
BY THE COMPTROLLER GENERAL

**Report To The Committee On Foreign Affairs
And Committee On Science And Technology
House Of Representatives**

OF THE UNITED STATES

**Improvements Needed In UNESCO's
Management, Personnel, Financial,
And Budgeting Practices**

In December 1983, the United States announced that it was withdrawing from the United Nations Educational, Scientific, and Cultural Organization (UNESCO) effective December 31, 1984, because the Organization had become politicized, had allowed its budget to grow unrestrained, and had not properly managed its personnel, programs and financial activities. On February 29, 1984, the House Committees on Foreign Affairs and on Science and Technology requested that GAO review UNESCO's personnel, program, budget, and financial management.

GAO does not make specific recommendations to UNESCO, an international organization, but has observations on certain management areas it believes need attention. These include increasing oversight of the Secretariat's day-to-day activities by the governing bodies (the General Conference and Executive Board), re-examining the personnel system to identify ways of reducing recruiting delays and the heavy reliance on supplementary staff, improving program evaluation and budget formulation and presentation, improving certain financial controls, and improving the Secretariat's responsiveness to external auditor recommendations.



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The Honorable James H. Scheuer, Chairman
Subcommittee on Natural Resources,
Agriculture Research and Environment
Committee on Science and Technology
House of Representatives

As requested by your letters of February 29, 1984 and March 23, 1984, we have reviewed the United Nations Educational, Scientific, and Cultural Organization's (UNESCO) management, budgeting and personnel practices.

This report analyzes UNESCO policies and practices and contains observations on how the Organization's management could be improved.

Copies of this report are being provided to the Department of State, UNESCO, and other interested parties.

Charles A. Bowsher
Comptroller General
of the United States



COMPTROLLER GENERAL'S
REPORT TO THE COMMITTEE ON
FOREIGN AFFAIRS AND COMMITTEE
ON SCIENCE AND TECHNOLOGY
HOUSE OF REPRESENTATIVES

IMPROVEMENTS NEEDED IN
UNESCO'S MANAGEMENT,
PERSONNEL, FINANCIAL,
AND BUDGETING PRACTICES

D I G E S T

The United States helped to found the United Nations Educational, Scientific, and Cultural Organization (UNESCO) in 1945 to advance the objectives of international peace and the common welfare of mankind through education, science, and culture.

In December 1983, the United States announced that it was withdrawing from UNESCO effective December 31, 1984, because UNESCO had

- become involved in political issues beyond the scope of its constitution;
- introduced statist concepts emphasizing rights of states rather than individuals into some of its programs;
- allowed its budget to grow unrestrainedly; and
- not properly managed its personnel, programs, and financial activities.

As a result of the announced withdrawal, the House Committees on Foreign Affairs and Science and Technology requested that GAO review five broad management areas of UNESCO.

1. Overall management structure, with an emphasis on how decisions are made.
2. Personnel system, focusing on the employee profile and recruiting procedures.
3. Program management, to determine how the Organization plans, coordinates, and evaluates its activities.
4. Budget development and presentation.
5. Expenditure controls and specific financial transactions of interest to the Committees.

The Director-General, UNESCO's chief administrative officer, promised cooperation by the UNESCO Secretariat but stated that such an effort was not to be construed as an audit and should not duplicate the work of the Organization's external auditor. (See pp. 1 to 4.)

GAO does not make specific recommendations in the report in the same sense it would to a U.S. government organization, but it has observations on certain management areas it believes need improvement.

UNESCO MEMBERSHIP AND ACTIVITIES

Today UNESCO has 161 member states ranging in size and population from the islands of Saint Vincent and Fiji to the United States, the Soviet Union, and China. (See pp. 8 and 9.)

UNESCO describes its two types of activities as "substantive" and "operational." Substantive activities are associated with promoting general advancement of knowledge and its exchange among nations. They consist primarily of studies, conferences, training, and grants to nongovernmental organizations.

Operational activities consist primarily of education projects in developing countries where, among other things, UNESCO develops strategies to combat illiteracy, sets overall education goals, provides a wide variety of training, develops pilot education projects, and promotes regional cooperation. It is also involved in other activities, such as coordinating a worldwide study of environmental problems.

UNESCO, with a 1984-85 budget of over \$600 million, has two primary funding sources: (1) regular program funds and (2) extrabudgetary program funds. In general, regular funds support substantive activities and extrabudgetary funds support operational activities. The former are obtained through assessed contributions on member states and constitute about 62 percent (\$374.4 million) of the 1984-85 budget. The United States assessment for this period is \$86.2 million, 25 percent of the total member state contribution. Extrabudgetary funds are

derived from other U.N. agencies which use UNESCO as an executing agency and from member states which contribute funds above and beyond their assessed contributions for specific projects in either their own country or in other member states. UNESCO is also authorized to receive extrabudgetary funds from the World Bank, regional development banks, private institutions, firms assisting with development activities, and other nongovernmental sources. Extrabudgetary funds constitute the remaining 38 percent of the 1984-85 budget or \$233.9 million. (See pp. 15 to 19.)

ORGANIZATION AND GENERAL MANAGEMENT

UNESCO has two governing bodies, the General Conference and an Executive Board. The General Conference, which normally meets once every 2 years, is the main policy-making body and consists of delegates from each of the 161 member states. Among other things, it establishes policies and approves programs and the budget.

The Executive Board, the Organization's "Board of Directors," consists of 51 members elected by the General Conference from among the delegates appointed by the member states. The Board meets twice a year and its responsibilities include supervising program execution and reviewing UNESCO's work program and budget estimates. (See pp. 11 to 13.)

UNESCO's constitution designates the Director-General as chief executive officer without spelling out the scope of his authority and responsibilities. The Director-General and his staff carry out a wide range of activities. Among other things, they formulate proposals for General Conference and Executive Board actions; prepare the draft work program and corresponding budget estimates for Board consideration; and execute the program and budget adopted by the General Conference.

Although supporting staff in the Secretariat carry out the detailed reviews and analyses of issues and make proposals on actions to be taken, the Director-General makes most of the substantive and many routine decisions concerning operations. For example, he

- appoints the Deputy Director-General, the Assistant Directors-General, and Division Directors;
- approves all requests for funds from member states under the Participation Program (\$15 million in calendar years 1981-83) and the Special Account for Increased Aid to Developing Countries (\$7.6 million since 1979);
- approves the extensions of all employee contracts (480-600 each year) and determines which employees will receive long-term contracts (164 in 1984); and
- grants promotions (359 in 1983).

Discussions with Secretariat officials and staff, ranging from senior managers to individual project officers, provided differing perspectives on the reasons for the extent of the Director-General's personal involvement in decision-making. In a meeting with GAO management officials, the Director-General noted that many Secretariat staff avoided decision-making and wanted him to make the decisions. Other officials also commented that the Director-General has to make many decisions because lower level officials refuse to accept such responsibility. Others said that officials do not try to make decisions because they perceive that the Director-General wants to retain all decision-making authority.

In mid-1984, the Director-General filled the post of Deputy Director-General, which had been vacant for nearly 3 years. In September 1984, he assigned his new deputy responsibility for, among other things, overseeing the application of the Director-General's directives, supervising budget planning and programming, supervising program evaluation, ensuring that the Secretariat functions normally during the Director-General's absence, and appointing professional staff below the senior level. The Director-General also assigned the Assistant Director-General for Administration responsibility for making certain lower level professional staff appointments.

While the Director-General exercises broad management authority, the Organization's constitution assigns important oversight responsibilities to the governing bodies.

In each of the major management areas reviewed, GAO found indications of a need for more effective oversight by the governing bodies. For example, the external auditors have repeated recommendations to the Secretariat in successive years but the Executive Board has not followed up to help ensure an adequate response by the Secretariat.

In addition, outside observers familiar with UNESCO's operations, including former senior UNESCO officials, members of permanent delegations to UNESCO, and qualified academic observers, believe there is a need for greater oversight by the governing bodies. According to them, the General Conference has become too dependent upon the Secretariat, which influences its agenda and drafts many of its resolutions. The Executive Board is viewed as accepting the program and budget provided by the Secretariat without obtaining information necessary for effective oversight and as not playing an adequate role in overseeing the execution of the program. (See pp. 20 to 28.)

PERSONNEL MANAGEMENT

UNESCO has 4,115 established posts (positions) and, as of December 31, 1983, had 3,316 regular employees on board and 799 vacancies. Of the total vacancies, 348 were funded under the regular program and the remaining 451 under the extrabudgetary program. The total number of regular staff has stayed about the same over the past 10 years but the ratio of general service to professional staff has increased from 1:1 to more than 1.5:1. (See pp. 30 to 31.)

UNESCO has developed a systematic approach for recruiting, evaluating, and selecting candidates for its regular staff posts. However, according to the Secretariat, it takes an average of almost 1 year to fill a vacant professional post. Delays occur due to UNESCO's internal process and, in some cases, because

member states are slow in nominating candidates or in providing proper documentation for their candidates. As of December 31, 1983, 226 regular program professional posts were vacant. (See pp. 35 to 40.)

UNESCO, in essence, has dual personnel systems. One system is composed of regular staff members and the other of supplementary staff who are not subject to the same recruiting procedures. Recruiting delays for regular staff positions may, in part, have contributed to an increase in the use of supplementary staff, some of whom have been used to fill vacant posts and perform duties of regular employees. In 1983 UNESCO hired a total of 2,362 supernumeraries (short-term temporary employees) and consultants as supplementary staff for periods from a few days to a full year. Altogether, the supplementary employees worked an equivalent of about 663 staff years in 1983. (See pp. 40 to 44.)

PROGRAM PLANNING, EVALUATION, AND COORDINATION

UNESCO has no effective system for evaluating the effectiveness of its program activities nor adequate means for coordinating activities among its programs to avoid unnecessary duplication. Consequently, new program activities are developed without identifying ineffective or duplicative existing programs.

Improving the evaluation process would require improvements in program planning, since program objectives are often vague and do not specifically identify what UNESCO will provide, when it will complete its actions and who will benefit from what it does. GAO recognizes that some objectives are difficult to quantify in specific terms given the broad concepts of many UNESCO programs. Even so, it appears that more can be done to develop the type of information needed to effectively evaluate program activities. For example, UNESCO should be able to establish milestones for most of its activities. (See pp. 50 to 53.)

UNESCO does not have a central unit to coordinate program activities and help avoid overlap and duplication. In May 1984, the Director-General established a special working group

made up of current and former UNESCO officials to examine the programs and identify related or identical activities which could lead to duplication of effort. The group found that of the 186 subprograms which make up UNESCO's major activities, 57 contained duplicative activities which could be combined within subprograms, with activities in other subprograms, or with those of other international organizations. Data was not available to determine how much UNESCO could save by combining the duplicative activities as suggested by the working group. However, the total estimated cost of these activities for the 1984-85 budget period was \$11.5 million. (See pp. 49 to 50.)

BUDGET AND FINANCIAL MANAGEMENT

Every 2 years the Director-General prepares a draft program and budget which describes the programs UNESCO plans to carry out in the next 2 years together with their expected costs. He submits it to the Executive Board which, in turn, submits it, along with its recommendations, to the General Conference for consideration and approval. The draft program and budget is also sent to member states for comment. (See pp. 63 to 66.)

