

**THE SECRETARY'S CERTIFICATION OF A U.N.
REFORM BUDGET OF \$2.533 BILLION**

HEARING
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL OPERATIONS
OF THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE
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WEDNESDAY, MAY 20, 1998

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

The subcommittee met, pursuant to notice, at 4:20 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Rod Grams, [chairman of the subcommittee,] presiding.

Present: Senator Grams.

Senator GRAMS. I will call this hearing to order.

Assistant Secretary Lyman, I want to thank you very much for coming here today to help us with the Secretary of State's certification that the United Nations or has taken no action during the past 6 months that would cause it to exceed a budget of \$2.533 billion for the 1998-1999 biennium.

In the interest of time and given that this will be a very narrowly focused hearing, with your cooperation, I would suggest that we dispense with our opening statements and move right to the questions. Would that be OK?

Mr. LYMAN. That is fine, Senator, if I could submit mine for the record.

Senator GRAMS. That would be great. We will put it into the record as if read.

[The prepared statement of Mr. Lyman follows:]

PREPARED STATEMENT OF AMBASSADOR PRINCETON N. LYMAN

Mr. Chairman, I welcome this opportunity to appear before the subcommittee to explain the certification made by the Acting Secretary of State on May 4 regarding the budget of the United Nations.

The certification made by the Acting Secretary was that the United Nations had taken no action during the preceding six months to increase funding for any United Nations program without identifying an offsetting decrease during that six-month period elsewhere in the United Nations budget and cause the United Nations to exceed the expected reform budget for the biennium 1998-1999 of \$2,533,000,000. This certification was made pursuant to the Departments of Commerce, Justice and State, the Judiciary and Related Agencies Appropriations Act, 1998, Public Law 105-119; and its effect was to permit the payment of \$50 million in Fiscal Year 1998 funds from the Contributions to International Organizations account for part of the U.S. assessment to the regular budget of the United Nations.

Mr. Chairman, let me emphasize that the Administration is firmly committed to reducing United Nations budgets and to ensuring that budget levels, once set, are strictly maintained. The degree of success we have already achieved in this respect is gratifying, and it demonstrated that, working together, the Congress and the Administration can indeed increase the efficiency and effectiveness of the United Nations. I can assure you that, in keeping with this general policy, the Acting Secretary's certification was made only after due and thorough deliberation within the

Department of State and after close consultation with the United Nations Secretariat.

There is one factor that entered into our deliberations on this certification that I would like to clarify briefly at the outset of this hearing, namely the UN practice of providing the Secretary General limited spending authority for unforeseen or emergency expenditures. This authority has been used to cover \$2,189,000 in unforeseen expenses since the beginning of the year. And although this is not directly related to the statutory budgetary certification, I would also like to address the decision of the United Nations to shift to a net budgeting approach in the current biennium.

As this subcommittee is aware, it is the usual practice of the UN General Assembly to provide the Secretary General limited spending authority to cover unforeseen and emergency expenditures. For the 1998-1999 biennium this authority amounts to \$11 million in the unforeseen and extraordinary expenditures fund, to cover peace and security matters and the International Court of Justice, and \$19 million for the contingency fund to cover other matters. The existence of this authority does not in itself constitute an increase in the agreed biennium budget. As actually appropriated by the General Assembly, this remains at \$2.532 billion for 1998-1999, unless and until the General Assembly takes an affirmative action to increase it. As of now, the Secretary General is required to remain within the \$2.532 billion level. Should the extraordinary spending authority be utilized, offsets or other adjustments would need to be found elsewhere in the budget, unless the General Assembly appropriates additional funds. I would point out that in the 1996-1997 biennium we were able to ensure that unfunded costs were fully absorbed within the approved budget level, without the need for additional appropriations.

In respect of this contingency-type spending authority, the current certification follows the pattern of past years. Prior Administration certifications, made pursuant to very similar statutes, were based on the General Assembly-approved budget level. The existence and use of authorized contingency and emergency spending authorities in these prior years were not deemed to constitute UN action to exceed the budget.

Based on information provided by the United Nations, we have learned that the Secretary General has used \$2,189,000 this year from the unforeseen and extraordinary expenditures fund, primarily for the Sierra Leone liaison office and the Special Representative for the Great Lakes Region. Under UN budget procedures, the Secretariat will report in December of this year whether this additional spending is being accommodated within the appropriated biennium budget. Unless and until the General Assembly acts to increase the appropriation, the \$2,189,000 must fall within the approved budgetary level. As of this time, the UN has taken no action to increase funding for any UN program and exceed last December's approved budget.

We have been assured by UN Under Secretary General for Management Connor, in an April 15 letter, that were the Secretariat's year-end performance report to be issued now, the \$2,189,000 in additional costs would be readily absorbed in the budget given current expenditure patterns and exchange rate gains. "There are no indications at present," Connor wrote, "that such expenditures [the \$2,189,000] will require additional appropriations or assessment."

Let me turn now to the issue of net budgeting. The 1998-1999 biennium budget reflects the new net budgeting concept proposed by the Secretary General to provide greater transparency in the presentation of certain UN costs—for the UN Office in Vienna, the Joint Inspection Unit, and the International Civil Service Commission—that are jointly funded with other UN system entities. The Department of State endorsed the decision to adopt this approach, in that it provides a more accurate reflection of anticipated expenditures directly attributable to the activities of the UN proper. The provision for net budgeting is included in the UN document which outlines the Secretary General's budget request of \$2.583 billion for the 1998-1999 biennium. The same document also indicates that possible exchange rate gains of \$50 million could be realized by the time the UN budget is approved in December 1997. The Congress used this information to establish \$2.533 billion as the ceiling level for the 1998-1999 budget, which now is reflected in the certification language.

