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DRAFT Remarks by Mr. James Grant
Executive Director of the United Nations Children's Fund (UNICEF)
at the
UNICEF Pre-Board Meeting

New York
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The major institutional development in the past year is the darkening financial storm clouds over the entire U.N. system. And this really comes out of the Gramm-Rudman bill primarily. There is a fair chance that the U.S. contribution which is one-quarter of the UN 's Budget and this also covers UNCTAD, UNEP and many of the subsidiary parties, the regional commissions - there is a fair chance that the U.S. contribution instead of being 25 per cent could be half of that this year for the U.N. and what makes it much worse is that the UN won't know that until late in the calendar year and the U.S. now makes its payment to the UN out of its - current year - For 1985 they paid for it out of their fiscal year 1986 money which began the 1st October 1985, so that with these uncertainties the UN won't know how much its going to get from the United States for the current fiscal year and now the year is almost over which for an agency that is mostly staffed and structure is a very, very major problem. And as you all know this is a coming together of three or four factors. One is the Kassebaum Amendment which was passed a year ago really reflected the a US government and congressional frustration with the fact that the UN seed? would keep on growing forever whereas year after year the 20 major contributors including the U.S.S.R. regularly voted against the budget. And of course, the big problem with the Kassebaum Amendment was it was a unilateral act that unless the UN shapes up and gives a great deal of more attention to the views of the major donors, the finances of the UN, the U.S. contribution should be cut back from 25 to 20. And there is a lot of empathy for this in the major industrial countries. There is a good bit of unhappiness at the fact that this is a unilateral action cutting from 25 to 20 per cent or less. There has been appointed the Kobiyashi Commission of high level experts suggested by Japan and there are 18 high level people which are looking into this of what major restructuring. My guess is that the climate is such that they will make some major restructuring proposals. Its very hard to tell at this moment - its just that people are talking about change. And the third world governments that have been in large part voting these increases - ignoring the views of the major donors seems to have joined in and are basically now saying two things. Yes, the UN's structure has gotten bloated, the structure is not working properly and major changes are required.

Now this is (126) by the Gramm Rudman bill which as many of you know is an arbitrary way of trying to cut the US debts and nobody know what will come out of this. At the moment, it is not per se directed at the UN, but the UN is specifically not exempted from it even tho' the UN is a treaty obligation and it has already resulted in a since FY 86 is the first year of this and they paid the 85 UN budget out of 86, it resulted in \$20 odd million reduction in the US contribution to the UN. Now this Gramm-Rudman applies to WHO, FAO and the other agencies as well there are (155) contribut agencies. This year, nobody knows. It literally could be a 25, 30 45 per cent cut. Its (165) in the U.S. Congress - Congress against Administration and the UN system is just a by-product. What it does mean is that the climate that we're in, is that all the first, second, third secretary types have this on the mind. And as you know the UN has been putting in a series of (176) for them - measures to cut back on financial expenditures. There is no new hiring going on. Overtime has been severely restricted. The pay increase for the general service staff of 4 1/2 per cent that they should have been getting has been indefinitely deferred. And even though we are not in the same financial straits, the same is being applied to the Headquarters locations of UNICEF. For the means of keeping the common front.