Better presentation of the budget would help the governing bodies

GAO noted that UNESCO had departed from its application of certain established budget techniques in calculating the 1984-85 budget. In addition, the presentation of the current budget did not clearly show how and why it had changed from the preceding budget. As a result, it was difficult for member states to determine in what areas and by how much the budget had actually grown from the previous period.

GAO believes that UNESCO's budget presentation could be improved by including tables which clearly show changes from the previous budget period and that budget techniques need to be applied more consistently. In particular, a budget base needs to be established against which future budget changes can be measured and a policy established on applying exchange rates used in calculating the budget.

As a result of efforts by a group of major contributing member states and recommendations of a working group set up by the Director General, some progress has been made toward solving these problems subsequent to the approval of the 1984-85 budget. (See pp. 66 to 77.)

Budget surplus

UNESCO calculates its budget in dollars but spends a large portion of its funds in French francs. Therefore, the budget includes an account to adjust expenditures for fluctuation in the exchange rate between the dollar and franc. The 1981-83 budget included \$70.8 million to be used in case the dollar depreciated against the franc; however, instead of depreciating, the dollar appreciated greatly. The \$70.8 million was not needed to cover currency fluctuations, and an additional \$79.6 million surplus developed.

As its financial regulations allow, UNESCO plans to hold the funds until all obligations for the 1981-83 budget period are paid. For example, a contract entered into in late 1983 probably would not be completed and paid for until sometime in 1984. At the end of 1983, outstanding obligations totaled \$22.6 million and, under its regulations, UNESCO must liquidate these obligations by the end of 1984. Although the financial regulations allow the budget surplus to be held until all 1981-83 budget obligations are liquidated, they do not preclude the return of an unobligated surplus at the end of a financial period.

UNESCO has stated that it would return the surplus portion of the \$79.6 million to member states in 1985. According to UNESCO, the United States will receive its share of the surplus even if it is not a member of the Organization. Under normal circumstances, interest UNESCO earned by investing the \$79.6 million surplus would be credited to member states' assessments for the subsequent budget period. However, the Executive Board has requested that the Secretariat examine the disposition of interest earned on this surplus in the context of the U.S. intent to withdraw. (See pp. 61 to 63.)

Financial management system

UNESCO's external auditors have certified that the Organization's financial reports accurately reflect the results of operations. Overall, UNESCO's financial rules, regulations, and detailed procedures include a variety of internal controls which generally appear to provide a reasonable framework for UNESCO's financial control system. GAO believes, however, that controls over payroll, which constitutes about 60 percent of UNESCO's costs, could be improved. The system has no positive means of confirming regular or temporary employee attendance. GAO believes UNESCO's payroll system should require a supervisor's positive confirmation of employee work attendance. (See pp. 86 to 88.)

Control over and use of selected funds

To respond to specific issues raised by the Committees, GAO reviewed policies and controls applicable to several areas of expenditure. Two of these areas were the Participation Program, which is funded by member states' assessed contributions, and the Special Account for Increased Aid to Developing Countries, which is funded from extrabudgetary sources.

The General Conference established both the Participation Program and the Special Account, which have a similar purpose--to fund specific projects proposed by member states, which were not included in the approved budget.

About \$9.9 million of the \$15.8 million in Participation Program projects approved during the 1981-83 budget period were grants for which UNESCO requires only a minimal assurance from recipients that the funds were used for the intended purposes. GAO believes UNESCO should consider obtaining additional information from recipients as to exactly how the money was used; for example, a university transcript to document educational training. This would provide UNESCO with greater assurance that funds are being spent in accordance with UNESCO purposes.

As of December 31, 1983, the Director-General had approved about \$7.6 million in Special Account projects since the Account was established in 1979. As in the Participation Program, over half of the payments have been made in cash with little accountability. GAO believes controls should be strengthened to ensure that payments made from the Special Account are in accordance with the purposes of UNESCO.

GAO also found that a payment of \$17,800 was made from the Special Account to a member of UNESCO's Executive Board, which appeared to be inconsistent with Executive Board rules and was initially disapproved by the Director-General. The Director-General subsequently approved the payment at the urging of the Secretary of the Executive Board, who indicated that the Board chairman favored the request and that UNESCO's Counselor saw no incompatibility between the Executive Board rules and the award of the fellowship.

In addition, GAO found that more than \$166,000 in payments for travel expenses have been made from the Special Account to General Conference delegates without a clear policy having been established on the conditions under which member states should receive such assistance. (See pp. 95 to 102.)

GAO also examined how UNESCO budgets for staff costs and specifically how savings from 1981-83 staff vacancies have been used. Total budget for staff, after additions for inflation, was about \$345 million for the period, but only about \$328 million was actually spent on staff costs. The approximately \$17 million difference, was used as follows.

- \$10.1 million to hire temporary personnel.
- \$4.4 million to cover additional costs of the General Conference and related services.
- \$0.5 million for two programs approved but not funded by the General Conference.

--\$1.8 million to cover cost overruns in programs included in the budget and to finance some activities originally not in the budget. (See pp. 72 to 74.)

Action on audit recommendations

A well designed financial control system includes provisions for regular audits. GAO found that UNESCO appears to have appropriate arrangements for audits and that financial records are reviewed and approved regularly. However, UNESCO sometimes moves slowly in implementing the auditors' recommendations. For example, each year over a 3-year period the auditors recommended that UNESCO improve its computer system documentation but the Secretariat took no action. Furthermore, the governing bodies have not actively followed up on the progress being made by the Director-General in making suggested improvements.

GAO believes greater oversight is needed by the governing bodies to insure that the audit recommendations are being promptly implemented. Currently, the Executive Board has a Finance and Administration Commission composed of all 51 Board members. GAO believes an audit committee composed of a small number of member states could more effectively monitor on a regular basis the Secretariat's actions on audit recommendations. (See pp. 89 to 93.)

GAO'S OVERALL OBSERVATIONS

On the basis of its review, GAO believes there are several steps which the Secretariat and member states should take to improve the management of UNESCO. Specifically, GAO believes the following areas need management attention.

- Increasing governing bodies' oversight of Secretariat activities.
- Re-examining the implementation of recruiting procedures to identify ways of reducing recruiting delays and the heavy reliance on supplementary staff.

- Providing more specific information on objectives and milestones in program documents to allow for a means to evaluate UNESCO activities.
- Establishing a mechanism for coordinating program activities to avoid unnecessary duplication.
- Developing a budget presentation that clearly shows changes between successive budget periods.
- Assuring that established budget techniques are applied to the budget consistently from year-to-year.
- Improving financial controls for the payroll system and certain expenditures from the Participation Account and Special Account for Increased Aid to Developing Countries.
- Improving the Secretariat's responsiveness to external auditor recommendations.

UNESCO'S REFORM EFFORTS

In July 1984, the Director-General convened five working groups made up of Secretariat staff and outside experts to recommend management improvements. Four of the working groups looked at several areas also covered in GAO's review. (The fifth group reviewed public information activities.) The working groups, among other things, recommended improvements to UNESCO's recruiting procedures, program evaluation, and budget presentation. The Director-General released all but one of the working group reports to the Executive Board on August 27, 1984 and indicated that he planned to implement many of the recommendations. He did not release the findings of the working group which identified duplication in programs (see p. vii) because, in his view, they were of an internal nature.

At its 119th session in May 1984, the Executive Board established a Temporary Committee made up of 13 Board members "to present to the Board recommendations and concrete measures designed

to improve the functioning of the Organization." The Committee made its report to the Executive Board on October 3, 1984. Among other things, the Committee recommended improvements in recruiting procedures, program evaluation, budget presentation, and the governing bodies' oversight of Secretariat activities. By consensus, the Board adopted the Committee's report.

GAO discusses the recommendations of the working groups and the Temporary Committee throughout its report and believes that the fact that UNESCO now recognizes that problems exist in the way it manages its activities is, in itself, an important step toward solving the problems. GAO also believes that implementation of the working group and Temporary Committee recommendations could improve the management of the Organization but notes that it is too early to tell the extent to which these recommendations will actually be translated into concrete actions. (See pp. 5 and 6.)

AGENCY COMMENTS

The Department of State in its comments on the report stated that it provides helpful information about problems in UNESCO and noted that the "report is likely to become an important reference document," not only for the United States but also for UNESCO. In a similar vein, the Secretariat commented that it considered the GAO review "as a constructive endeavor designed to improve the overall functioning of UNESCO in several important areas" and stated that it believes the report will make an important contribution.

The Secretariat, however, noted that we did not always identify the people with whom its staff spoke and questioned whether, in all instances, they spoke with the proper Secretariat officials responsible for the subject under consideration. The Secretariat also inferred that some of the references to factual material, texts, rules, or documents were imprecise.

In interviewing officials, GAO considered the position, experience, and knowledge of each individual. The testimonial evidence used in

this report came from UNESCO officials who had been identified by the Secretariat as qualified spokespersons on the subjects being addressed or from outside individuals generally recognized as experts on the Organization's operations. GAO identified the individuals with whom it spoke in the report whenever possible; however, in some instances individuals requested that GAO not identify them. Based on the Secretariat's comments, GAO has, to the extent possible, more specifically identified the offices the individuals it spoke with represented. GAO's auditing procedures provided for corroborating testimonial evidence through review of manuals, reports, and files and by obtaining and developing statistical data. In some instances, however, GAO did not have complete access to files and the Secretariat was unable to provide GAO with the requested data. Throughout the report, GAO makes specific references to its use of and attempts to obtain documentary evidence. GAO believes the procedures it followed are in accordance with generally accepted auditing standards. GAO also notes, that the Executive Board's Temporary Committee and the Director-General's working groups independently identified many of the same problems that GAO found during its review.

In commenting on a draft of this report, the Secretariat in some instances provided data different from that GAO used but did not provide support for the data. GAO did not have the opportunity to discuss these differences with the Secretariat due to time limitations. GAO accepted the minor changes, but in the more substantive instances relied on the figures for which it had developed support. As part of its normal procedure, specific factual references in the report were double checked by GAO for accuracy against the supporting evidence.

The Department of State commented that, overall, it found the report to be based on sound research and analysis and provided detailed technical comments suggesting certain clarifications and other minor changes. These suggestions were incorporated as appropriate.

Decision-making

The Secretariat commented that, on the whole, the report contains a comprehensive description of some aspects of administrative procedures and practices plus a clear description of the Secretariat. However, the Secretariat believes the report gives a false impression that the Director-General has unrestricted decision-making power. The more correct or real situation, according to the Secretariat, is that the supporting staff in the Secretariat carrying out the detailed reviews of issues and develop the logical decisions permissible under UNESCO regulations, rules, and procedures. The staff analyses are then submitted to the Director-General for final decision. GAO recognizes the staff work which forms the basis for many decisions. Nevertheless, a broad range of senior and other UNESCO officials perceive the Secretariat's decision-making as highly centralized. GAO's review of the management areas covered in this report, which involved discussions with UNESCO officials and examination of documents, confirmed this perception.