Mr. Chairman, we appreciate this opportunity to discuss with the subcommittee the Acting Secretary's May 4 certification. I am prepared to respond to any questions you may have.

Senator GRAMS. Again, thank you for coming. It is good to see you again.

The certification to Congress regarding the U.N. budget states, and I quote here: The U.N. Under Secretary-General Joseph Con-

nor has assured us in writing that there are no indications at present that such expenditures will require additional appropriations or assessments.

First, Mr. Assistant Secretary, would you please provide a copy of Mr. Connor's letter to the committee for the record?

Mr. LYMAN. I would be happy to do so. I do not have it with me, but I would get it to you.

Senator GRAMS. What independent verification does the United States have that the United Nations is not incurring costs in addition to this amount?

Mr. LYMAN. Well, Senator, there are two ways in which we do that. The most important of all of course is that the budget cannot be increased regardless of what happens unless the General Assembly votes an increase. The General Assembly has not met to vote any increase whatsoever.

Second, on those items that have come up since the original budget was passed on which additional expenditures were drawn down—and that was done in the case of the Secretary-General drawing down on an emergency fund—we went to the U.N. and we asked for the letter in writing which you referred to, to assure us that at this point in time they had funds to cover that additional amount, but that we could not say with confidence at this time no action had been taken for which offsets had been identified.

Senator GRAMS. Where did these funds come from? You said they have the funds to cover it.

Mr. LYMAN. Well, a combination of a lower than anticipated expenditure rate and exchange rate.

Senator GRAMS. Did you get assurances that those funds would be there?

Mr. LYMAN. Well, the timing is off—the way they resolve all these different things is at the end of the year. So at this point in time we can only ask, where are you at this moment in time? And the letter said, at this point in time we have offsets to those increases. So, that is it for the purposes of making a certification for the last 6 months up till now. That was the basis.

Senator GRAMS. Do you have access to all the financial data of the United Nations?

Mr. LYMAN. We have access to a great deal of it. But when we ask for it—as you know, no country could audit the U.N.—but we ask for, and usually get, the data we ask for.

Senator GRAMS. So, you have access to any information you think is important or pertinent?

Mr. LYMAN. My experience has been that we have.

Senator GRAMS. Now, the certification indicated the United Nations recently, as you mentioned, has drawn on the peace and security unforeseen emergency fund. Will you explain what activities are being funded out of this particular fund, and in more detail how will these be offset?

Mr. LYMAN. There is a fund relating to peace and security on which the Secretary-General is authorized to draw. The two major items for which he used this fund were Sierra Leone, in response to the coup, and the counter-attempts, which were successful, to restore the elected government. Second, for the Great Lakes Region of Africa, in general, where there was a great deal of effort under-

way by the U.N. to ascertain what had happened in terms of human rights and possible mass graves, et cetera.

There were a couple of other minor items—one for Guyana/Venezuela, but that was minor. Most were for Sierre Leone and the Great Lakes Region.

Senator GRAMS. And can you identify any of the offsets.

Mr. LYMAN. The only degree of detail we have is, as the letter from the Under Secretary-General says, exchange rate savings and a lower rate of expenditure for this much. They did not give us more detail. I would have to say I did not ask for more detail.

Senator GRAMS. Can we get more detail from the U.N.?

Mr. LYMAN. We can ask. What exactly—do you want to know where they are expending under their expected?

Senator GRAMS. Right. I know the U.N. Secretariat is saying there are going to be offsets through currency exchange rates, et cetera. But we would like to have more specificity than that today. Then we will be able to compare the U.N.'s proposed offsets to the actual offsets at the end of the budget period.

Mr. LYMAN. OK, I will seek that.

Senator GRAMS. OK, thank you.

Does the United States, or any other member state for that matter, have a veto on how this pot of money is spent—that is, again, the emergency fund? Do we have any voice on that?

Mr. LYMAN. Not really. When the budget is approved at the beginning of the year, this fund is there and the Secretary-General has the right to draw on it without asking for membership approval of the specific items. But then he has to report on how he has used it, as he has done.

In these particular cases, these happen to be areas that we were pressing the United Nations to act on. So, we have no problem with these particular expenditures.

Senator GRAMS. Now, there is a \$19 million, quote, slush fund. Would this be considered another slush fund, so to speak?

Mr. LYMAN. It is a contingency fund, which, again, exists in the U.N. and which, as you know, we have a difference of opinion with the other membership. They would have preferred in our legislation that when we use the cap figure of \$2.533 billion we would add to that the authority on the contingency fund. The Congress did not do that. So, in this biennium, as in the last biennium, we will take the same view toward any use of that contingency fund that we are taking toward this fund, which is that they will have to absorb any draw downs of that amount.

Senator GRAMS. Going back just for a moment to the emergency fund again. When we talked about the new expenditures, you stated that the cost will be absorbed, in part, by exchange rate gains, et cetera. Have you, or has the United States, undertaken any projections to try to determine whether these forecasts are accurate?

