

**Statement by Ambassador Anne Patterson, Deputy Permanent
Representative of the United States to the United Nations**

**Senate Homeland Security and Governmental Affairs Committee
Subcommittee on Federal Financial Management, Government
Information, and International Security
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Mr. Chairman, Senator Carper, Distinguished Members,

I appreciate your giving me the opportunity to testify before this Committee on the planned renovation of the UN headquarters facilities in New York, known as the UN Capital Master Plan. As the U.S. is the largest contributor to the UN, the Administration has a particular responsibility to ensure that costs are reasonable. We welcome your engagement on this issue.

Mr. Chairman, as we continue to work in the United Nations on such important issues to our national interests as getting the Syrians out of Lebanon, counter-terrorism, and peacekeeping around the world, we are also focused on UN reform. That term has many facets, but among the most important are improvements to the UN's administration and management. I believe we can agree on the essential components of management reform:

strengthened oversight, adherence to the highest standards of ethics, and utilization of the most efficient and effective business practices.

Thus, it is no coincidence that the UN renovation project is of particular concern, both to members of Congress and to the Administration. The scope and magnitude of this project is beyond that of any within the UN's experience. It is complex and involves the awarding of numerous contracts that are substantial in size. Plus, it is highly technical and, like all major construction projects, is subject to the potential of cost overruns. Given all of these attributes, it is clear that the Capital Master Plan warrants a special degree of oversight.

Mr. Chairman, there is little doubt that the UN headquarters facilities are in urgent need of renovation. Close to 4,300 people work in the complex, about a quarter of whom are Americans. Throughout the year, over 5,000 accredited delegates from all nations come to New York to participate in the work of the General Assembly. In 2004, 360,000 tourists visited the United Nations headquarters, 40 percent of which were Americans. The United Nations has unique security concerns, given the high profile of the building, the presence of world leaders, and its New York

location. Most of the structures involved are well over fifty years old, and have never undergone a major renovation. They do not come close to meeting modern fire and safety standards, and are laden with asbestos. They are energy inefficient, and have little-to-no flexibility in terms of space utilization. This is not intended as criticism of the original construction: indeed, it is a testimony to the building's design and construction quality, and the dedication of the UN's maintenance team, that a building this old has remained functional for such a long period beyond its useful life expectancy.

Mr. Chairman, it is instructive to take a tour of the building and see first hand the asbestos, the leaking pipes, the outdated electrical systems, and the fire prevention system that cannot identify with any precision where a fire breaks out in the building. Renovation of this building should not be delayed, lest safety and security be jeopardized.

Mr. Chairman, I know that you and your colleagues are very concerned about the costs of the project. You are asking whether the cost is comparable to other renovations of the same size and you want to know how this project was monitored to date. I want to tell you what we are

doing to ensure that this project is monitored and consistent with industry standards. .

When I arrived at the U.S. Mission about a year ago, I was pleased to find the apparatus in place to provide a high degree of oversight, both within the UN structure and our government. The UN had established a new, separate office, under the authority of the Under Secretary General for Management, an American citizen. I might add, Mr. Chairman, that the United States always seeks, because of our large contribution to the United Nations, to have an American as Under Secretary General for management. The UN's office of Internal Oversight Services had established a permanent linkage to the project and was reviewing the project regularly. The Capital Master Plan office had forged a special relationship with the UN's procurement apparatus, a function that the U.S. had worked hard over the years to make transparent and accessible. We believe the UN has structured an organization in a way that is well suited to administer this project.

Just as importantly, the Administration has exerted oversight over the Capital Master Plan for a number of years. The U.S. Mission's Management and Reform office has been involved in reviewing this project since its

inception. But given its unique nature, as well as its magnitude, the Administration decided to create a task force based in Washington to manage overall U.S. participation in the project. This task force includes staff from the State Department and OMB, as well as an expert consultant with years of experience managing major U.S. embassy construction projects. The task force deals not only with the technical elements of the management of the project, but also the project's financing and the impact of decision-making related to the project by UN member states. The task force coordinates directly with our Mission, and its members have met regularly with the UN's Capital Master Plan office to review its plans and decisions.

U.S. oversight also extends to the Government Accountability Office, which has undertaken two reviews of this project. In conducting these reviews, GAO sent teams to New York, where they were provided with exceptional access to the UN's staff. GAO reviewed the processes being followed thus far by the UN's Capital Master Plan team, and found them to be consistent with best industry practice.

How were the costs for this project evaluated? The UN contracted with three, internationally-known construction firms. Our task force has

also looked carefully at the bidding and contracting process for the design work that is currently underway. I understand that the GAO is soon initiating a third review of the Capital Master Plan, and again, I welcome their involvement. In sum, Mr. Chairman, the costs were developed in a transparent manner and bids for the \$19 million spent to date were let by competitive, transparent procurement practices. Costs were reviewed by reputable, world-class firms, reviewed repeatedly by the U.N.'s internal auditors, and subject to in-depth, on-site reviews by the Government Accountability Office.

Mr. Chairman, the UN needs the United States, and we believe the U.S. needs the United Nations. As host country, we have a special responsibility to ensure that the facilities used by the UN are adequate to meet its needs and are safe and secure for all its employees and delegates, which include a large number of Americans. I believe our offer of a loan at an interest rate of up to 5.54 percent to finance this project is fair, and provides a way forward to accomplish the renovation. And I think it is right for the U.S. to pay its 22% share of the project, as we do all UN operating costs. But I am also mindful that the price tag is large, and that we need to ensure that the project is carried out in a cost-effective and transparent manner. I believe this has been the case to date, and assure you we will

remain vigilant in our oversight throughout the course of this renovation to see that the best interests of the United States are always served.

Thank you Mr. Chairman, and I look forward to answering any questions that you might have.