Personnel Management

The Secretariat emphasized, and GAO agrees, that there are legitimate reasons for using temporary staff. GAO's concern is that, in addition to the traditional reasons for hiring such employees, temporary staff are hired to do work that would normally be done by regular employees because UNESCO managers find it easier and faster than going through the normal recruiting process. During 1983, while there was active recruiting underway for 145 vacant professional posts only 64 professional staff were hired through the regular recruitment process. During the same period, about 1,500 professional supplementary staff were employed, some of them actually filling regular professional posts.

Program evaluation

The Secretariat stated that GAO failed to cite a large number and variety of evaluation activities such as the Director-General's reports to the governing bodies, Bureau of the

Budget quarterly reports, and Secretariat-wide reporting by exception. GAO believes UNESCO has tended to incorrectly label reporting and monitoring activities as evaluation when, in fact, the activities do not represent a true evaluation process. For example, the reports to the governing bodies cited by the Secretariat describe meetings held, reports published, and training provided during a given period. The quarterly budget reports are used only to monitor expenditures. Likewise, reporting by exception is a process whereby employees inform their supervisors about program implementation problems. In GAO's view, the activities the Secretariat cited provide information but do not represent a systematic and objective evaluation of UNESCO programs.

Program coordination

The Secretariat cited the Coordinating Committee for Intersectoral Activities as an effective internal coordinating mechanism. GAO notes that the Committee did not identify any of the areas of duplication identified by the Internal Working Group on the Critical Analysis of the Program. In its July 1984 report, the Working Group identified duplicative UNESCO activities and suggested that subprogram objectives be better defined. GAO believes that the Working Group's mandate should become a permanent responsibility of an internal unit within the Secretariat.

Budget

In commenting on GAO's observation that a budget presentation clearly showing changes between successive budget periods was needed, the Secretariat stated that it must present budgets to the governing bodies in the manner and containing the detail requested by these bodies. GAO notes that the Secretariat has taken initiatives in this regard in the past and believes the Secretariat's support for budget presentation improvements could be an important factor in their implementation.

Payroll system

The Secretariat disagreed that UNESCO's payroll control system could be improved by requiring a positive confirmation of actual hours worked by employees. The Secretariat commented that UNESCO's present system is similar to that used by other U.N. organizations and many member state governments and allows an adequate check on employee attendance without installing time recording devices. Presently, paychecks are issued automatically to UNESCO employees unless the payroll section is notified of an unauthorized absence. While GAO is not suggesting that UNESCO install time clocks, it does believe a supervisor's positive confirmation of employee attendance for each pay period would provide better internal control than the present approach.

External audit recommendations

According to the Secretariat, it endeavors to respond to all external audit recommendations; the only constraint being the resources necessary to carry them out. GAO recognizes the impact of resource constraints but believes that management commitment of resources to implement auditor recommendations could generate a payback through more efficient and economical operations.

Reimbursement of travel expenses

The Secretariat commented that reimbursing travel expenses for least developed country delegates to attend UNESCO's General Conference was in accordance with the U.N. General Assembly's request that U.N. organizations provide special assistance to such countries. GAO's observation is that UNESCO has taken an ad hoc approach to dealing with situations where countries have insufficient hard currency to send delegates to the General Conference. GAO believes it would be good management practice to develop a formal and consistent policy for dealing with such situations.

Participation Program and
Special Account projects

The Secretariat expressed concern that the report implies that the Director-General decides what Participation Program projects to undertake without referring to established review procedures or the Secretariat staff role in the process. The Secretariat also believes GAO ignored the role played by Secretariat staff and their recommendations in the Director-General's approval of Special Account projects.

GAO recognizes that others are involved in the process of recommending Participation Program and Special Account projects and has incorporated greater detail in its report on how the process works. Based on its review of documentation, GAO believes that the Director-General has a great deal of latitude in approving Participation Program and Special Account projects.

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The Department of State and Secretariat comments are in appendixes III and IV.

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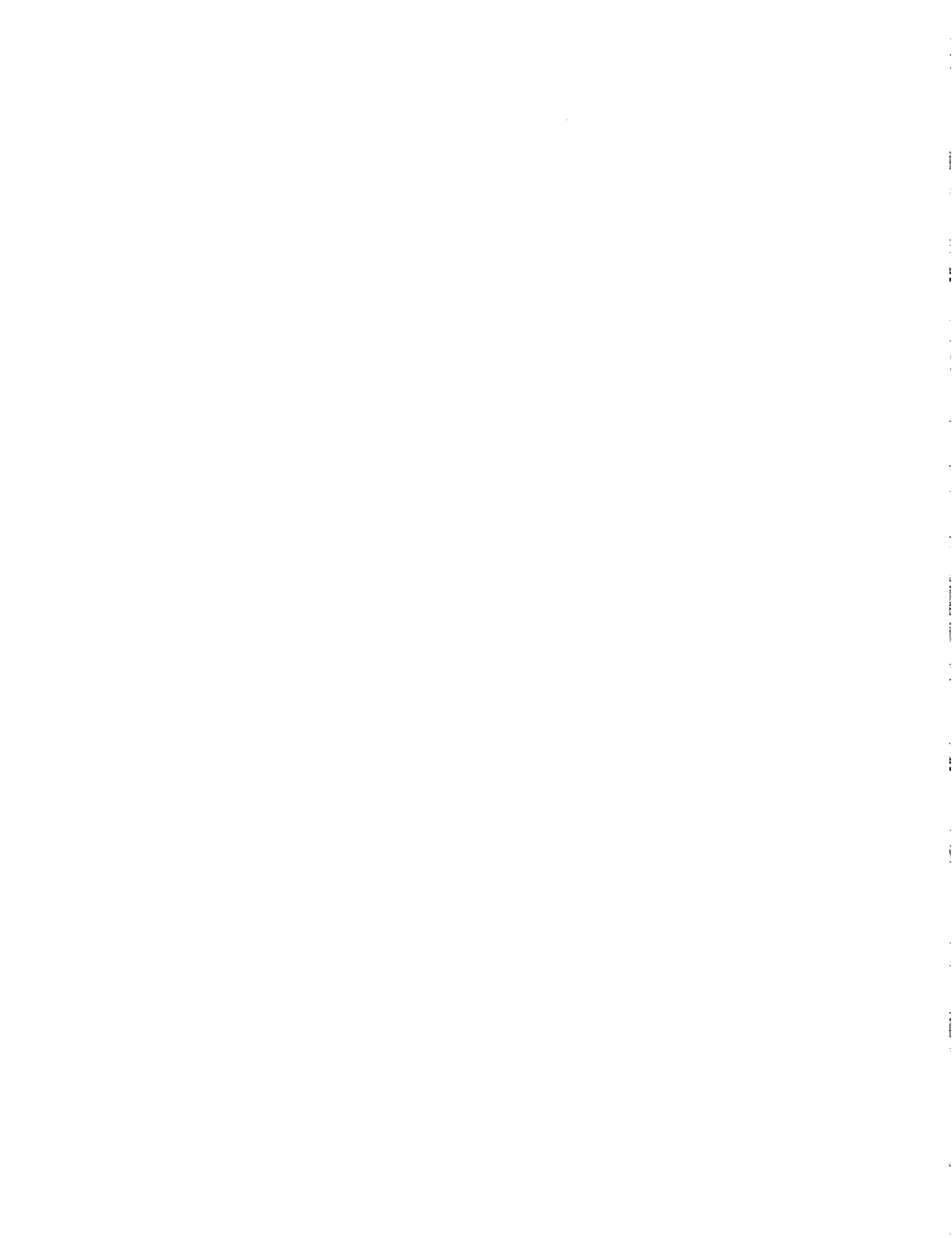
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ABBREVIATIONS

GAO	General Accounting Office
UNESCO	United Nations Educational, Scientific, and Cultural Organization



CHAPTER 1

INTRODUCTION

In December 1983, the United States announced that it was withdrawing from the United Nations Educational, Scientific, and Cultural Organization (UNESCO) effective December 31, 1984. One of the largest agencies in the U.N. system, UNESCO has 161 members, a 1984-85 budget of over \$600 million, and a staff of more than 3,300 employees. (See chapter 2 for more details.)

The United States helped found UNESCO in 1945. Since that time, the Department of State has had primary executive branch responsibility for U.S. participation in UNESCO. The Department of State's Bureau of International Organization Affairs manages the day-to-day U.S. relations with UNESCO and formulates policy which is executed by a U.S. mission, or permanent delegation, to the Organization.

The United States based its decision to withdraw on the following reasons.

- UNESCO has become involved in political issues beyond the scope of its constitution.
- UNESCO has introduced statist concepts emphasizing rights of states rather than individuals into some of its programs.
- UNESCO has allowed its budget to grow unrestrainedly and has not managed its personnel, program, and financial activities well.

On February 29, 1984, the House Committee on Foreign Affairs and the House Committee on Science and Technology requested us to ". . . review all allegations pertaining to personnel, program administration, budgeting and finance." We discussed specific questions and areas of interest regarding UNESCO's management with the committees and in a March 23, 1984, letter, they specified that, rather than focus on specific allegations, our review was to cover five broad management areas.

- General management: What is the overall management structure of UNESCO and how does it operate?
- Program management: How are programs authorized, developed, and managed on a day-to-day basis and evaluated for effectiveness.
- Financial management: What mechanisms exist for evaluating the UNESCO budget and how are expenditures controlled?

--Personnel management: How are vacancies in UNESCO filled and what controls exist to assure that qualified candidates are hired?

--Contract management: What are UNESCO's contracting procedures and how are contracts managed?

In agreement with the committees, as work progressed we modified the scope of the review. In particular, we did not review the day-to-day management of UNESCO's programs and limited our work on contract management to a review of specific issues of interest to the committees.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to develop information on UNESCO's management processes, emphasizing those areas of concern to the committees. We did not address the overall issue of U.S. withdrawal from UNESCO. We made our review at UNESCO headquarters in Paris between April 1 and July 15, 1984.

We discussed UNESCO operations with knowledgeable observers outside the Organization, including former senior UNESCO officials, members of permanent delegations, and qualified academic observers. We also interviewed more than 100 UNESCO personnel at all organizational levels. In addition, we reviewed reports and studies on UNESCO's operations, including those of its external auditors and the U.N. Joint Inspection Unit. Among other things, the Joint Inspection Unit reviews the management of U.N. agencies and makes recommendations for needed improvements. We drew upon the analyses and recommendations in several Joint Inspection Unit reports in our review.

We also reviewed UNESCO's constitution, various General Conference resolutions, the UNESCO manual, administrative circulars, and other documents which establish UNESCO's policies and procedures. The UNESCO manual contains the regulations and rules governing administrative, financial, and personnel management. The regulations are established by the main governing body, the General Conference; rules are established by the Organization's Director-General. Besides reviewing policies and procedures, we reviewed internal agency documents related to the specific operations under review such as program activity details, program funding requests, and selected vouchers related to financial transactions. Whenever possible, we also obtained information on the practices of other international organizations and, as appropriate, drew on past GAO work.

General management

We focused on UNESCO's overall management structure and examined selected substantive and routine decisions to identify the roles of the Director-General, his Cabinet, and the Assistant Directors-General in the decision-making process.

Program management

Our review of program management centered on determining how UNESCO develops its mid-term and short-term program plans and whether the plans contain the type of detail needed for future evaluations of program effectiveness. In addition, we reviewed UNESCO's past and current program evaluation efforts.

