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Statement of
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before a joint hearing of the
Subcommittees on International Organizations and
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House Committee on Foreign Affairs

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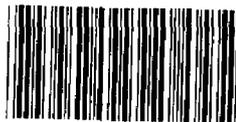
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[Financial Management in the United Nations System]

Mr. Chairmen and Members of the Subcommittees:

We appreciate the opportunity to express our views on financial management in the United Nations system. We in GAO have for the past 10 years addressed the need for marked improvement in this area.

Illustrative of our efforts and concern have been the 18 reports we have prepared over the past 10 years on the need to improve the U.S. participation in individual organs of the U.N., such as the United Nations Development Program; the specialized agencies, such as the World Health Organization; and particular aspects of the organization, such as the need



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to improve the review and evaluation system. The collective conclusions resulting from all of our studies are that:

- Substantial management problems exist within the organizations themselves.
- Significant problems exist in the management of the U.S. involvement in the U.N. system.
- A need exists to improve the process of recruiting qualified Americans for jobs in the U.N. organizations
- There is an absence of adequate audit and evaluation of U.N. programs and operations.

While we believe that the actions taken by the Department of State to improve its management over U.S. participation in international organizations has not been as vigorous as it should be, we do not want to leave the impression that nothing has been done. The Department had taken what we regarded as essential action to have some constructive influence on the complex U.N. system. Recently, however, there has been decreased emphasis on such actions on the part of the Department. Therefore, it is clear that much remains to be done.

Management Problems Existing in
U.N. Organizations

Clear weaknesses exist in the U.N.'s management of its organizations. While the United States, as one member, cannot unilaterally make the improvements, it can work with other

concerned members towards overcoming the problems. Major problem areas include the organizations' structure, financial management, and budgeting and programing.

Restructuring

In December 1974 the U.N. General Assembly requested the Secretary-General to appoint a small group of high-level experts to submit a study containing proposals on structural changes within the U.N. system. A group of 25 experts, representing 25 different countries, nominated by the governments and appointed by the Secretary General, was later formed. It submitted its report, "A New United Nations Structure for Global Economic Cooperation," to the Secretary-General in May 1975.

This wide-ranging report proposed major changes in the U.N. central structure, as well as reform or improvement of budget and program policies and procedures. The group of experts which prepared the report pointed out that the recommendations for restructuring would require action by the General Assembly, the Economic and Social Council, other U.N. intergovernmental bodies, and the Secretary-General and recommended that they be set in motion by the General Assembly in 1975.

In September 1975 the General Assembly created an Ad Hoc Committee to initiate the restructuring and to make the U.N. system more capable of dealing with problems of international

economic cooperation and development. The Ad Hoc Committee was to consider relevant proposals and documentation, including the report of the group of experts on the system's structure.

The Ad Hoc Committee and a working group established by it held numerous sessions in 1975 and 1976. In February 1976 the European Economic Community member countries and the United States each presented informal suggestions to the working group. The U.S. proposal identified major problem areas to be discussed. In April 1976 the United States presented to the working group a paper outlining preliminary U.S. delegation views on the problem areas under consideration by the working group.

The problem areas identified by the United States, the European Economic Community, and the Group of 77 1/ were similar to those discussed in the report of the group of experts. These included such matters as (1) overall coordination of the activities of the organizations of the U.N. system and the establishment of priorities for the system as a whole, (2) management of funds for operational activities under a single administrative structure, (3) creation of a mechanism for evaluating operational activities, and (4) enhancement of the effectiveness of the planning, programing, budgeting, and evaluation functions of the system by adopting areas of activity and approaches to priority selection.

1/A group of developing nations in the United Nations now numbering over 100.

The Ad Hoc Committee is continuing its work. U.S. officials at the United Nations reported that the Committee has reached general agreement on some issues, such as the integration of U.N. field activities under a single team leader, the use of the UNDP country programming system as a basis for operational programming, the unification of some administrative servicing, and increased coordination at the executive level.