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The question still remains what about the Nairobis and elsewhere where the UN has cut back and they are pressing extremely hard on us to take that same reduction as they are. So we are in a mood that there's a little bit like 81, after the global recession when there was zero growth. It was accompanied by further sort of feeling that something major needs to be restructured. Its not a question of going from 3 or 4% growth every year to zero growth. Its some kind of major structure. Probably the most experienced number of that group is our old friend Maurice Bertrand. And he also is the senior adviser to an international group set up by the United Nations Association composed of 20 or 30 world leaders. And he is their senior consultant. You remember he issued a report last fall calling for the dissolution of the UNICEFs and the UNDPs and reintegration of regional organizations in effect. Its a very uncertain mood that we are meeting in with unpredictable winds in gusts. It means that in things like UNICEF House, we can count on - you know we may be able to keep the lavatories in the our building, but on everything else they will be saying that where there is within a quarter of a mile a facility that can be used that we should be using those facilities. So Kari-Eric has my deep sympathies as well as the rest of us since we have to fight this. The Gramm-Rudman also has relevance to us in that while the Administration in a belated act of recognition that they love UNICEF instead of recommending that we be cut from 53.5 million to 27 million, they've given us a 25 percent increase and they have raised their request to 34 million to the Congress, which is still 19.5 million less than what it is what we were voted for this year. It will be much harder for us to get that 34 million back up to 53.5 million in the past year. There may be even trouble getting the 34 million in the general climate and even if we were to get it back up to 50 or 53.5, we still have the secondary situation that once all the bills are pased, if they exceed the budget deficit, which they undoubtedly will then there is another big cut that applies. Then there is a double jeopardy situation so we don't know. Now maybe that the U.S. Congress will find the whole situation so chaotic that come October/November they will throw up their arms - their hands in despair and go back to a continuing resolution as if Gramm-Rudman did not exist. But that is not something we can count on. Its made a little more likely by the fact that with a very sharp drop in oil prices, there is more elbow room financially than there was 3 or 4 months ago when the Gramm-Rudman was passed. On top of that we do have our continuing uncertainties with respect to other sources of funding. We have with respect to Italy which is our third - second or third depending on how you calculate it. We have been going through a very difficult period on the extra \$100 million upto \$110 million commitment made by Forte in June. I think this is going to sort out, but it clearly has - its a little bit like trying to move water in a pot or pail that has a lot of holes in it and that you are trying to get the water over before too much leaks out of the holes. We also of course have with the AGFUND - with the dramatic drop in oil incomes the prospects of getting a major AGFUND replenishment less than they were some 6 months ago. On the income side, there's just a lot of variables. The one plus of course is the change in the value of the dollar has meant that contributions from Italy, France, Scandinavia (341) own currencies are all going up. In this sense, we are in a sort of reverse situation of the assessed contribution agencies which kind of living happily on the 347 in the early 80s where their budgets were in dollars and dollars far more in Rome, Paris, Geneva than they had before. Now against this background of both financial uncertainties, financial unease, a feeling that the UN really is an inefficient place and that somebody has to do some drastic surgery to - it is very important for all of us to be able to in effect say well UNICEF is responsive to this and has been for some time. On our most urgent, immediate crisis you are seeing