Financial management

In financial management, we developed information on the disagreement between the Secretariat and certain major contributing member states concerning the 1984-85 UNESCO budget. We also obtained information on UNESCO's methods for formulating its budget and estimating staff costs. As part of this work, we reviewed the format and presentation of the budget document to identify possible improvements in the way it is presented.

We also reviewed the audit reports prepared by the United Kingdom's National Audit Office, which UNESCO's General Conference has designated as the Organization's official external auditor. Except for minor technical exceptions in 1976 and 1977, this Office has certified to the accuracy of UNESCO's financial reports for each budget period. Our work did not duplicate the external auditors' work and did not constitute an audit of UNESCO accounts and financial reports. We also discussed with UNESCO's Inspector General the work he had done in the areas we reviewed but did not have complete access to internal audit reports.

We focused on selected transactions in the specific accounts of concern to the committees--the Participation Program Account and the Special Account for Increased Aid to Developing Countries. We also examined selected reprogramming transactions involving funds originally budgeted to fill vacant posts. In addition, we reviewed the types of internal control systems the agency uses and tracked selected transactions to gain an understanding of how UNESCO applied the systems.

Personnel management

In the personnel management area, we developed a profile of UNESCO's personnel, including types of appointments, geographical distribution of appointees, and turnover rates. We also developed information on UNESCO's procedures for selecting and promoting its employees. In this regard, we were provided summary data by UNESCO but not given access to agency personnel files, and therefore could not determine fully the extent to which established procedures were actually followed. We verified summary personnel recruitment and promotion data, whenever possible, by comparing it to other sources of available information. In addition, we obtained information on the processes for handling employee grievances. We focused our review on the

management of the personnel system, and did not attempt to evaluate the qualifications or competency of Secretariat staff.

Contract management

In the area of contract management, we addressed a specific committee question concerning overhead rates charged by UNESCO for certain types of contracts with member states and reviewed UNESCO's use of personal services contracts.

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Except for the limitations discussed above, our review was performed in accordance with generally accepted audit standards.

DIRECTOR-GENERAL'S WORKING GROUPS REVIEW ORGANIZATION ACTIVITIES

As a result of the U.S. withdrawal announcement and concerns about the Organization's management expressed by some member states, the Director-General announced at the 119th Executive Board session in May 1984 that he intended to set up five consultative working groups to study (1) recruitment procedures and staff management methods (2) budgeting techniques and budget presentation; (3) program evaluation methods and techniques; (4) public information activities; and (5) potential program duplication. The five working groups, convened in July 1984, were made up of Secretariat staff and outside experts and met for periods from 5 to 10 days. They submitted their reports to the Director-General in July 1984.

On August 27, 1984, the Director-General released four of the working group reports to the Executive Board and indicated that he supported and planned to implement many of the working groups' recommendations. He did not release the working group report on duplication in UNESCO's programs because he viewed it to be of an internal nature.

Because of the U.S. intent to withdraw and member state concerns, the Executive Board, at its May 1984 meeting, established a Temporary Committee composed of 13 Board members¹ ". . .to present to the Board recommendations and concrete measures designed to improve the functioning of the Organization." The Committee held sessions in May, July, September 1984 and also met informally between sessions to exchange views.

¹The member states represented on the Committee were Algeria, Brazil, France, Guinea, Iceland, Jamaica, Japan, Nigeria, the Soviet Union, Tunisia, the United Kingdom, and Yugoslavia.

The Committee examined a wide range of Organization activities and functions, including the working procedures of the Executive Board and General Conference, program evaluation, personnel management, and budgetary and financial matters. Its report, released to the Executive Board on October 3, 1984, contained numerous recommendations for improvements in the areas it reviewed which the Board adopted by consensus.

Throughout this report we discuss the working group and Temporary Committee recommendations as they pertain to the management areas we reviewed. The fact that UNESCO now recognizes that management problems exist constitutes an important and major step in solving them and implementing the recommendations could improve UNESCO's management. It is, however, too early to tell whether the recommendations will actually be translated into concrete actions.

UNESCO AND DEPARTMENT OF STATE COMMENTS

We obtained comments on the draft of this report from the UNESCO Secretariat and the Department of State. The Department of State stated that the report provides helpful information about problems in UNESCO and that the "report is likely to become an important reference document," not only for the United States but also for UNESCO. In a similar vein, the Secretariat commented that it considered the GAO review "as a constructive endeavor designed to improve the overall functioning of UNESCO in several important areas" and stated that it believes the report will make an important contribution. The comments are discussed, as appropriate, in the chapters of the report.

The Secretariat noted that we did not always identify the people with whom we spoke and raised a question as to whether, in all instances, we spoke with the proper Secretariat officials responsible for the subject under consideration. The Secretariat also inferred that some of the references to factual material, texts, rules, or documents were imprecise. The Secretariat questioned whether our review was performed in accordance with generally accepted auditing standards.

In interviewing officials, we considered the position, experience, and knowledge of each individual. The testimonial evidence used in this report came from UNESCO officials who had been identified by the Secretariat as qualified spokespersons on the subjects being addressed or from outside individuals generally recognized as experts on the Organization's operations. We identified the individuals with whom we spoke in the report whenever possible; however, in some instances individuals requested that we not identify them. Based on the Secretariat's comments, we have, to the extent possible, more specifically identified the offices the individuals we spoke with represented. Our auditing procedures provided for corroborating

testimonial evidence through review of manuals, reports, and files and by obtaining and developing statistical data. In some instances, however, we did not have complete access to files and the Secretariat was unable to provide us with the requested data. Throughout the report, we make specific references to our use of and attempts to obtain documentary evidence. We believe the procedures we followed are in accordance with generally accepted auditing standards. We also note, that the Executive Board's Temporary Committee and the Director-General's working groups independently identified many of the same problems that we found during our review.

Throughout the report, we have made the appropriate changes in response to the Secretariat's technical comments. We incorporated new or updated information provided by the Secretariat. However, in some instances, the Secretariat provided data different from that used in our report but did not provide support for the data. We did not have the opportunity to discuss these differences with the Secretariat due to time limitations. We accepted the minor changes, but in the more substantive instances, we relied on the figures for which we had developed support. As part of our normal procedure, specific factual references in the report were double-checked for accuracy against the supporting evidence.

In its comments, the Department of State said that, overall, it found the report to be based on sound research and analysis but also provided detailed technical comments suggesting certain clarifications and other minor changes. We incorporated these suggestions as appropriate.

CHAPTER 2

UNESCO--PURPOSES, MEMBERSHIP,

ORGANIZATION, AND ACTIVITIES

UNESCO was founded in 1945 to advance the objectives of international peace and the common welfare of mankind through the educational, scientific, and cultural relations of the peoples of the world.

UNESCO's constitution established the means by which UNESCO would attempt to accomplish its objectives. Specifically, it would

"Collaborate in the work of advancing the mutual knowledge and understanding of all people, through all means of mass communication, and promote the free flow of ideas by word and image.

"Give fresh impulse to popular education and to the spread of culture.

"Maintain, increase and diffuse knowledge: By assuring the conservation and protection of the world's inheritance of books, works of art and monuments of history and science.

Encourage ". . . cooperation among the nations in all branches of intellectual activity, including the international exchange of persons active in the fields of education, science and culture."

UNESCO differs from other U.N. agencies in that its activities relate to several broad issues--education, natural science, social science, culture, and communication--whereas the other U.N. agencies tend to focus on one area: the World Health Organization, the Food and Agriculture Organization, the International Atomic Energy Administration, and the International Labor Organization. UNESCO's activities are embodied in 14 major programs and a number of inter-sectoral programs, including copyright and statistics. The major programs are

- reflection on world problems and future-oriented studies;
- education for all;
- communication in the service of man;
- the formulation and application of education policies;

- education, training, and society;
- the sciences and their application to development;
- information systems and access to knowledge;
- principles, methods, and strategies of action for development;
- science, technology, and society;
- the human environment and terrestrial and marine sources,
- culture and the future,
- the elimination of prejudice, intolerance, racism, and apartheid;
- peace, international understanding, human rights and the rights of people; and
- the status of women.

MEMBERSHIP

The 151 U.N. members are automatically eligible to join UNESCO, while a two-thirds majority must approve membership for non-members of the United Nations. As of March 1, 1984, UNESCO had 161 member states ranging in size and population from the islands of Saint Vincent and Fiji to the United States, the Soviet Union, and China.

For purposes of representation on the Executive Board, UNESCO subdivides its membership into five regional groups. Group I consists primarily of western democracies from Europe and North America plus Israel, Australia, and New Zealand. The Soviet Union, its Eastern European allies, and Albania and Yugoslavia comprise group II. Latin American and Caribbean countries are in group III, while group IV includes Asian and Pacific countries. All the Arab and African countries are included in group V. As shown in the following table, the composition of UNESCO's membership has changed considerably since UNESCO was founded.

Changes in UNESCO Membership, 1946-1984

<u>Group</u>	<u>Region</u>	<u>1946</u>		<u>1966</u>		<u>1984</u>	
		<u>Countries</u>	<u>Percent</u>	<u>Countries</u>	<u>Percent</u>	<u>Countries</u>	<u>Percent</u>
I	Western Europe/ North America	11	39	27	23	28	17
II	Eastern Europe	2	7	10	8	11	7
III	Latin America/ Caribbean	7	25	22	18	33	20
IV	Asia/Pacific	3	11	19	16	27	17
V	Africa/Arab	<u>5</u>	18	<u>42</u>	35	<u>62</u>	39
		<u>28</u>		<u>120</u>		<u>161</u>	