Mr. LYMAN. We follow the exchange rates very closely. Clearly, gains in the dollar this year show that there would be savings to the U.N. Of course, we cannot predict where the dollar will go 6 months from now, so this could all reverse itself, which would create enormous problems for everybody. But there have been gains in the dollar against the currencies that the U.N. buys since December that correspond to what he has said.

Senator GRAMS. Does the U.S. mission try to track these type of figures, just to keep abreast of the numbers and the spending in the budget?

Mr. LYMAN. Yes, our resource management people do. They have ways of calculating what it means for the budget.

Senator GRAMS. In that regard, if the U.N. can absorb these costs, these additional expenditures as the certification indicates, then why did the U.N. authorize funding over the \$2.533 billion instead of transferring funds between accounts?

Mr. LYMAN. I am sorry?

Senator GRAMS. Instead of dipping into the emergency fund, is there an opportunity, instead of expending these additional dollars, to have transferred funds from one account to another?

Mr. LYMAN. What the U.N. will have to do is, in effect, transfer funds later on. But because the budget is against line items in the budget, the Secretary-General, for the purposes that he uses funds, would not use funds already committed to other programs. So, he had to draw on this fund for unforeseen or added mandates or decisions on his part to try and help in these situations. He could not dip into a line item.

But once we get to the reconciliation at the end of the year, then the U.N. can say, well, we have savings here, there, et cetera, and these are various line items, and then they can use it to offset things.

Senator GRAMS. So, to be clear on the issue of the \$19 million fund and the \$11 million fund, the Secretary-General has the sole authority, are you saying, to spend these funds?

Mr. LYMAN. I know that is on the \$5 million; I am not sure—I could ask my staffers. I am sorry. My staff tells me that the use of the \$19 million fund has to be approved by the General Assembly.

Senator GRAMS. OK. But in regard to the \$11 million the Secretary General has sole discretion on how those funds are spent?

Mr. LYMAN. He has discretion. Although he has to come back, obviously, and show how he spent it. Then the General Assembly has to approve either covering it or asking for more money, or something.

Senator GRAMS. How can you be confident, Mr. Secretary, that this funding will be able to be offset for the performance review in December?

Mr. LYMAN. Senator, I will be very candid. I dare not predict the future, and not predict where our certification will come out 6 months from now or 9 months from now. We, in doing the certification, stick exactly to the past 6 months up to now. I would not want to make a projection. It could go either way. There could be some new emergency, some added expenses, or the dollar could take a plunge. Then, 6 months from now, it may be we would be in a very different position; the U.N. might not be in a way to say that.

On the other hand, it may work out to our benefit, as it did in the last biennium. So, I am frankly very loathe to make a prediction of where we will be 6 months from now. I can only do it on the basis of where we are today.

Senator GRAMS. So, you feel comfortable with the trends, and this certification, that we are going to be on target?

Mr. LYMAN. I think I am comfortable with where we are today. I am comfortable that we can make this certification today. It is such an uncertain world out there, if, God forbid, there is another emergency and he has to draw again on this fund and there are no offsets, then we are in a different ball game. I hope that does not happen.

Senator GRAMS. But, to be clear again, you feel that if there are no such emergencies, if the rest of the year is, quote, normal, you feel very confident that we are going to meet the target, essentially?

Mr. LYMAN. There are additional items coming up, Mr. Chairman, that they will have to absorb, that we anticipate, not yet funded.

Senator GRAMS. Non-emergency?

Mr. LYMAN. Well, they are ongoing operations that would have to be renewed, but they have not been renewed. We went through the exact same process in 1996–1997, and in the two same cases, that is, Haiti and Guatemala, the U.N. only approves them for so long and then reviews them and decides whether to continue them.

We will face that decision again in the U.N. if they renew them, they will be expenses that also will have to be offset. We will argue you must offset them. The last time, in the last biennium, they did. We will argue that they have to do so again.

Senator GRAMS. Should they have taken that into account in the budget?

Mr. LYMAN. We wanted them to, quite frankly. We wanted an item in the budget that would anticipate this. We were unsuccessful in the General Assembly in getting it in.

Senator GRAMS. And, bottom line, are you aware of any further plans right now, any things that are going on at the U.N. or that the Secretary-General has talked about, for any authorizations, any additional dollars from the peace and security emergency fund? Do you see anything out there?

Mr. LYMAN. I am not aware of any. While I am a little hesitant to speak about this because it is so in the early, formative stage, there is another fund, funded voluntarily by some other governments, for conflict prevention for the Secretary-General. If that comes through and is set up, it would give him an off-budget source of emergency funds that some other governments want to give him. But I do not quite know the status of that, whether it is actually in place or not. But I do not know right now of any further draw downs.

Senator GRAMS. In that regard, then, are there any other emergency-type funds out there? I think there is a fund for the International Court of Justice which has about \$600,000 a year. To date, are there any other accounts, any other funds, such as this emergency fund, or any new funds being set up, that as we always like to say in Washington, are off-budget—

Mr. LYMAN. No, not that I know of. But my staff tells me that the ICJ is part of the \$11 million.

Senator GRAMS. That is part of it?

Mr. LYMAN. It is part of the \$11 million. So, I do not know of any other such funds.

Senator GRAMS. In another area, Secretary Lyman, let me ask you about some of the additional spending that the United Nations expects to incur during this biennium, which has not been approved as part of the budget process. Now, according to the State Department's May 14th notification to Congress following the approval of its biennium budget, the United Nations, "has taken no action subsequently to increase funding for any U.N. program and exceed the approval level."