UNICEF venturing out into a major effort at private fund-raising and this is where SPORT AID comes in - a major venture with Bob Geldof of Band Aid where we have jointly teamed up and created this thing called SPORT AID and you can see the symbol shown there. Half of the proceeds from this effort come to UNICEF, half will go to BandAid to be distributed through them to OXFAM and certain structures. At this time, I must say, I feel it was started only five weeks ago, it will come off in five weeks. Its an impossibly short time and it is going to take incredible work out of a lot of people. And I know its very easy for people all over the world to say another harebrained scheme of why do we need this on top of everything else we are doing. The answer frankly is that for the next 3/4 years we either pioneer some ways of raising resources or we are going to see in all probablity a significant reduction in our resources. And so this one is our effort to pick up on what was done by Band Aid and Live Aid and USA For Africa last year which mobilized \$200 million of which we only got less than \$10 million from those. And we are in a sense learning our own way into this. I think its quite clear we'll probably make some money on Sport Aid. We might make a lot. But this one depends a lot given a chance on how well we are able to organize on the participation around the world. The parallel to this is First Earth Run. Now the First Earth Run again involve many of our field offices. We have much more lead time. It starts on 16 September and for it - you are puzzled? You've not heard of the First Earth Run? This one - where there will be a runner that goes around the world with his torch like for the launch of the Olympics - we already have a major Japanese sponsor that put up several million dollars and in essence we are funded. And everything from now on is crazy and the idea that the biggest event of the international year of peace should have on its other side that the money raising part of it close to UNICEF whose fighting the only war we see is a very nice combination and it was almost very much what happened at Budapest when the International Physicians for the Prevention of Nuclear War took on a UCI 1990 as a major effort of theirs. The success of these will require the national committees to do a lot of things they have not been doing. It would require our field offices to do somethings. I think we are very fortunate this is the time when Victor with his entrepreneurial skills and enthusiasm arrived at the European scene beginning May 1 to deal with our national committees. It is a new chapter for us on the funding side. This year we can go anywhere from \$10 million to \$60 or \$70 million. We just don't know. But if we can be successful this year in this - two things can happen. One we can get our liquidity up so that we are in reasonably good shape for the next couple of years to deal with buffettings(?). Secondly we will learn some major new techniques - a new generation of fund raising techniques that we can use on the private side. But I think, this will take some explaining to the delegations here. I mean UNICEF getting into something very different. But this is part of our restructuring. Second, it is worth reminding the delegations that we have gone through a series of administrative restructuring since 81-82. That is really quite unusual for UN agencies. The first and foremost of these of course was the Supply restructuring which I'll never forget when I described it to Louis Negre, he said it would have been impossible to do this kind of restructuring in the UN on their own initiative before the House was falling in. Now they are going to have to do some of these things. He said to do it like our own initiative - something that was very unusual and he thought the world of us for it. We now are in the situation where we are about 1/4 reduction in staff, we are having a very substantial level of procurement being handled on a more timely basis than it was three years ago. In the same spell, we have had the redeployment of staff - significant redeployment of staff to the two emerging areas where more people were needed. Africa was one and to a very substantial degree we met the African needs through internal deployment. the second area of need

frankly was as we moved forward with the child survival and development and it became a major move in Latin America, MENA we began to and were able to strengthen those two regions drawing again largely on our own staff. All of this has happened with the Headquarters staff remaining constant. It is noteworthy that when you take out total staff including project staff we now have 50% more staff worldwide than we did in 1980. Meanwhile, the total headquarters staff has remained relatively constant and the core staff in headquarters is down. Now to carry this even further, as you know, we have put out in our biennium structures that we will go into the biennium with some 80 less posts than we now have. One can say that this is illogical(?). We are an agency that is becoming more soft-ware oriented - soft-ware takes people, our staff ought to go be going up. But I think given the realities that this is probably the most prudent thing for us to do that it means that we will have to do even more redeployment within to meet our priority needs. Third of course, we have restructured very much on the programming side and in effect we tried to sharpen our focus, the addition of infant mortality as the target along with per capita income that was added in 83. The only CSDR focus which has occurred. The introduction of much more advocacy as received through the State of the World's Children Report and devices such as we did with the meeting on signing the UCI 1990, social mobilization, programmatically we've made a big shift. And if you take a look for example at basic health account. I don't think there is any doubt but that we are at this stage getting 2 to 3 times the beneficial impact from our expenditures at least in terms of a nation's child health as we were getting several years ago. Finally its worth on the broader policy field we've entered in with considerable vigour to this whole concept of advocating on the world scene adjustment with a human face so that one of the events of the 1980s is the 564 through the recession the word development in Africa and Latin America has faded to be replaced by the word adjustment to meet with the financial crisis. Now they are getting back to adjustment with growth. But this takes us right back to the fifties and the sixties where the original growth patterns gave almost no intention to the human dimension and we are faced really with a need as these new economic policies of the mid-late 80s come into the fore particularly in Africa and Latin America. How do we get the human side back into it? We and others have done with considerable success in the early to mid-70s with our basic services, basic human needs and 582 So I think that one of the things you must convey to the Board that UNICEF has gone through a substantial restructuring and is still doing so as evident by what we are doing with the Sport Aid, The First Earth Run and if you want it said, we can also include the relationship we been working out with FIE(?) on the Africa side. 593 financial crisis and our response to it. I think we are all aware that the past year since this Board met has seen remarkable progress on the immunization front - the UCI³. Its hard to believe when the Board last met, India had not yet stood up to be counted, China had not yet stood up to be counted, Bangladesh looked like very much a lost cause with its 2 per cent level of immunization at such..... This has really in 12 months gathered what many would say rather incredible momentum. We've seen the use of vaccines in 1985 several world wide from sources the level of vaccines used in 1983. This is a very objective way of measuring what happened. It has brought with it, as we try to seize this opportunity many as we all know charges of UNICEF becoming a mono issue organization. And I find as I travel around the world that this question is raised all the time. And I find that people are when I say you know in 1981 we spent 21% of our money on water, what do you think we are spending now of our total amount? First question is are you spending more or less than we did in 1981 and I have yet to find a person who replied "less".