Financial Management

The U.N.'s Board of Auditors, presently composed of members from Bangladesh, Canada and Ghana, reviewed the U.N.'s financial management policies and procedures of member organizations of the U.N. family (not including the specialized agencies) during their 1976-77 audits. In its report, the Board stated that present financial management and central responsibilities and procedures have not been stated with sufficient clarity to cope with the growing complexity and diversity of the United Nations. Above all, it stated, the need for strong central direction has not been given adequate emphasis.

For example, the Board concluded that there is a general lack of acceptance of the U.N. Controller's responsibility to provide leadership to the financial operations. It reported that many of those persons with financial responsibilities within the U.N. do not report directly to the Controller.

The Controller has been designated by the Secretary General as the person responsible for administration of the financial regulations. Thus, the authority exists and only needs to be exercised. The U.S. delegation shared the view that the Controller has the authority and called upon the Secretary General and the Controller to take immediate action to ensure full implementation of the Controller's leadership role.

We have been advised that the Controller had not taken any action in this regard. He said that the many finance officers in the U.N. work for other senior U.N. officials, executive committees, and governing bodies that are more influential than he in certain financial matters. Until these other entities accept the Controller's authority, he believes there will continue to be a problem with his financial leadership in the U.N.

Budgeting and Programing

Many of the restructuring proposals embody centralized planning, programing, and resource allocation within the United Nations. This idea in some respects is similar to the U.N. Development Program country programing concept wherein technical assistance is coordinated and funded primarily through a single channel. The UNDP system of country programing is based largely on the needs and priorities of a developing country as agreed to by the country. These needs are assessed in terms of UNDP

resources, and a 5-year plan or country program is established by the recipient country and UNDP. Approved UNDP assistance projects, funded through voluntary contributions, are then carried out primarily by the specialized agencies under the team leadership of the UNDP resident representative.

Our report, "Actions Required to Improve Management of United Nations Development Assistance Activities" (July 3, 1975, ID-75-73), supported this concept and urged that it be extended to cover coordinated planning by all U.N. system components. The system has made some progress in the programing and resource allocation process in the United Nations. Yet, specialized agencies still tend to favor their autonomy, and few are willing to accept a central mechanism to coordinate planning and programing.

We continue to support coordinated planning and the channeling of U.N. development assistance through one focal point in each country, as opposed to direct programing by specialized agencies. Recently, the Food and Agriculture Organization diverted \$18.5 million of its regular budget to direct field programs and the World Health Organization decided that 60 percent of its regular budget would be spent on technical assistance by 1980. Such actions serve to undermine the centralized development concept of UNDP.

More fundamentally, the consistently held view of the United States and other major contributors--that U.N.

development assistance should be funded mainly through voluntary contributions and not through the assessed contributions of member states--is being challenged. The Food and Agriculture Organization and World Health Organization precedents, in our view, could lead to actions in other agencies for increased assessments and for the direct application of funds to development programs outside UNDP's coordinative mechanism.

The dangers of such a movement away from centralized coordination, particularly in specialized agencies wherein the large contributors no longer have the majority vote, are very real. For example, the loss of large-contributor discretion in levels of contributions and application of resources could prompt some to drop out, and this would in turn lessen the organizations' effectiveness.

Our Government continues to support and follow the concept of funding development activities through voluntary contributions and using UNDP as a central funding channel and focal point for development planning and programing. We urge that U.S. efforts in this area be increased, and we encourage strengthening the leadership role of the UNDP resident representative.

We should point out, however, that the activities of the multilateral development banks must also be considered in any successful development strategy. In many countries these

lending institutions have greatly influenced development strategies through overall economic surveys and analyses that have led to large investments. Therefore, the development banks with major stakes in developing countries also served by the U.N. system must be included in any successful country programming strategy.

In the final analysis, we are convinced that the ultimate goal of any programming strategy should be to develop a country's internal capacity to form its own development plans and effectively carry them out.

Summary

We believe that improvements in the effectiveness and efficiency of any international organization can best be brought about, not by a single member, but by the concerted efforts of all member governments. To this end the Congress can continue to motivate the executive branch to make a more constructive and coordinated participative effort. More importantly, continued congressional concern should help assure that U.S. representatives to international organizations understand and are guided by a policy that includes encouraging other country representatives to become more involved and to join in actions aimed at improving international organizational performance.