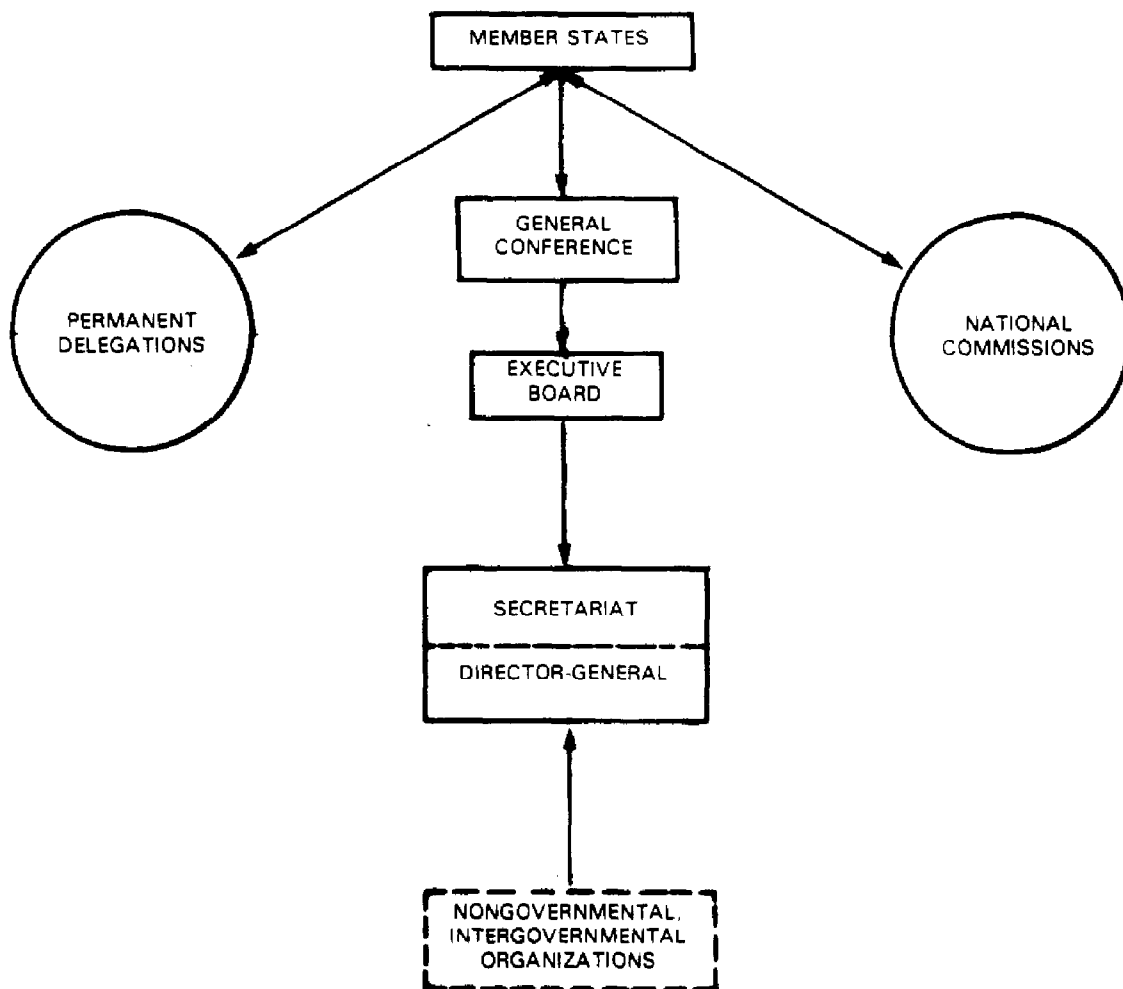
The first major change in UNESCO's composition occurred in the mid-1950s when Eastern European nations joined or rejoined UNESCO. In 1954, the Soviet Union joined UNESCO along with the Ukraine and Byelorussia, which received separate representation. After previously withdrawing from UNESCO, Czechoslovakia, Poland, and Hungary resumed their membership in 1954. Romania and Bulgaria became members in 1956.

The second major change in UNESCO's membership began in the late 1950s as newly independent nations began joining UNESCO. When 17 new African members were admitted to UNESCO in 1960 alone, the western domination of UNESCO ended. By the later 1960s, the new African members had added a north-south dimension to the existing east-west dimension that the Eastern Europeans had brought to UNESCO in the mid-1950s. As the membership of African, Arab, and Asian countries increased, UNESCO became an organization with a clear Third World majority.

ORGANIZATIONAL
STRUCTURE

UNESCO's constitution established three primary organs--the General Conference, an Executive Board, and a Secretariat--and assigned certain responsibilities to each.

UNESCO ORGANIZATION CHART



Other groups or organizations act to advise or serve the Secretariat on program implementation. These groups are discussed in the following sections along with UNESCO's three primary organs.

The General Conference

The General Conference, as the main policy-making body of UNESCO, consists of delegates from each of the 161 member states. It determines UNESCO's "policies and main lines of work" and has a mandate to make decisions on programs submitted to it by the Executive Board. Its other main functions are to

- convene international governmental and nongovernmental conferences on education, the sciences, and humanities, or the dissemination of knowledge;
- adopt international conventions and recommendations;
- advise the United Nations on educational, scientific, and cultural matters;
- receive and consider reports from member states;
- elect the members of the Executive Board; and
- appoint the Director-General on the recommendation of the Executive Board.

The General Conference meets in ordinary session every 2 years. The constitution also provides for extraordinary sessions as required--four such sessions have been held since the Organization's founding.

Each member state has one vote in the General Conference. A simple majority rules except in certain matters, such as constitutional amendments and budget adoption, which require a two-thirds majority. Voting can be by a show of hands, standing, roll-call, or secret ballot. However, in recent years there has been an increasing tendency in UNESCO, as in other organizations of the U.N. system, to reach decisions by consensus rather than by voting. In other words, the General Conference achieves general agreement on issues by agreeing not to disagree.

Consensus is not the same as unanimous agreement. Individual member states may disagree with a specific proposal, but the entire body may act to adopt the proposal by consensus. The 21st (1980) Session of the General Conference adopted most of its 150 resolutions by consensus. Nonconsensus resolutions still remain, such as those on the budget, Israeli-occupied territories, and other contentious matters on which member states consider it important to have a recorded or visible vote.

The Executive Board

The Executive Board consists of 51 members elected by the General Conference from among the delegates appointed by the member states. The UNESCO constitution stipulates that the

General Conference, when electing Board members, "shall endeavor to include persons competent in the arts, the humanities, the sciences, education and the diffusion of ideas, and qualified by their experiences and capacity to fulfill the administrative and executive duties of the Board."

The member states in UNESCO's five regional groups submit candidates to the General Conference for representation on the Executive Board. The table below shows the 1984-85 Executive Board membership and the number of seats allocated by the General Conference to each regional group. Originally, the board had 18 members, each serving for 3 years; today, Board members number 51 and serve for 4 years.

Executive Board Membership
1984-85

<u>Regional group</u>	<u>Number on board</u>	<u>Countries represented</u>
I	10	Belgium, Canada, France, Greece, Iceland, Italy, Spain, United Kingdom, United States, West Germany
II	4	Czechoslovakia, Ukraine, USSR, Yugoslavia
III	9	Brazil, Colombia, Costa Rica, Cuba, Guyana, Haiti, Jamaica, Mexico, Venezuela
IV	8	Bangladesh, China, India, Japan, Mongolia, Pakistan, Philippines, Thailand
V	20	Algeria, Central African Republic, Gabon, Ghana, Guinea, Guinea-Bissau, Kuwait, Libya, Madagascar, Niger, Nigeria, Sudan, Swaziland, Syria, Tunisia, United Arab Emirates, United Republic of Cameroon, United Republic of Tanzania, Zaire, Zimbabwe

The Board has two commissions--Finance and Administrative, and Program and External Relations--and a special committee to assist it in the execution of its tasks. The two commissions are composed of all 51 Executive Board members.

According to UNESCO's constitution, the Executive Board's responsibilities are to

- prepare the agenda for the General Conference;
- examine UNESCO's work program and budget estimates prepared by the Director-General and submit them with such recommendations as it considers desirable to the General Conference;
- supervise the execution of the program adopted by the General Conference;
- take all necessary measures to ensure the effective and rational execution of the program by the Director-General;
- nominate candidates to the General Conference for the post of Director-General;
- act, if necessary, as an advisor to the United Nations when the General Conference is not in session;
- recommend new member states to the General Conference; and
- comment on the activities of the Organization as presented in the reports of the Director-General and transmit them to the General Conference.

The Board has its own rules of procedure, meets at least twice a year in regular session, and may convene a special session when required. Between 1946 and mid-1984, the Board held 119 sessions. With a few exceptions, voting is by simple majority. Each member has one vote, which normally occurs by show of hands but also can be by roll call or secret ballot.

The Secretariat

The Secretariat is headed by the Director-General, who as UNESCO's chief administrative officer, is responsible for carrying out the Organization's program activities. As of December 31, 1983, the Secretariat had a staff of 2,446 people at its headquarters office in Paris and 870 people in its 33 field offices. The Director-General is nominated by the Executive Board, which considers in a private meeting the names of candidates suggested by member states and chooses the nominee by secret ballot. The nomination then is submitted for approval to the General Conference, which considers the candidate at a private meeting and votes by secret ballot. The current Director-General, from Senegal, was appointed in 1974 for a term of 6 years and was reappointed in 1980 for a 7-year term.

The Secretariat consists of eight major organizational units called sectors. The five "program" sectors--Education, Natural Science, Culture, Social and Human Sciences, and Communication--implement the Organization's programs. The three "support" sectors--Cooperation for Development and External Relations, General Administration, and Program Support --provide such diverse services as translation, accounting, maintenance, and coordination with member states and other organizations. In addition, there are three other major Secretariat units--the Bureau of Studies and Programming, the Bureau of the Budget, and the Executive Office, or Cabinet, of the Director-General. An Assistant Director-General heads each sector and major unit.

Other UNESCO bodies

Besides the three major organs of UNESCO, other groups or bodies support member states or the Secretariat through advice and consultation on UNESCO activities. They include national commissions, permanent delegations, intergovernmental and non-governmental organizations, and experts and consultants.

National commissions

UNESCO's constitution states that

"Each member state shall make such arrangements as suit its particular conditions for the purpose of associating its principal bodies interested in educational, scientific and cultural matters with the work of the Organization, preferably by the formation of a National Commission broadly representative of the Government and such bodies. National Commissions or national cooperating bodies, where they exist, shall act in an advisory capacity to their respective delegations to the General Conference and to their Governments in matters relating to the Organization and shall function as agencies of liaison in all matters of interest to it."

Among UNESCO's 161 members, 149 have established national commissions.

The United States established a national commission for UNESCO in 1946 to advise the U.S. government in matters relating to UNESCO, with special emphasis on reviewing UNESCO's program areas and "promoting UNESCO's general objectives among the American people." As of November 1983, the Commission consisted of 100 commissioners: 60 from nongovernmental organizations; 25 from federal, state, and local governments; and 15 at large. Recent budget cuts have curtailed functions of the Commission

and its staff has been absorbed into the Department of State's Bureau of International Organization Affairs.

Permanent delegations

Although they are not mentioned in UNESCO's constitution, 150 countries maintain permanent delegations in Paris. They serve as mechanisms for monitoring UNESCO's performance and serve as a link to member states.

Specialized organizations

UNESCO's constitution permits the Organization to cooperate with other specialized intergovernmental and nongovernmental organizations whose interests and activities are related to UNESCO's purpose. The Director-General, acting under general authority of the Executive Board, may establish working relationships with these organizations. UNESCO has established relations with 47 intergovernmental and 527 nongovernmental organizations for cooperation in matters related to education, science, and culture.

UNESCO AND THE UNITED NATIONS

Specialized agencies such as UNESCO are connected with the United Nations in a variety of ways, including the U.N. Economic and Social Council. The U.N. charter designates the Council as the body responsible for coordinating the activities of the specialized agencies.

While the Economic and Social Council is charged with coordinating interagency programs, another U.N. unit--the Joint Inspection Unit--is responsible for improving management and coordination in the U.N. system. The Joint Inspection Unit also

- reviews whether participating organizations use their available resources economically and efficiently and

- proposes reforms or other recommendations deemed necessary to the responsible bodies of the participating organizations.

ACTIVITIES

UNESCO's activities reflect its two primary funding sources: (1) regular program funds and (2) extrabudgetary program funds. The former are obtained through assessed contributions on member states and constitute 62 percent (\$374.4 million) of UNESCO's budget for 1984-85. The extrabudgetary sources are derived from other U.N. agencies which use UNESCO as an executing agency and from member states which contribute funds above and beyond their assessed contributions for specific projects in either their own country or other member states.