So, first off, the Secretary-General created a new office. That is the Office of the Iraq Program, which is headed by Mr. Benin Savan, I believe, to coordinate various United Nations activities inside Iraq.

Mr. LYMAN. Right.

Senator GRAMS. And, second, I understand that there is new spending associated with the U.N. Conference in Rome this summer, regarding the creation of the International Criminal Court. I also understand that there have been unforeseen costs associated with the U.N. operations in Sierre Leone.

Now, how much will each of these new programs cost?

Mr. LYMAN. The Iraq program is paid for out of the proceeds of the Iraq oil.

Senator GRAMS. Is there a dollar amount?

Mr. LYMAN. I can get that for you.

Mr. LYMAN. But under the agreement on the oil for food program, under Iraq, the expenses for the U.N. in managing that program, as well as other U.N. expenses related to Iraq, like UNSCOM, come out of the Iraqi oil proceeds.

On the Conference in Rome, it is general practice—and I will have to get some more information on this—generally, a country which sponsors a conference pays any additional cost to the U.N. for holding it there. I will verify that, but I think that is the general rule. I would guess it is the rule in this case. Yes, that is right.

So, Italy will pay the incremental costs of holding it in Rome.

Senator GRAMS. OK, there will be no additional assessments?

Mr. LYMAN. There would be no additional assessments.

Senator GRAMS. And also on the unforeseen costs associated with U.N. operations in Sierre Leone?

Mr. LYMAN. The one we now see in Sierre Leone is related—the one that might develop is a U.N. military observer program, which would come out of peacekeeping, not out of the regular budget. Other programs would be out of voluntary funds, like UNDP, et cetera.

Senator GRAMS. So, what you are saying is that why all these programs, the new programs and additional spending, you do not believe there have to be program spending cuts identified to pay for this new anticipated spending because you say they are offset in other areas of the budget or with contributions?

Mr. LYMAN. Well, what I am saying is that should there be any additional unfunded program expenditures, whether in Sierre Leone or anyplace else, we would take the position that offsets will have to be found, just as we asked the U.N. to certify to us in writ-

ing that they have identified offsets for this \$2.189 million. So, we have taken that position.

Now, it is not a popular position in the United Nations, I have to tell you. Other governments do not like it. But we held this position successfully throughout 1996 and 1997, and we will hold it to the best of our ability throughout 1998 and 1999.

I think all the members know that if they exceed the budget, they lose a substantial part of our contribution, because we will not be able to certify.

Senator GRAMS. Under the budget rules and normal procedures, isn't it the position of Coordinator, funded through the regular budget rather than—

Mr. LYMAN. The Iraq?

Senator GRAMS. Right, shouldn't the position of the Iraq Coordinator under the budget rules be on the regular budget rather than—I think you said it would come out of the oil sales?

Mr. LYMAN. We have taken—I confess I will have to look at the budget rules on this, but we have taken a fairly strong position with Iraq that they pay for this. I mean, that has been a position of the United States; that the international community is not going to pay to feed their people because they will not feed them themselves. Nor should we pay additionally for the inspection of the weapons of mass destruction. They were the aggressor. They caused this. Their oil proceeds should be used for this purpose.

So, as a policy point of view, we would want to include as much of this under the Iraq oil proceeds as possible. I will check the rules to see if this violates any rules. But our policy has to put, frankly, the burden of this on Iraq.

Senator GRAMS. According to the United Nations, the 1998–1999 regular budget contains a resource reduction of \$124 million. Where are these cuts being made? And also, which programs were cut, or maybe activities eliminated, or any administrative costs reduced to arrive at this figure?

Mr. LYMAN. A large part of that, quite frankly, Senator, comes from the reduction of staff and the elimination of positions and running programs with fewer staff and increased efficiency through use of information technology, et cetera. The Secretary-General does not have the authority to eliminate a program if the General Assembly does not agree. As you know, and you supported this very strongly, he has proposed to be able—that the General Assembly would introduce sunset provisions on new programs. That has not yet been approved by the General Assembly, so that is not in place.

So what he can do is either consolidate offices, as he has done, operate with fewer staff, et cetera, and try and do the full panoply of mandates that he has been given within fewer resources.

Senator GRAMS. You brought up the reduction in staff, so let me ask you this. Last year, the State Department certified that there were 8,500 regular budget posts that were filled. On February 24th Mr. Connor testified before this committee that there were now 8,900 posts filled. How is the U.N. paying for these additional personnel, and which programs were cut, which were reduced, and especially to account for some of the savings of the \$124 million in resource reduction?

Mr. LYMAN. Well, as you know, up until January 1, 1998, the authorized level of posts was around 10,000.

Senator GRAMS. Authorized?

Mr. LYMAN. Authorized, right. But they only filled, as you point out, up until quite recently, around 8,500 of them. It was one of the ways they lived within the cap in 1996–1997, because they simply did not fill a lot of posts.

For the 1998–1999 budget, the authorization of posts is now—I have got the figure here somewhere—but it is 9,000-something. They have authorization to go up to that level. They have an authorized number now of 9,058. So, it is down from the 10,012, but they are authorized and within the budget for 1998–1999 to go up to that level. That does not mean they will go up to that level, because there is always a vacancy rate. So the U.N. had the authority to go from 8,500 to 8,900 because it is within now the new ceiling.