We agree that there is an urgent need for restructuring the U.N. system and believe that the proposals made by the

group of experts merit more positive and aggressive State Department action than they have received. This study offers an excellent opportunity for the United States to press for those changes it supports, and we suggest that an expression of congressional concern to the Secretary of State would help emphasize the importance of this matter.

Problems in Managing U.S. Involvement in the U.N. System

The Department of State's management of U.S. involvement in the U.N. system has been, in our opinion, less than adequate due to (1) constant rotation of U.S. staff, (2) inadequate definition of U.S. objectives in individual U.N. organizations, and (3) limited U.S. review and evaluation of U.N. budgets and programs.

Staff Rotation

Bureau personnel responsible for overseeing individual organizations are drawn from the Department's foreign service corps and are rotated every 2 to 3 years.

In our view, too frequent rotation of officers makes it difficult to build the continuity of experience needed to effectively manage U.S. participation in the U.N. By the time individuals become familiar with the activities of the organizations and are capable of making important contributions toward improving U.S. management, they are rotated and new individuals must learn the system.

In the case of the transfer by the Department of an official handling U.S. affairs in the United Nations Educational, Scientific and Cultural Organization whose headquarters are in Paris, recognition was given to the rotation problem. In this case, the desk officer in the International Organization Bureau in Washington and the Deputy of the Permanent Delegation in Paris who had many years experience exchanged positions. This enabled both locations to have seasoned experienced people. We would like to see more of this type of rotation done.

U.S. Objectives in U.N. Organizations

In report after report, covering such U.N. organizations as the World Health Organization, the Food and Agriculture Organization and the United Nations Children's Fund, we have stated that adequately defined U.S. policy objectives and priorities to guide U.S. officials looking after U.S. interests in the organizations had not been established.

At the time of our 1977 review, we found that there was still no clear-cut statement of what the United States hopes to accomplish through its membership in the U.N. organizations and the relative priority it attaches to each of its goals. We urged that State and other agencies could, as part of yearly congressional budget presentations, include specific statements listing what the Government hopes to accomplish through participation in

each organization. We believed that this action would help provide the Congress with a more systematic method of annually evaluating the progress made toward achieving objectives and goals in U.N. organizations.

These recommendations have not been implemented. It must be pointed out, however, that there are some initiatives underway in the executive branch which, if properly carried out, could help improve the management of U.S. participation in the work of international organizations and accomplish the intent of our June 1977 recommendations. These initiatives include development of a new policy management process at State's Bureau of International Organization Affairs.

Review of U.N. Budgets and Programs

It is State Department policy that the United States should give proposed international organizations budgets and programs the same close scrutiny given to Federal programs. However, substantial improvement is needed in the implementation of this policy based upon our review of U.S. participation in several U.N. organizations.

The State Department is attempting to improve its capability to monitor and analyze programs and budgets of various international organizations. For example, the action programs for the United Nations and its specialized agencies prepared in State's Bureau of International Organization Affairs attempt to identify and address problems in programing and

budgeting. Also, some additional staff capability has been added to the U.S. Mission in Geneva to assist in reviewing budgets for international organizations headquarters there.

However, Bureau officials informed us that the resources needed to adequately grapple with these problems are not available to the Missions or the Bureau because of budgetary constraints imposed on them by the State Department.

Recruitment of Qualified Americans
in the U.N. System

Two years ago we reported on the need to place more qualified Americans in U.N. staff positions in order to (1) improve the U.N.'s management capabilities and (2) to more closely correlate the extent of the U.S. contribution to the U.N. with members of U.S. employees in each U.N. agency. At that time we reported that any successful effort to place qualified American candidates in managerial positions would require defining U.S. objectives, identifying potential vacancies in key positions in U.N. organizations long before they become available, and then effectively managing the recruiting and the support of qualified U.S. candidates to fill the positions.

In its reply to our report the State Department acknowledged that the level of Americans working in U.N. organizations was about the same as when we reported on this subject back in 1974.