UNESCO is also authorized to receive extrabudgetary funds from the World Bank, regional development banks, private institutions, firms assisting with development activities, and other nongovernmental sources. These extrabudgetary sources constitute the remaining 38 percent of the 1984-85 budget (\$233.9 million).

In general, regular program funds support what UNESCO calls the "substantive" activities of the Organization--the activities which are associated with promoting advancement of knowledge in general and its exchange among nations. Extrabudgetary program funds support UNESCO's "operational" activities--those associated with developmental projects in Third World countries.

The regular program

As specified in UNESCO's 1984-85 program and budget, the regular budget represents the Organization's plan to attain its 14 major program objectives. The program and budget presents a hierarchy of detail in which the 14 major programs are divided into 54 programs, which are divided into 186 subprograms, which are divided further into 478 program actions or activities. UNESCO officials described the smallest unit in a program action as primarily including one of the following: studies, conferences (meetings, seminars, symposiums, round table), training (fellowships and study grants), publishing, and grants to nongovernmental organizations. For example, during the 1984-85 budget period, UNESCO proposes to publish 128 books, 27 periodicals, and 7 abstracts; convene 244 conferences and specialist meetings, ranging in attendance from 8 to 550 people and lasting from 2 to 20 days; and provide training to approximately 1,000 nationals, primarily from developing countries.

The 90,000 pages of text that UNESCO will publish will include such topics as

- the image of women in school textbooks and children's literature;
- a teacher's guide to preventive education concerning the use of drugs;
- apartheid: its effects on education, science, culture, and information;
- a general history of Africa;
- innovations in teaching science and technology;
- copyright laws and the treaties of the world;

- guide for developing national data bases related to the national scientific and technological potential;
- monographs on oceanographic methodology;
- education for peace, disarmament, and human rights; and
- a guide for students studying abroad.

Approximately one-half of UNESCO's conferences, meetings, and seminars will be held in Paris and the other half in various cities around the world. These conferences will include discussion of such diverse topics as

- the democratization of education;
- a critical and philosophical examination of neurophysiology and neuroscience;
- the ethical responsibilities of scientists in support of disarmament and peace;
- the traditional management of coastal systems in Africa; and
- youth, education, and work.

UNESCO provides training, among other things, through fellowships and grants primarily to individuals from developing and least developed countries. In 1983, for example, UNESCO awarded 1,049 fellowships and study grants to representatives of 104 countries so they could attend short-term seminars or conferences or pursue a longer-term college degree. Funds for training also are provided under UNESCO's extrabudgetary program.

UNESCO officials describe the regular program activities as the catalysts or seed money for further action that can be funded completely through a developmental program. For example, UNESCO funds missions to developing countries out of the regular program to assess the needs of developing countries in its fields of competence and assist them in identifying and obtaining funds from international development agencies. Accordingly, the objectives of many UNESCO regular programs use such words as "to contribute to," "to help to establish," or "to stimulate and encourage."

The extrabudgetary programs

In a 1972 UNESCO publication celebrating the Organization's 25th anniversary, the developmental aspects of UNESCO were discussed as follows.

"The concept of Development, which evolved over the years to its present central position in the policies and programs of UNESCO, is only marginally and indirectly reflected in the Constitution. The overriding concern of the founding fathers was to construct the defenses of peace in the minds of men and to build a lasting peace by working for the intellectual and moral solidarity of mankind."

Nevertheless, UNESCO believed that development work was implicit in its constitution and began such work in 1949. However, it began putting more emphasis on development work in the early 1960s when newly independent African and Asian countries sought development assistance. A United Kingdom resolution at the 1960 General Conference meeting called on UNESCO to set its course more firmly toward development aid, especially in education. UNESCO's main development work remains in education where, among other things, it develops strategies to combat illiteracy, sets overall education goals, provides a wide variety of training, develops pilot education projects, and promotes regional cooperation.

The largest U.N. contributor to the extrabudgetary program is the United Nations Development Program. Established in 1965 as the successor to the U.N. Special Fund and the U.N. Expanded Program of Technical Assistance, it supports developing countries in solving their most important economic and social problems. United Nations Development Program resources are derived from voluntary contributions by member states over and above their assessed contributions to the regular U.N. budget and non-governmental sources. UNESCO has an agreement to serve as the executing agency for the Development Program's projects as well as projects funded by the World Bank, U.N. Children's Fund, the World Food Program, and U.N. Relief and Works Agency for Palestine Refugees in the Near East.

In addition to their assessed contributions under the regular program, some member states have established funds-in-trust with UNESCO for development projects. These projects can be for the development of the donor nation itself or for the benefit of another member state or organization.

Libya, for example, has established seven self-benefiting funds-in-trust totalling \$66.45 million since 1977. UNESCO has used these funds in Libya to develop a marine fisheries research center, to provide university services, and to construct a national museum. Some European countries have established funds-in-trust for the benefit of specific developing countries. For example, Norway established a fund-in-trust to construct a National Institute of Education in Bhutan and West Germany has a UNESCO fund to aid schools in Peru. The United States does not use UNESCO to administer its bilateral development

assistance program--it administers its program through the Agency for International Development.

The fund-in-trust projects, as well as the other extrabudgetary projects, are administered but not funded by UNESCO, whereas regular program activities are funded and administered by UNESCO.

CHAPTER 3

GENERAL MANAGEMENT

The Secretariat has the primary management responsibility for UNESCO's activities. It is charged with drafting UNESCO's medium-term plan, drafting the biennial program and budget, implementing the program activities approved by the General Conference, and evaluating whether activity objectives are being met. As noted in chapter 2, the Secretariat is headed by the Director-General and consists of over 3,000 regular staff who carry out UNESCO's activities and provide staff support for the Executive Board and the General Conference, which are to oversee the Secretariat's work.

SECRETARIAT'S DECISION-MAKING STRUCTURE

UNESCO's constitution designates the Director-General as chief executive officer without spelling out the scope of his authority and responsibilities. UNESCO's top management also includes the Deputy Director-General, the Assistant Directors-General, the Executive Office (or Cabinet) and, to some extent, the Inspector General. The Director-General and his staff carry out a wide range of activities. Among other things, they formulate proposals for appropriate General Conference and Executive Board actions, prepare the draft work program and corresponding budget estimates for Board consideration, and execute the program and budget adopted by the General Conference.

Based on discussions with senior UNESCO officials, we found that management in the Secretariat is highly centralized with the Director-General making most substantive and many routine decisions. For example, he

- appoints the Deputy Director-General, the Assistant Directors-General, and the Division Directors;
- hires all senior UNESCO professional staff;¹
- approves extensions of all employee contracts (480-600 each year) and determines which employees will receive long-term contracts (164 in 1984);

¹Until recently, the Director-General appointed all UNESCO professional staff. However, on September 13, 1984, he delegated authority for appointing staff below the senior level to the Deputy Director-General and Assistant Director-General for Administration.

- approves contract extensions beyond the mandatory retirement age; decides which posts will be created (5 in 1983), abolished (11 in 1983), or reclassified (236 in 1983);
- grants promotions (320 in 1983);
- approves all reorganizations of the Secretariat;
- reviews all comments received from member states and others on the development of the medium-term plan (207 comments received on the 1984-89 plan); and,
- approves all projects funded from the Participation Program (\$15 million between 1981 and 1983) and the Special Account for Increased Aid to Developing Countries (\$8.6 million deposited since 1979).

In commenting on the draft of this report, the Secretariat noted that the Director-General is supported by a great deal of staff work in making his decisions. We recognize that Secretariat staff contributes to the decision-making process in varying degrees. For example, UNESCO's Bureau of Personnel, sectors, and advisory boards review applicants for professional staff positions and provide the Director-General with a list of recommended candidates. As another example, applications for funding under the Participation Program and Special Account for Increased Aid to Developing Countries are screened by the appropriate sector and the Bureau of the Budget before being submitted to the Director-General for final review and approval. The decision-making process for these and other activities are discussed in more detail in later chapters. Although supporting staff in the Secretariat carry out the detailed reviews and analysis of issues and make proposals on actions to be taken, in our review of documentation and discussions with UNESCO officials concerning the day-to-day operations of the Secretariat, we found that the decision-making was highly centralized.

Discussions with Secretariat officials and staff, ranging from senior managers to individual project officers, provided different perspectives on the reasons for the extent of the Director-General's personal involvement in decision-making. In a meeting with GAO management officials, the Director-General noted that many Secretariat staff avoided decision-making and wanted him to make the decisions. Other officials also commented that the Director-General has assumed so much decision-making because lower-level officials have refused the responsibility. However, others noted that the lower-level staff's perception is that the Director-General wishes to retain all decision-making authority. A high-level official observed that the degree of centralized decision-making in the Organization has become untenable and will have to be reversed. Some

officials said that because decision-making has become so centralized, a degree of inflexibility has been created in the Organization's management and creativity and innovation have been stifled.

The Deputy and Assistant Directors-General

The Director-General announced the appointment of the Assistant Director-General for Studies and Programing to the post of Deputy Director-General effective June 1, 1984. On September 13, 1984, the Director-General issued a memorandum outlining the responsibilities of his deputy, which include:

- overseeing the application of the Director-General's directives;
- supervising implementation of General Conference and Executive Board decisions;
- supervising the budget planning and programing;
- supervising regular and extrabudgetary program evaluation;
- ensuring that appropriate Secretariat coordination is established and functioning properly;
- ensuring that the Secretariat functions normally during the Director-General's absence; and
- appointing professional staff below the senior level.

The Assistant Directors-General are responsible for implementing their sector programs and administering their sectors in accordance with the Director-General's guidance and the policies, rules, and procedures contained in UNESCO's manual. They report to the Director-General or his deputy according to specific instructions.

The Director-General, until the recent appointment of his present deputy, had no Deputy Director-General for nearly 3 years. During this period, the Assistant Directors-General acted for the Director-General when he was absent from Headquarters, but under the UNESCO manual, their responsibilities were limited to "routine matters," such as signing correspondence to member states. According to UNESCO employees responsible for various aspects of the management areas we reviewed, the lack of delegation of substantive authority during the Director-General's absence resulted in routine decisions--especially those related to personnel matters--being delayed on

numerous occasions. UNESCO staff told us that the Director-General is frequently away from Headquarters on visits to member states but the Secretariat was unable to provide us with information on the frequency of his absences.

The number of Assistant Director-General posts has increased from six in 1973 to nine in 1984 of which only six were filled by Assistant Directors-General as of November 1984. In addition, as of that date, there were three director-level posts--the next management level below Assistant Director-General--being filled by Assistant Directors-General. Thus, the total number of Assistant Directors-General at UNESCO as of November 1984 was 9. As shown below, the increase is due to (1) the addition of two sectors (program support and cooperation for development and external relations), (2) the division of a former sector, and (3) the promotion of the heads of the Bureau of the Budget, the Executive Office of the Director-General, and the Asian Regional Office for Education to Assistant Directors-General.