My guess is, to be perfectly frank, if they run into a crunch toward the end of this biennium, they will end up doing what they did last time, which is not to fill vacancies as they come open in order to save money. They are not the only institution that does that.

Senator GRAMS. We ask this question because we have been told there has been an actual reduction in bodies—not in authorized posts but in bodies. When we have 8,500 last year and now this year 8,900, there are more bodies than there were last year. So, I know we are always kind of going between authorization and actual count. But this would show—according to Mr. Connor's own testimony and account—that there are more people working than there were last year.

Mr. LYMAN. Yes, there is no question that there are more now than there was in the period you mention. We go back and forth, quite frankly, over this question of authorized and people on board. The key, frankly, in our view, is the overall budget and the programs that are being carried out.

You set a ceiling, as we do in the U.S. Government, of—we call them FTE's—and agencies are to run within those. They go up and down within that scale all the time. We have pushed for reductions, but, frankly, the U.N. felt that when they went all the way down to around 8,500, they needed more people to carry out programs, and they went back up to 8,900. One can argue about that, and whether they needed them. But the key for us is are they staying within the overall budget guidelines and the overall personnel ceilings.

We cannot demand more than that, although we can urge them to cut personnel as much as possible.

Senator GRAMS. Well, we are going to continue to push for that, and also push for a reduction in the number of authorized positions, as well. Because sometime they are going to come into a balance in what we are asking.

In the past budget biennium, jointly financed activities were included in the regular budget. Under this budget, a new accounting procedure was used, called net budgeting. As a result the funding for jointly financed activities was removed from the regular budget and 317 posts were moved off the U.N. books to other organizations.

Now, this change deletes \$47 million from the U.N. regular budget. Now, if you compare the regular budget from 1996–1997 to the regular budget for 1998–1999, are there any activities that are not included in the 1998–1999 budget yet still exist? So, in other words, have there been posts taken off budget which still exist but are not counted into the regular 1998–1999 budget when you compare the two budgets together?

Mr. LYMAN. Going to net budgeting did not change posts. What it did do was to say that whereas previously the U.N. budgeted the total amount it would cost them for certain services, and then on the other side of the ledger would show an income from other agencies to pay for those, so you netted it out only at the end of the 2 years. In this budget they have netted it out at the outset, and demonstrated that the actual expenditure for the U.N. will be \$47 million lower because they get this reimbursement.

It is not an uncommon budgeting practice. We do it in parts of the U.S. Government. Corporations do it. It does not change it very much. You could add it on and then have the income at the end of the 2 years. You would net out the same way. But in their original budget outline that was used, I think, here in the Congress, and certainly in our calculations, on getting to \$2.533 billion, they said they were going to use that.

Senator GRAMS. So, if there is off-budget movement, or subcontracting so to speak, of some of these posts, they are going to be figured in and reconciled at the end of the 2-year budget?

Mr. LYMAN. Well, the expenditures are. I mean, these are reimbursements from other entities, like the Joint Inspection Unit or other agencies which have other budgets in the United Nations, and they reimburse for services.

Senator GRAMS. These jointly financed activities, such as the Joint Inspection Unit, the International Civil Services Commission, the U.N. Services in Vienna, where is the funding for these activities coming from currently, in the 1998–1999 budget?

Mr. LYMAN. The funding is provided under the auspices of the U.N. regular budget. Other agencies reimburse the U.N. for their share of the costs.

Senator GRAMS. Now, I do not know if this is budget gimmickry or what, but would it be accurate to say that at least part of the \$124 million in so-called savings so far in that column of savings has been achieved by these accounting methods?

Mr. LYMAN. No, I think this is separate.

Senator GRAMS. This is separate?

Mr. LYMAN. \$46 million was clearly identified separately in the budget documents as related strictly to the net budgeting approach.

Senator GRAMS. In order to compare this budget and the previous budget, would you have to add the cost, then, of the jointly financed activities to the 1998–1999 budget to make this clear, to ensure that a no-growth budget was achieved, that we are going to add up these costs?

Mr. LYMAN. The no-growth issue is a tough one, Senator, to be honest. Because the question is, where do you make the comparison? We did not have a legislative requirement on no growth, though that was obviously our policy and it was in the legislation

that was proposed, that you worked on so hard for, for paying our arrears.

The question is, where do you compare it? The U.N. says, look, compare it to where we started, in 1996–1997. In that case, even if you account for the change in net budgeting, the 1998–1999 is lower. If, however, you say, well, we want to compare where you ended up at the end of 1997, to where you are starting in 1998–1999, then it is not a no-growth budget, or, rather, a reduction. It depends on your point of view of where you think the comparisons ought to be made.

The U.N. says, look, compare us 2 years from now; maybe we will have made just as many reductions in the 1998–1999 as we made in 1996–1997. But do not hold us to a comparison of the end of December. Other people argue that, no, you should hold them to the end of December, because you are operating under the same inflation and exchange rate assumptions.

Frankly, I will be very candid, if the law had required us to certify that this was a no-growth budget, we would have had to deal with those issues and sort them out and come to you with a definitive point of view—frankly, we have differences as to how you would interpret no-growth. We did not have to make that certification. Frankly, I am glad I did not have to make it this time. So, I only can be candid enough to say it depends on where you make the comparisons.

