

Annan prepares for privatisation of UN

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Pressure from US forces Secretary General to put reforms in place

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THE United Nations has drawn up plans to privatise the bulk of its staff at its New York headquarters or have their work done more cheaply overseas. The move is in response to mounting demands for reform from the United States, its biggest paymaster.

The Business has learned that Kofi Annan, the UN secretary general, has commissioned a study into the outsourcing of the department for General Assembly and Conference Management, the main UN decision-making body whose officials issue about 200 documents a day in six languages.

The move comes as the UN grapples with the oil-for-food scandal in which officials have been accused of taking bribes from Saddam Hussein's regime.

Annan will report by the end of February on management reforms to the General Assembly. According to an internal UN document previewing Annan's report obtained by The Business, he will include "proposals to outsource or off-shore select administrative processes" – suggesting its New York headquarters may shed staff.

Annan is reviewing the study conducted for the UN by US consulting firms Epstein & Fass Associates and Faulkner & Associates. Their preliminary study, which The Business has seen, makes no firm recommendations. But it examines three privatisation possibilities, from the most conservative to the most radical:

- * Maintain the status quo of in-house operations, but save money and create efficiency through greater use of technology and eliminating more than 200 jobs through attrition by 2009;
- * Retain a core of in-house functions while outsourcing some operations, along the lines of a similar exercise by the World Bank and IMF;
- * Spin off the General Assembly department entirely as a for-profit, private company or an independent unit with some control by the secretariat.

The study gives frank assessments of the risks with privatisation, especially guarding privileged information and interrupting projects if new contractors are hired. It concedes privatisation may not save money. "Outsourcing does not guarantee reduced cost", which "depends on market factors, and also... on how outsourcing is managed", it says.

The Bush administration has made an overhaul of management a centrepiece of its UN reform programme. John Bolton, US ambassador to the UN, once said that if the New York

headquarters lost 10 of its 38 floors, “it wouldn’t make a bit of difference”. He is leading an effort to move the UN towards the efficiency of a private company, including transforming the deputy secretary general into a chief operating officer and demanding that tasks are done by merit, not geography.

Christopher Burnham, a former Bush State Department chief financial officer, was named UN undersecretary general in charge of management last June and declared the UN needed to “refocus on those areas where we have a competitive advantage”.

Rick Grenell, spokesman for the US mission, told The Business the Bush administration had no position on outsourcing. “Our position is that the UN needs to function better,” Grenell said. “We need to look at all ways to make that better. No one is talking about cutting jobs or turning out lights. Talking about outsourcing is way ahead of the game.”

But there has been growing pressure from Washington on the UN to cut costs. The US pays 22% of the UN’s general budget. France pays 6.4%, the UK 5.5%, China 1.53% and Russia 1.2%. All five can wield a veto on war-making decisions.

Congressman Henry Hyde’s proposed UN Reform Act of 2005 would withhold 50% of US dues unless at least 32 of 39 proposed reforms are adopted – a clear indication of pressure intended to break the deadlock.

Some staff fear privatisation would cause a cultural shift at the organisation where international civil servants have been chosen through competitive exams for more than 60 years.

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