secretary-General's bulletin.

## Major 2005 findings and recommendations: Management's response

### Financial Statements

No material weaknesses have been reported regarding Financial Statements that cover the various financial periods ending in 2005.

### The need to strengthen oversight, auditing and investigations

The IIC made extensive recommendations for improving oversight across the United Nations System, including ensuring that the coverage of audit skimmed on no element of the Organization and the oversight bodies were independent, and affirming the necessity for an Independent Audit Advisory Committee to monitor timely and effective implementation of oversight recommendations.

In response to these recommendations, the General Assembly made additional resources available to OIOS via supplemental appropriation during 2005. The Secretariat submitted proposals for an Independent Audit Advisory Committee to the GA, and, at the Assembly's request, the Secretary-General will be submitting to them an independent external evaluation of the auditing and oversight system of the United Nations, with comprehensive recommendations on these issues.

#### **Strengthen management structure at the top**

The IIC analysis also highlighted the difficulties faced by the Secretary-General in being both the world's chief diplomat and the Chief Administrative Officer of the United Nations, as well as the need to empower both the Secretary-General and his senior managers so as to give them the authority necessary to deliver results as Secretariat programmes expand their reach and become increasingly operational in nature.

These issues are still a matter of active deliberation among the Member States.

#### **Improve coordination of cross-agency programmes**

OIOS in its report on tsunami relief noted the risks and opportunities for corruption and waste associated with weak coordination in interagency programmes. The problems associated with the difficulties of effective cooperation across UN agencies were echoed by the IIC and by the Board of Auditors commenting on the difficulties experienced in managing integrated missions.

These problems are being tackled by several initiatives. Responding to the General Assembly's call for strengthened system-wide coherence, the Secretary-General has established the High-level Panel on System-wide Coherence in the areas of development, humanitarian assistance and the environment. This Panel will, *inter alia*, look for ways to eliminate duplication and overlap of functions, and to minimize overhead and administrative costs. The UN Executive Committee on Humanitarian Affairs (expanded core group), which includes the Department of Political Affairs, the Department of Peacekeeping Operations, the Office of the Coordinator of Humanitarian Assistance, the United Nations Development Programme, the Office of the High Commissioner for Refugees, the United Nations Children's Fund, the World Health Organization, and the World Food Programme, commissioned a report on *Integrated Missions: Practical Perspectives and Recommendations*, from the Norwegian Institute of International Affairs and King's College London. The report was considered at their meeting in June 2005, where ways forward to implement the report's recommendations were identified. In addition, the existing work towards strengthening the role of Special Representatives of the Secretary-General (SRSGs) and Resident Coordinators and the strengthening of the

UN Country Team continues, and the Peacebuilding Commission will have an important role to play in supporting integrated missions.

#### **Weaknesses in Procurement**

The findings of the IIC and the results of investigations by OIOS into allegations of corruption by a senior procurement official have suggested fundamental weaknesses in management and internal controls surrounding procurement.

Management responded by commissioning a review of the adequacy of the financial and internal controls on the procurement system that was completed in January 2006, and requesting further audits and investigations to ensure that comprehensive remedial action can be implemented and any instances of fraud and corruption by UN staff members appropriately dealt with.

#### **Lack of a strong organizational ethic**

IIC findings regarding the lack of a sufficiently strong organizational ethic reflected many of the findings of the OIOS Organizational Integrity survey that had been conducted in 2004. The problems associated with ethical conduct within the Organization were further emphasized by the OIOS findings on sexual exploitation within peacekeeping missions.

Management has responded by establishing an Ethics Office, introducing a world-leading whistle-blower protection policy, strengthening financial disclosure requirements, introducing ethics training for all staff, and enforcing the Organization's zero-tolerance policy for sexual exploitation and abuse.

OIOS and DPKO have also been supplied with deeper resources and enhanced expertise to provide greater oversight and preventative capacity regarding sexual exploitation in peacekeeping missions.

## Outstanding Challenges and Future Direction

The UN is adjusting to the challenges of the twenty-first century. The new reality is that the UN no longer simply holds conferences and writes reports, but is managing complex, multi-billion dollar operations to help keep peace and combat poverty and mitigate and respond to humanitarian disasters. In the face of the world's multifaceted distress, every cent of UN resources must be spent wisely. To cite the area of peace and security alone, a recent study of the Stockholm International Peace Research Institute (SIPRI) reported that global military expenditures in 2005 totaled US\$ 1.12 trillion. Against such a mammoth commitment to the use of force in geopolitical affairs, the UN poses less than 1 per cent of that expenditure. Every effort to equalize that mismatch, by leveraging other approaches such as diplomacy, peacekeeping and peacebuilding, must be made. The United Nations needs the transformation that will make the Organization effective in meeting such challenges.

Two vital issues in today's world, namely human rights abuses and the urgency of peacebuilding, are to be addressed by newly established institutions: the Human Rights Council and the Peacebuilding Commission are a reality today. And as of this writing, the Organization has in place a much-improved Emergency Relief Fund, a Democracy Fund, an Ethics Office and an effective system for protecting whistle-blowers. Better accountability and oversight arrangements, a stronger procurement system, more financial flexibility to enable the Secretary-General to respond promptly to emerging crises, and a more proactive, speedy approach to recruiting and managing staff are all essential, and their implementation is on the table.

Notwithstanding such progress, for the broader transformation still more ambitious changes are required. The Secretariat's concept of staffing must align itself more precisely with the world of today, so that the skill sets of new generations of staff members can respond more capably to global needs. The Organization must put in place a more stringent set of modern control mechanisms over the management of resources, so that the value for expenditure is maximised. And finally, the United Nations needs to bring much more skillful and seamless programme management to bear on its challenges, moving beyond mere coordination to real cohesion of efforts, to attain the critically required results.