UNESCO Organizational Units
Headed by an Assistant Director-General
1973 and 1984

<u>1973</u>	<u>1984</u>
1. Education sector	1. Education sector
2. Science sector	2. Science sector
3. Social science, humanities, and culture sector	3. Culture sector
4. Communication sector	4. Communication sector ^a
5. General administration sector	5. General administration sector
6. Office of Pre-Programming	6. Bureau of Studies and Programming ^b
	7. Social science sector ^c
	8. Bureau of the Budget ^d
	9. Program support sector
	10. Cooperation for development and external relations sector
	11. Executive Office of the Director-General ^d
	12. Regional Office for Education in Asia and the Pacific ^d

^aAs of November 1984, the Assistant Director-General for Communications was holding a temporary Deputy Director-General appointment while in charge of the working groups established by the Director-General to recommend improvements in various Secretariat operations.

^bIncumbent was promoted to Deputy Director-General in June 1984.

^cAssistant Director-General post currently filled by person at a lower grade level.

^dDirector-level post currently filled by an Assistant Director-General.

The Cabinet

The Director-General's Executive Office, commonly called the Cabinet, advises him in the decision-making process and assists him in discharging his executive responsibilities. It is headed by an Assistant Director-General and, as of September 1984, included 2 directors, 11 professionals, and 23 general service staff. This represents an increase from its 1970 staff when it was headed by a director and included 5 professionals and 12 general service staff.

The Cabinet has no formal decision-making power but plays an important role by reviewing sector proposals and recommendations for actions and presenting them to the Director-General for action. According to Cabinet officials, they are responsible for making sure that the Director-General has complete information on issues before making a decision. In this regard, the Cabinet frequently seeks comments on proposals and recommendations for actions from interested parties within the Secretariat. For example, if a sector proposes an action with budgetary implications, the Cabinet solicits comments from the Bureau of the Budget.

The Inspector General

The Inspector General monitors Secretariat activities through audits, inspections, and studies requested by the Director-General. It is headed by a Director and divided into two units--management and audit--which altogether, as of March 1984, had six professional and three general service staff.

The management unit is charged with studying ways to increase the Organization's effectiveness and efficiency. According to the Joint Inspection Unit, the management unit should, among other things, (1) prepare the Organization's policies and procedures manual, (2) establish participative management in the Organization, (3) review organizational structures, and (4) control forms and computerization.

We found that the management unit's responsibilities are limited. It does control form standardization and computerization but is not responsible for UNESCO's manual. The Joint Inspection Unit has recommended that the management unit assume this responsibility, which is presently held by the Bureau of Personnel. Since the manual conveys the Secretariat's administrative and personnel policies and procedures, it would be more appropriately prepared and updated by individuals who have management backgrounds and more objectivity in reviewing personnel issues.

Establishing participative management has not been a management unit responsibility either. While the Secretariat views

participative management as inherent in the Organization's overall functioning, many Secretariat staff believe they are not given enough opportunity to participate in the Organization's management. According to a 1983 UNESCO staff association poll, only about 13 percent of the 1,151 staff members responding believed that their employer allowed them to participate satisfactorily in the management of the Organization. The Secretariat has attempted to implement a management-by-objectives approach to carrying out its activities but has not been successful. The Joint Inspection Unit has cited the lack of a unit to coordinate participative management as one reason for the Secretariat's failure to successfully implement management-by-objectives.

Finally, we found that the management unit has not been given the responsibility to review and concur in the establishment of new organization units before they are approved. The U.N. headquarters management unit, in contrast, reviews the establishment of new units and divisions to avoid fragmentation, requires functional statements for all units, and concurs in all reorganizations.

An official in the Inspector General's office told us that the Secretariat does not require functional statements for each organizational unit. We reviewed the approved program and budget and its administrative annex where the Secretariat said such functional statements should appear. We found these documents contained limited information on only a few organizational units such as the Bureau of the Budget and the Cabinet and did not describe the responsibilities of the various organizations within the sectors.

GOVERNING BODY OVERSIGHT

Outside observers familiar with UNESCO's operations, including former senior UNESCO officials, members of permanent delegations to the Organization, and qualified academic observers, believe there is a need for greater oversight by governing bodies. According to them, the General Conference has become very dependent upon the Secretariat, which influences its agenda and drafts many of its resolutions. The Executive Board is viewed as accepting the program and budget provided by the Secretariat without obtaining information necessary for effective oversight.

The Director-General has the authority and responsibility for day-to-day management of UNESCO. Nevertheless, as discussed in chapter 2, the governing bodies retain important responsibilities for overseeing the Secretariat's activities. In each of the areas we reviewed, there were indications of a need for more effective governing body oversight.

For example, in 1977 the Executive Board encouraged the Secretariat to establish a central evaluation unit. Such a unit

was established in 1978, but 7 years later little progress has been made to implement evaluation at UNESCO. The need for more effective program evaluation is discussed in chapter 5. In 1979 the Executive Board commissioned a study to identify ways the UNESCO program and budget document could be improved. The study contained recommendations for improving the presentation of the Organization's program and budget, but the Board did not act on the recommendations. We found that a number of problems addressed in the study still exist. UNESCO's budget presentation is discussed in chapter 6.

With respect to financial management, the external auditors are appointed by and report to the General Conference. Even so, there appears to be limited interest on the part of the governing bodies in the external auditors' findings. The Secretariat has been slow in implementing some audit recommendations, and the governing bodies do not appear to have followed up on implementation of these recommendations. These and other financial matters are discussed in chapters 7 and 8.

Temporary Committee recommendations on governing body oversight

As mentioned in chapter 1, the Executive Board recognized the need for strengthening governing body oversight of UNESCO activities and established a Temporary Committee to recommend improvements in the functioning of the Organization. Among other things, the Temporary Committee examined ways in which the Executive Board and General Conference could more effectively carry out their constitutional responsibilities and recommended improvements in the governing bodies' working procedures.

Executive Board

The Committee noted that some of its members believed that the Executive Board was not fully carrying out its assigned functions and responsibilities. Accordingly, the Committee recommended the board reaffirm its policy-making role and noted that the Board is the depository of member states' will and the body responsible for interpreting this will between General Conference sessions. The Committee pointed out that the Board cannot effectively serve member states or provide proper guidance to the Secretariat if it does not assume its intended policy-making character and that, in order to properly perform its duties, the Board required

--a budget that would enable it to set up the necessary working groups to examine issues in depth;

- appropriate procedures for indepth exchanges of views and substantive discussions; and
- members who could give freely enough of their time to attend Board sessions regularly--absenteeism among Board members was referred to several times during the Committee's deliberations as a factor detracting from its authority.

The Committee concluded that it was important for member states and, hence, their representatives on the Executive Board, to be more vigilant in exercising their responsibilities and availing themselves of the means they needed to do so.

The Temporary Committee also noted that most of the documents submitted for the Board's consideration were drafted from the Secretariat's standpoint; that is to say, the documents provided technical analysis concerning the practical execution of UNESCO's activities rather than policy options--choices between various policy lines or courses of action. The Committee recommended the Executive Board initiate a study to determine the exact nature of the particular documents needed to carry out the Board's policy-making responsibilities.

Other Committee recommendations dealt with such issues as the need for

- more indepth Board examination of UNESCO's draft program and budget document, with more useful recommendations to the General Conference;
- submission of the Director-General's statement on major achievements, impacts, difficulties, and shortfalls for each continuing program activity early enough for full Board consideration before General Conference sessions;
- enhancing the program evaluation component of the above statement; and
- a more selective Board agenda focusing discussion on a limited number of important topics.

General Conference

With regard to the General Conference's oversight role, some Committee members believed the Conference was not able to perform its main statutory functions because delegates spent too much time on peripheral questions and were not able to come to grips with the essential issues. Others disagreed, referring to improvements in the General Conference's working methods over the years. However, all Committee members agreed that the General Conference's policy-making role should be strengthened.

The Committee concluded that the Executive Board could assist the General Conference to become more effective in fulfilling its constitutional responsibilities in several ways. Among other things, the Committee recommended the Executive Board consult and negotiate with member states to help focus the General Conference agenda on the most important issues, assist the General Conference in choosing debate topics that allow the Conference to fully exercise its policy-making authority, and encourage delegates to exercise self-restraint in the length of their statements at General Conference sessions.

OBSERVATIONS

The Director-General exercises broad authority in managing UNESCO's affairs. He and his staff carry out a wide range of activities. Although Secretariat staff review and analyze issues and make proposals on actions to be taken, the Director-General makes most substantive and many routine decisions. However, he has recently delegated some of his decision-making authority to the Deputy Director-General and Assistant Director-General for Administration.

UNESCO's constitution gives the Organization's governing bodies--the General Conference and the Executive Board--important responsibilities for overseeing the Secretariat's activities. Among other things, the General Conference must approve UNESCO's program and budget. The Executive Board is specifically charged with ensuring that the program is effectively executed. Persons familiar with UNESCO, however, believe the governing bodies have not been effectively executing their oversight roles. This view was confirmed by the Executive Board's Temporary Committee which identified needed improvements in the governing bodies' oversight of Secretariat activities and made recommendations accordingly.

SECRETARIAT COMMENTS AND OUR EVALUATION

The Secretariat commented that, on the whole, the report contains a comprehensive description of some aspects of administrative procedures and practices plus a clear description of the Secretariat. However, the Secretariat said that we overstated the authority and decision-making role of the Director-General and believes the report gives a false impression that the Director-General has unrestricted decision-making power. According to the Secretariat, he does not have unrestricted decision-making power in the personnel, program, and budget matters we discuss. The Secretariat said the delegation of authority to the program sectors for management of the program and operational activities is broad. The Secretariat also noted that it would be physically impossible for the Director-General, himself, to do all the work and make all the decisions ascribed

to him in our report. The more correct or real situation, according to the Secretariat, is that the supporting staff in the Secretariat carry out the detailed review and analysis of such issues and develop the logical decision permissible under the regulations, rules, and procedures for submission to the Director-General.

A broad range of senior and other professional staff, as well as qualified outside observers, perceive the decision-making process within the Organization to be highly centralized. Our observations on how personnel, program, and budget decisions are made--described in detail in subsequent chapters--tended to confirm the views of Secretariat staff and others, on the centralized nature of the decision-making process. We also note that there appears to be some consciousness of the need for greater delegation of responsibility in the Secretariat. For example, subsequent to the completion of our review, the Director-General delegated some staff appointment responsibilities to the Deputy Director-General and the Assistant Director-General for Administration.

In the Secretariat comments, the Director-General questioned a statement we attributed to him since we had not interviewed him during the review. We note that the Director-General's statement we cited in the report was made by him during a meeting with senior GAO officials at UNESCO Headquarters on May 7, 1984. We have revised the citation to more precisely reflect the Director-General's statement.

CHAPTER 4

PERSONNEL MANAGEMENT

UNESCO has a post classification personnel system whereby posts, positions with specific job descriptions, are established and filled by candidates who meet the qualifications of the particular post. Appointments to posts are generally made for a specific period, typically 2 years. This is in contrast to a career system which generally recruits individuals at the starting levels and provides advancement opportunities through established career paths often in defined occupational groups.

The committees requesting our review were concerned whether UNESCO's "existing personnel practices are in conformity with regulations to insure high performance in carrying out UNESCO's program mandate." In this chapter we describe how the greater use of supplementary staff--short-term temporary employees and consultants--along with the high number of regular post vacancies and the long delays in recruiting regular employees combine to provide a picture of what has, in effect, become a dual personnel system at UNESCO. Other aspects of personnel, including staff geographical distribution, promotions, and staff associations are discussed in appendix I.