Senator GRAMS. I will move on to another area, the tax equalization fund. Has the United States agreed to take over the payment of any of the costs associated with the tax equalization fund, any costs that were attributed to the regular budget during the previous biennium? In other words, in effect, are these expenses being moved off budget?

Mr. LYMAN. Some expenses in this budget were in fact moved to the tax equalization fund. People who—I think there are five people—who work full-time on this. The decision was to charge them to that particular program and the source of funds for it, because that is what they work on exclusively and they do not serve the general membership. We did accede to that in the budget.

Senator GRAMS. Has the U.S. agreed to take over the additional payment?

Mr. LYMAN. Well, it comes out of what we contribute for the tax equalization fund, yes.

Senator GRAMS. At last month's official peacekeeping briefing Deputy Assistant Secretary Hull informed the committee that the U.N. mission in Bosnia will be undertaking court monitoring as part of its, quote, peacekeeping mandate. In addition, the U.N. peacekeeping mission in Western Sahara is little more than an election monitoring program in the guise of a peacekeeping mission. What role does the U.S. play in determining the mandates of a peacekeeping mission? It sounds like a mission creep, as we always like to say.

Mr. LYMAN. You put your finger on a very, very important issue that we are debating now with the U.N. and with the other members in the U.N. It was decided by the Peace Implementation Committee—those group of countries that monitor the Dayton Accords—that the effectiveness of police programs in Bosnia would al-

ways be limited unless there was an improvement in the judiciary system. Because you can arrest people, but if there is not a proper system for prosecuting them, et cetera, it would not work.

As part of that, the Peace Implementation Committee charged the U.N. with doing the court monitoring piece. Other entities outside the U.N. are going to take on other aspects of judicial reform.

We have taken the position that that is fine, but it should not be charged to peacekeeping, because this is not peacekeeping, per se. The other members of the Security Council, quite frankly, disagreed with us very strongly. They say, look, the Peace Implementation Committee made this decision and charge. Where else are you going to get this funding? Et cetera.

We have suggested that it ought to be done by voluntary funding. We have been prepared to contribute to it. We do not have agreement at this point. We are in a minority. Others think it is closely enough associated with the purposes of the peacekeeping to do it that way. So, we are still arguing over this. I think it is a very important issue, and we have raised this with the U.N. on many occasions: To define that which is peacekeeping and charged to peacekeeping clearly, so that other activities, which may be very important for the country but are not peacekeeping do not get charged to that budget.

Now, the dilemma we get in, to be perfectly frank, Senator, is they say, well, yes, but you have put this cap on the regular budget, we cannot find it there, and we do not like voluntary funding in our countries because it is easier for us to do assessed, so where do you suggest we get it from? And of course we have come back in this case and said, either out of voluntary programs, like UNDP, or our own voluntary contributions.

It comes up in other cases. In Western Sahara and CAR it came up, the Central African Republic. We have taken a very strong position: That the peacekeeping mandate and funding for the Central African Republic should not include whatever the U.N. wants to do to help in developing election laws and monitoring observers and all of that. We are taking that position with the U.N. No decision has been made on doing that in the CAR and how it will be done.

But I take your point. I think we are in agreement here on it. But I have to tell you that we have some tough fights in the U.N. on this issue.

Senator GRAMS. So, in other words, the United States has taken a stand or is working against this type of funding?

Mr. LYMAN. We are working against using peacekeeping funds for what we consider are not peacekeeping activities. They may be good activities, they may be important to the overall situation in the country, but if they are not military or police, they should not be part of a peacekeeping budget.

Senator GRAMS. Is your concern also that they are moving these funds off budget and putting them into peacekeeping activities so they can escalate or increase spending, but do it under the guise of peacekeeping?

Mr. LYMAN. I think it is more that new situations come up, like the CAR, and they do not know where to find the funding. I think it is more that.

Senator GRAMS. On tribunal funding, the United States ad hoc war crimes tribunals are also, quote, off budget for purposes of calculating the biennium budget of the United Nations.

Mr. LYMAN. They are.

Senator GRAMS. And although these tribunals are funded from both regular and peacekeeping assessments for member states, the United Nations budget does not reflect the more than \$120 million assessed for these operations in the U.N.'s 1998 budget. Why are these tribunals treated separately from the regular budget of the United Nations for the purpose of budget presentation?

Mr. LYMAN. I confess I was not here when those decisions were made, but I gather there was quite an argument over how they would be funded, whether they would be funded under the peacekeeping formula or the regular formula, et cetera. The decision that was made was to split it and to put it outside the budget. My guess is that they simply did not have room within the regular budget when they made the decisions on these tribunals, and did it that way.

Senator GRAMS. Under present rules, is the United Nations allowed or permitted to borrow from these funds for any regular budget activities? Can they draw these back in?

Mr. LYMAN. No. The only place that the U.N. can and does borrow for its regular budget is out of the peacekeeping budget—not out of the tribunal peacekeeping, but out of the other peacekeeping budget.

Senator GRAMS. Is it against the rules? Is there a valve there that prohibits them from doing this? Or, right now, is there simply a practice of not borrowing?

Mr. LYMAN. I have to check if there is a rule. I know it is a practice not to do anything else. But I will get for you whether there is any flat rule against it.

Senator GRAMS. OK. Then I would like to also ask if you can find out if the United States has any access to documentation that would be able to help trace the use of the moneys for the tribunals. In other words, have they been used in the past? Is there any means that we have of monitoring or auditing these funds to see how they have been spent in the past?