However, they believed that the United States had demonstrated progress in that the level of U.S. employment had not decreased. The State Department cited a number of factors contributing to low American employment in the organizations which it contends remain in evidence. One is the decreasing number of positions available to Americans as new member countries are admitted and each is allocated a minimum number of positions. Also, financial constraints have forced organizations to stop hiring or cut back on personnel.

State had taken some steps which, if properly carried out, may result in some improvement towards increasing employment of qualified Americans in international organizations. For example, one initiative implemented by State involves the assigning of a full-time international placement officer at the U.S. Mission in Geneva, Switzerland. This officer is responsible for placing Americans in the European headquarters of the U.N. and those international organizations headquartered in Geneva. He is responsible for keeping abreast of all personnel activities in the U.N. system in Geneva. Because of his recent assignment to the job, an assessment of his effectiveness in employing Americans was not possible at the time of our visit.

Nevertheless, the State Department needs to do more in this area. Their general reaction to our proposal was one of "enough is being done." We still feel they should mount a concerted

effort to identify key management positions in each organization, recruit qualified Americans as candidates and aggressively support them to assure that they are adequately considered in a selection process.

Audit and Evaluation of U.N.
Programs and Operations

The Congress expressed a strong concern for "accountability" on the part of the U.N. when in 1973 it included a provision in the Foreign Assistance Act requiring the executive branch to propose to the U.N. the establishment of an independent evaluation system. The Comptroller General, in turn, prescribed the auditing and reporting standards to be applied to the system.

Within the U.N., the independent external audit of the U.N. and its subsidiary bodies is performed by the Board of Auditors which I referred to earlier. The audits of the specialized agencies are performed by national audit bodies selected by the Governing Councils of the agencies. For example, the WHO audit is conducted by the Comptroller and Auditor General of the United Kingdom.

These audits have traditionally been confined to verification of individual transactions. In an encouraging move, the U.N.'s Board of Auditors and some external auditors of specialized agencies are expanding their audit scope to include systems reviews and to undertake economy,

efficiency, and effectiveness reviews. Until the Board and all other external auditors fully adopt these more modern auditing concepts, there will be a continual concern on our part regarding the adequacy of the audits in terms of (1) insuring that U.N. management provides full accountability to the membership and (2) that opportunities to improve the system's effectiveness are identified.

The auditors are not evaluating U.N. programs and operations to ascertain if they are achieving their stated objective, meeting the performance expectation of management, governing councils, donors and donees, or producing other significant effects. A small independent organization--the Joint Inspection Unit--responsible to the U.N.'s General Assembly has as one of its functions the responsibility to assist and to perform evaluation in the organizations of the U.N. system. The Unit is comprised of 11 inspectors and 9 professional support personnel. Much of its work is more of an "inspection" nature; however, its objective is to increase its evaluation efforts to a 60 percent level.

Both the audit and evaluation efforts are steps in the right direction but, in our opinion, are far short of what is needed in a system as large, complex, and important as the U.N.'s. Prominently absent is the central direction and control essential to effective auditing, review and evaluation. As a start, we feel it would be appropriate for the

U.N. to assign responsibility for developing and pre-
scribing auditing, evaluating and reporting principles
and standards to its Board of Auditors.

In addition, a number of other steps to improve the
independence and capability of the "auditors and evaluators"
are sorely needed. For example, we believe that financial
management in the U.N. requires an organization that is
similar in concept to the revised Review and Evaluation
Office in the Inter-American Development Bank. The Bank
established a review and evaluation office, independent of
the management of the Bank, headed by a Director who is
responsible to and derives his authority from the Board of
Executive Directors who represent the member countries.
The Director, who is required to be a person of recognized
competence and wide experience, is responsible for planning
and programing the work to be done, performing the work
using his own staff and reporting the results to the
Board.

We believe a similar approach within the U.N., specifi-
cally assigning responsibility for auditing, evaluation,
and reporting, is feasible and desirable. Establishing
such a position with essential provisions for his indepen-
dence and authority, along with an adequate and qualified
staff to perform the review and evaluation factors, would

enhance the ability of the U.N. to accomplish its mission more economically and effectively.

Mr. Chairmen, this concludes our statement. We would be pleased to address any question you or members of the Subcommittees may have.