And the second question is how much less and the 10 or 11 people that have responded to this most of them said you must have reduced it by half. Now its noteworthy that in 1985 we spent substantially more money on water than we did in 1981. It still remains at 21 % of our resources and the number of beneficiaries from the programme has risen by some 10 to 12%. But it is true of course that our oral - we have been taking our oral advocacy on the child survival side and this has created the image that UNICEF has gotten out of the other fields whereas we have really not and we have been very much concerned as to how we use programme like water to be a much more successful pusher of our child survival programmes and if you examine these programmes around the world from Egypt where I just was yesterday to India ones sees that there has been a very real shift in these directions. But this is a basic point that we need to emphasize and I would hope that at the end of the Board we would have gotten the Board to broaden its support for UCI 1990 which came out of the resolutions to the Board formally last year into support for the twin engines so that they are talking about 1990 goals for both ORT and UCI to broaden it out to that level. I should say, having been in Egypt, the country that has made the most dramatic progress on this, it is very clear that when a country turns its heart 665 in a major way the progres can be very spectacular. Their estimate there is now that there is over 90% awareness and that the families that are using it at least part of the time ORT has risen to between 65 to 70% and the impact is on death rates is very notable. It was noticed even interestingly when we were in El Salvador - was it Dorothy who was giving us the comments from the Ministry of Health that 3 years ago the number one killer was diarrhoea, the number two killer were the six diseases against which you can immunize. The number three killer was the war. They have now made enough progress on

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To watch the 7 countries two weeks ago to have signed this agreement. Michael(?) was there. Teresa's plane was late so she missed it. But to get 7 central American countries to sign the agreement under which they expect to reduce child death rates by half in five years - to get the EEC to put up 15.5 million, the Italians to put up an equal amount and vice versa it was a very major accomplishment. Dave Haxton, as many of you may know is in the middle of a major initiative in South Asia which probably has not reached the stage that we want to do much public talking about as yet, but we are hopeful that within a very short time, the 7 countries of the South Asian Association for Regional Cooperation which is now sort of in the fledgling stage like how ASEAN was 20 years ago that they would take on child survival revolution as a principal topic for the 7 countries to work on including the possibility of a joint - some kind of a major conference on child survival involving all sorts of 051 next November. All I could say is that when I look back on whats been done in the last year, we must be doing something right - UNICEF. A tremendous amount has been accomplished. How we convey that to a Board that each deals with its own little piece of the elephant(?) 064 all kinds of pre-conceptions about the financial crisis that we're in. About which we are going to be very skeptical about innovations. This is a major challenge. Last Wednesday you were in the Phillipines and they had a marvellous ceremony with Mrs. Aquino and she signed her fourth decree and this dealt with UCI 1990. There was a tremendous festivity for several hundred people. Mrs. Aquino spoke. None of the other members of the UN family could understand what had happened here and our Chairman, and Richard were both there participating in this. And 106 was also there. Going on, how do we convey this, while we also do convey a recognition that we are part of the

bigger UN system. Change of life 113 is the challenge of the next 2 1.2 weeks. Possibility with that, lets turn to the specific issues and questions can come up with respect to them. On UNICEF's financial perspective and I assume that all of you carry with you, as your near Bible the issues paper for the Board which I think is quite good and as it indicates it treats the financial