Mr. LYMAN. Monitoring. But I say again that formally you cannot audit. But I can try and get an answer to that.

We have also had some OIOS studies of these, as well, that I would be happy to share the information we have from those.

Senator GRAMS. Just to see where the dollars have been going—or the moneys have been spent.

Mr. LYMAN. I fully agree.

Senator GRAMS. Also, the United Nations increasingly has been establishing trust funds outside of the regular budget to fund many of the activities. Does the Under Secretary-General control these funds?

Mr. LYMAN. They are usually set up for a specific purpose, and each one has terms of reference. Since they are usually voluntarily funded, they are set up for the purposes for which they are funded, let us say elections in country X or whatever.

They are managed by the United Nations, under those terms. They are not intended to be used for anything else.

Senator GRAMS. So, in other words, the rules do not permit to borrow from these funds to fund any other type of activity?

Mr. LYMAN. I don't believe the U.N.'s financial rules are explicit on this point, but, as a matter of practice, I am not aware of the U.N. borrowing from trust funds.

Senator GRAMS. Do you have access, again, to any financial information?

Mr. LYMAN. We can get information on those. There are quite a few of them, and they are all set up for a specific purpose. We have urged them to set up—in order to do voluntary versus assessed funding—other countries have set up various ones. I will try and get you information on them.

Senator GRAMS. Of course, you know we have the Social Security and we have the Highway Trust Fund, and we manage to borrow from those.

Mr. LYMAN. I recognize the problem. If I am wrong, I will tell you. But the information I have is they do not. But I will verify that.

Senator GRAMS. On the peacekeeping support account, the U.N. currently permits member states to dedicate personnel, including military personnel, to work for the U.N. as volunteers. Now, there is a proposal at the U.N. whereby people who are working on a voluntary basis could now be paid by the United Nations. What is the administration's position on this proposal? And what effect will this have on the budget if it is enacted, to eliminate volunteers and to begin paying volunteers?

Mr. LYMAN. Yes, this is a very, very important issue, and I am glad you raised it, Senator. It is something we are in deep discussion in the U.N. on. I will be very candid—I know I am on the record, let me be very candid—there is a resentment among some members that countries which can afford to do so second people to the United Nations, and therefore get, in their view, undue influence over the U.N. because they can afford to second people.

So the General Assembly passed a resolution that says the U.N. should phase out these seconded personnel, and if they are necessary to the United Nations, they should be put on the budget and hired just like all the other personnel, so that you do not get an undue influence.

We have taken the position—wait a minute, we said—especially in peacekeeping, where most of these people are—the purpose of this was to provide the U.N. a specialized expertise in order to overcome problems they have had in organizing and employing peace keepers. To put all this in the regular budget does two things. One, it demands a much higher budget; and, second, you may not get the same kind of people and you lose some of the expertise.

We are battling this right now. We have raised many questions about a proposal that is circulating right now—and we and other countries—about replacing all these people—or most of them, not all of them—with paid personnel. We have pointed out that there is no budget to do that.

So, it being debated in the Fifth Committee, and we have engaged heavily with other countries and the U.N. on this. I will keep you informed how this plays out.

I think it is important for a number of reasons. It is important for the kind of skills the U.N. needs. Second, I think the U.N. must distinguish—and the Secretary-General has this authority under this resolution, between temporary needed skills of a specialized nature and long-term, permanent staff requirements. We think that there is a fair amount of what is in DPKO from seconded personnel that should not necessarily be permanent, long-term staff.

They were there to build a certain capacity and do not necessarily have to be there forever. That is what we are arguing right now in the U.N. we and other countries, by the way, share this view. But that is the background to this debate.

Senator GRAMS. But to put you on record again, the U.S. is in opposition?

Mr. LYMAN. Yes. Some may make sense. Some on a long-term basis and adequately filled, but not all of them by any means.

Senator GRAMS. It just seems that we have stressed volunteerism, and I know as many countries around the world stress volunteering for such activities, and then there are some that would oppose a volunteer position to help save money and provide the expertise you are talking about. How many positions are we talking about, by the way?

Mr. LYMAN. Well, the total staffing in DPKO is about 400 or a little less than that. I will have to get you the exact figures.

Do we know how many?

I think 106 are what they call gratis military personnel.

Senator GRAMS. But that would add a lot to the budget.

Mr. LYMAN. Oh, yes.

Senator GRAMS. If they wanted it, they would have to have offsets somewhere else.

Mr. LYMAN. Exactly. That is one of the arguments.

Senator GRAMS. But like you are arguing, too, the U.N. might not have the expertise.

Mr. LYMAN. Well, I argue on both grounds: One, you would have to have offsets in the budget, but I am also worried about the expertise that is needed. Because when we second people up there—and we have seconded—some of those 106 are Americans—we get some highly specialized, capable logistics experts, et cetera. That kind of expertise you do not necessarily hire off the street.

Senator GRAMS. In another area, there was \$10 million left over from last year from the regular budget that was not credited back to the member states.

Mr. LYMAN. I thought it was. The surplus was credited back—\$61 million. That is why our assessment for this calendar year will be \$297 million instead of 3-something.

Senator GRAMS. Well, some of the information I have is that \$10 million was being used to fund U.N. programs in 1998, \$7 million for IMIS and \$3 million for UNCTAD, whatever that is—there are so many acronyms.

Mr. LYMAN. UNCTAD, yes.

Senator GRAMS. There were dollars used to fund those two programs, a balanced refurbishing of the interpreters booth, et cetera.

Mr. LYMAN. I will have to get you more details, but there was—right toward the end of the year, there was a question—

Senator GRAMS. So, is this outside of the 64?

Mr. LYMAN.[continuing.] of whether funds available could be used for some of these programs in 1998–1999. I think the decision was made that some funds could be made available for programs that would be carried out in 1998–1999, but it was not the total surplus. Because U.N. members got \$64 million in surplus back.

There is a real problem with the IMIS. The question is, how do you fund a revamping of their information system in the U.N.? And there is not enough money in the regular budget to do it, and they are wrestling with this problem, quite frankly. Again, we are taking the position that you have got to find it within the \$2.533 billion.

Senator GRAMS. Who authorizes that, then? Is it up to the Secretary-General to do it, or does it take a vote?

Mr. LYMAN. No, it would have to be approved in the Fifth Committee.

Senator GRAMS. In the Fifth Committee?

Mr. LYMAN. Yes.

Senator GRAMS. So, this was approved, then, out of the committee?

Mr. LYMAN. The amounts that were approved at the end of the year were approved at the Fifth Committee.

Senator GRAMS. And just a final question, and I know we have gone maybe a little longer than expected, but I just had one question I wanted to ask about a standing army that we have heard about.

Mr. LYMAN. Oh, yes.

Senator GRAMS. U.N. Assistant Secretary-General aKoy has called the proposal for establishing a permanent headquarters for a United Nations, quote, standing army system. Now, it is an interim measure toward the establishment of U.N. standing army.

Now, he should know, because he is the Deputy Chief of the U.N. Peacekeeping Operations Department. So, Mr. Assistant Secretary, when the Deputy Chief of the U.N. Peacekeeping Operations Department calls this an interim step to a standing army, I take him at his word.

Is the Clinton administration supporting this proposal?

Mr. LYMAN. We certainly do not support a step toward a standing army. On the contrary, you will recall when we did what we call PDD–25, to look at our whole policy on peacekeeping, after the Bosnia experience and the rest, and we came up with a whole series of things about how to improve both our own reaction to peacekeeping proposals and the U.N. Among the recommendations made was that one of the problems the U.N. experienced in setting up a peacekeeping operation, once it was approved by the United Nations, by the Security Council, was its ability to set up rapidly in a volatile situation. It took so long, that was part of its problem.

Because we are opposed to a standing army, because we opposed it, it was recommended and it has been in all the reports and it was in the GAO report which was kind of a report card on us, on following up with PDD–25, to establish the capability in the U.N. for what is called a rapid deployment headquarters. That is, it would be a headquarters element that could go out and do the preliminary setup until the regular peacekeeping forces arrive.

It is actually a very valuable instrument. It includes some permanent staff and some who are on call, for a total of 24 people. It is not a standing army. The U.N. has no authority to call on troops unless the Security Council approves the peacekeeping. They have no authority and no funds to do so otherwise. So, there is no way it can create a standing army, but a rapid deployment headquarters is. So, everybody who looked at the capability of the U.N. to set up a peacekeeping operation thought this was a good thing to do.

We contributed to it. We contributed out of a voluntary peacekeeping account—it is not our IO account—toward this. It is set up and it is, I think, a good thing. If the DPKO thinks it is a step toward a standing army, they are in trouble, because we would veto any standing army in this Security Council. We have always been opposed to it.

Senator GRAMS. Well, when you mention a rapid deployment headquarters, it has to basically set up, then, a structure of command. Once that is in place—

Mr. LYMAN. It sets up for a peacekeeping operation that is approved.

Senator GRAMS. Right.

Mr. LYMAN. Yes.

Senator GRAMS. But it would set up a structure.

Mr. LYMAN. Yes.

Senator GRAMS. A line of command. There are many of us who fear the word “incrementalism.” That if you set a structure in place, it is only a matter of time that we are going to be moving closer and closer, from a rapid deployment to a national guard-type commitment, to a standing army. So, that is why we are very concerned and want to nip this in the bud, and to make our feelings very strongly opposed to it.

Mr. LYMAN. I take your point, Senator. We are absolutely opposed. It would be a mistake for the U.N. to even move in that direction.

The only way the headquarters operates is if the United Nations, let us say, sets up a peacekeeping operation in country X, and says, OK, we authorize 3,000 peace keepers. Then and only then can this deployable headquarters go out there and set up the structure for when these 3,000 people arrive. But until the Security Council authorizes a peacekeeping operation, they are sitting there. They do not have the authority or resources to call on anybody.

So, it is to improve their ability, once we approve it, but it is not a standing army, and we will not ever in the Security Council permit a standing army.

Senator GRAMS. All right. Well, thank you. Do you mind if I check with the staff to see if we have covered everything?

Mr. LYMAN. You are happy to. I mean, I am happy for you to do so. But I am not sure I will ever satisfy you. They always have hard questions for us.

Senator GRAMS. Well, thank you very much, Mr. Secretary. I appreciate your time in coming up today.

Mr. LYMAN. Thank you, Senator. I appreciate your interest.

Senator GRAMS. All right. We will talk to you later this year. Thank you very much.

The hearing is concluded.
[Whereupon, at 5:10 p.m., the hearing was adjourned, subject to
the call of the Chair.]

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