UNESCO STAFF TRENDS

The total number of regular UNESCO staff has not changed significantly since 1970, as shown below.

Trend in Professional and General Service Staff
and Their Ratios From 1970 to 1983

<u>Year^a</u>	<u>Total staff^b</u>	<u>Ratio of general service to professionals</u>
1970	3,303	1.0
1971	3,491	0.9
1972	3,593	0.9
1973	3,524	0.9
1974	3,541	1.0
1975	3,464	1.1
1976	3,133	1.2
1977	3,142	1.3
1978	3,249	1.3
1979	3,225	1.3
1980	3,384	1.3
1981	3,448	1.4
1982	3,461	1.4
1983	3,393	1.5

^aFigures are as of December 31 for each year.

^bThese figures include certain staff such as employees filling temporary posts and thus do not exactly coincide with UNESCO post summary statistics.

Some definite trends in staff composition have emerged since 1970.

--Professional staff, who in 1973 about equaled the number of general service staff, is now outnumbered by 50 per cent.

--Presently, more than 70 percent of all staff members work at UNESCO headquarters, compared with an equal split between headquarters and the field 10 years ago.

--The use of supplemental staff has grown.

UNESCO officials responsible for personnel management told us that the changes in staff composition and location are attributable, in part, to growth in the proportion of high-level posts, such as for program specialists, which require more administrative support.

In commenting on a draft of this report, the Secretariat provided further explanation for the increasing ratio of general service to professional staff. According to the Secretariat, between 1973 and 1983 the number of professionals working on operational projects diminished considerably in the field, from 863 to 250 with a corresponding increase in the number of short-term consultants hired for such projects. The Secretariat said that the increased use of consultants in the field was in accordance with the needs of recipient member states. During the same period, the number of professionals at headquarters and in the regional offices increased appreciably from 764 to 1,094. The decrease in the number of field professionals did not result in a corresponding reduction in the number of field general service staff. However, the increased number of professionals at headquarters and at established offices away from headquarters did result in a corresponding increase in the number of general service staff at those locations.

ESTABLISHED POSTS AND REGULAR STAFF APPOINTMENTS

As of December 31, 1983, UNESCO had 4,115 established posts, of which 76 percent (2,768) were located at its Paris headquarters and the remainder divided almost equally between established offices away from headquarters and field project sites. The regular program finances 70 percent (2,879) of the posts, and 30 percent (1,236) are financed with extrabudgetary funds.

UNESCO Post Summary
as of December 31, 1983

<u>Location</u>	<u>Regular program</u>		<u>Extrabudgetary program</u>		<u>Total</u>		<u>Vacancies</u>
	<u>Posts</u>	<u>Staff</u>	<u>Posts</u>	<u>Staff</u>	<u>Posts</u>	<u>Staff</u>	
Headquarters	2,392	2,129	376	317	2,768	2,446	322
Established offices away from headquarters	487	402	179	77	666	479	187
Field projects	<u>0</u>	<u>0</u>	<u>681</u>	<u>391</u>	<u>681</u>	<u>391</u>	<u>290</u>
Total established posts and staff	2,879 ^d	2,531	1,236	785	4,115	3,316	799
	=====	=====	=====	=====	=====	=====	=====

^dThis category includes 155 maintenance and security guard posts which are not included in UNESCO's regular program ceiling of 2,724 posts.

As of December 31, 1983, 3,316, or 80 percent, of the 4,115 established posts were filled by three types of regular staff, indeterminate, fixed-term, and temporary. A special type of regular employee, called a field expert, is hired for 1 year or more for projects away from headquarters. As shown above, the remaining 20 percent, 799 posts, were vacant, including 348 funded under the regular program. The remaining 451 vacant posts were funded under the extrabudgetary program. In commenting on a draft of this report, the Secretariat said that many of the extrabudgetary posts were vacant due to lack of funding and that the Secretariat planned to cancel 113 of them.

UNESCO grants appointments on the following basis:

- Indeterminate appointment: without a time limit.
- Fixed-term appointment: for a specific period, normally 2 years.
- Temporary appointment: normally for less than 1 year.

Permanent, fixed term, and temporary staff fall into three categories and 13 grades based on standards related to their duties and level of responsibility. The three categories are (1) general service--GS-1 through GS-6, (2) professional--P-1 through P-5, and (3) principal officer and directors--D-1 and D-2. The 2,014 general service employees fill positions ranging from clerks and secretaries to senior administrative assistants, while the 1,237 professional staff include program specialists and section chiefs. Fifty-four principal officers and directors hold posts such as division chiefs and bureau directors. In

addition, there are two Deputy Directors-General and eight Assistant Directors-General. (See chart on page 23.)

Fixed-term appointments

Fixed-term contracts may specify varying lengths of time, but are usually for a 2-year period. There are no restrictions on the number of contract extensions that can be granted before an employee reaches the mandatory retirement age of 60.

The Director-General and governing bodies have expressed preference for fixed-term over indeterminate appointments to enable staff turnover, which is an important factor in trying to achieve equitable geographical distribution of staff among member states¹ and in being able to recruit appropriate program specialists as program priorities change. Their preference appears to be reflected in the number of professional staff on fixed-term contracts, which steadily increased from 67 percent in 1975 to 90 percent in 1983--one of the highest ratios among U.N. organizations. Staff turnover, however, has remained low--7.5 percent of professional and 4.8 percent of general service employees. The predominant reason appears to be the high number and almost automatic nature of fixed-term appointment extensions.

As of December 31, 1983, 77 percent of UNESCO employees had received at least one contract extension and over 20 percent had worked more than 10 years on the basis of repeated contract extensions. Fixed-term employees can make UNESCO a career without receiving indeterminate appointments. According to a 1982 Joint Inspection Unit report, 134 professional staff members had served UNESCO for more than 20 years through a succession of fixed-term contracts. UNESCO's fixed-term appointments, broken down by years of service, are shown below.

Fixed-term Appointments as of December 31, 1983^a

	<u>Years of service</u>				<u>Total</u>
	<u>0-2</u>	<u>3-5</u>	<u>6-10</u>	<u>10+</u>	
Professional staff	254	288	268	329	1,139
General service staff	<u>267</u>	<u>370</u>	<u>329</u>	<u>132</u>	<u>1,098</u>
Total	521	658	597	461	2,237
	===	===	===	===	=====
Percent of total staff by years of service	23	29	27	21	100

^aFigures exclude 31 employees beyond the retirement age of 60 whom UNESCO considers to be temporary employees for purposes of compiling these statistics.

²See appendix I for a discussion of geographical distribution.

UNESCO officials told us that fixed-term contracts are extended almost automatically. The sector and advisory board, discussed on page 36, review an employee's file and forward their recommendation, which is almost always favorable, to the Bureau of Personnel. The Bureau, which receives 40 to 50 such recommendations each month, forwards them to the Director-General, who personally decides on each case. According to the Secretariat, the Director-General usually follows sector recommendations but occasionally he denies an extension and, according to UNESCO staff rules, is not required to provide any reason for doing so. Secretariat officials told us that statistics on the number of extensions denied were not available.

Indeterminate appointments

Both professional and general service fixed-term appointments may be converted to indeterminate status after 5 years. The General Conference established ceilings in 1974 on the percent of indeterminate appointments, generally 25 percent of the professionals and 75 percent of general service staff. Using December 1983 staff figures, up to 330 professional staff and 1,498 general service staff members could have held indeterminate appointments under General Conference criteria. As of December 31, 1983, 132 professionals, or 10 percent of total professionals, and 916, or 46 percent of the general service employees, had indeterminate appointments.

Of the 1,048 indeterminate appointments as of December 31, 1983, 70 percent had been granted before 1974 when the ceilings were first established and 30 percent from 1974 through 1979. None were granted between 1979 and 1983. In commenting on a draft of this report, the Secretariat noted that, in February 1979, the Assistant Director-General for Administration suspended granting indeterminate appointments pending a policy review in that area.

In 1982, the Director-General established new criteria for evaluating candidates and named a Special Consultative Committee for recommending candidates for indeterminate appointments. Late in 1983, the committee recommended to the Director-General that about 80 professional and 200 general service staff be granted indeterminate appointments. In April 1984, he approved 53 and 111, respectively--about half of the committee's recommendations. According to the Secretariat, indeterminate appointments will be granted once a year in the future.

Temporary appointments

According to UNESCO's rules, temporary employees are generally hired to meet peak work loads or to perform specific short-term activities which cannot be carried out by regular staff. Of UNESCO's 70 temporary employees in 1983, 41 filled temporary posts and 29 filled vacant regular established posts.

THE RECRUITMENT PROCESS FOR REGULAR STAFF

Under the UNESCO constitution, the Director-General is responsible for appointing staff to the Secretariat to execute UNESCO's regular and extrabudgetary activities. The General Conference has provided broad guidance and criteria for recruiting staff. The three major criteria are competence, competitive appointment to the extent possible, and equitable geographical distribution among member states. Personnel procedures are contained in the UNESCO manual and in internal instructions originating from different central services involved in the process, which differs somewhat depending upon the category of position.

Principal officer and director category

Principal officer and director category (D-1 to D-2) vacancy notices are sent to all member states, UNESCO offices, and U.N. specialized agencies. Vacancies are advertised for 3 months. The appropriate sector evaluates the candidate, based on the post description and such criteria as educational background, work experience within the U.N. system and elsewhere, and language capability, and prepares a "short list" of the best qualified candidates, typically ranging from three to eight. The Director-General submits the sector's short list in alphabetical order, or in order of his preference, to the Executive Board, which has one month to comment on the candidates. The Board, itself, does not make official recommendations on the candidates but individual Board members with particular interest in, or concern about, a candidate may convey this to the Director-General either in writing or orally. The Board's role is advisory and, after a 1-month period, the Director-General makes his selection and informs the Board of his choice. UNESCO data shows that three Director category personnel were appointed in 1983.

Professional category

Professional category (P-1 to P-5) vacancy announcements are sent to all member states that are not over-represented, UNESCO offices, the United Nations, and U.N. specialized agencies. These posts are normally advertised for 3 months. Candidates may apply for professional posts directly or through their government; however, all applicants not already employees within the U.N. system must be endorsed by their governments. The appropriate sector evaluates the applicants--often as many as 100 applicants--and prepares a "short list" of the three to five best qualified candidates listed in order of preference and includes a justification for each. The sector also justifies its decisions for not including candidates on the list. After evaluating the list, the sector Assistant Director-General

submits it to the Bureau of Personnel, which convenes an advisory board to further review the candidates' files. (See below for further discussion.) The board's recommendation is part of the Bureau of Personnel's recommendation to the Director-General, who makes the final selection. According to data provided by UNESCO, 61 professional staff were appointed through this process in 1983. The Secretariat told us that the Director-General selected all but four of these staff members from the sector short lists.

General service category

Vacancies in the general service category are usually advertised in the local office region, but can be advertised outside UNESCO. Further, GS-4 through GS-6 vacancies are often filled by promotion within UNESCO. Outside candidates applying for secretarial positions are required to take four skill tests administered by the Bureau of Personnel. Candidates are given credit for the tests passed and may take the tests a maximum of three times in 1 year. Failing that, the candidate must wait 1 year before attempting the tests again.

Sectors evaluate general service applicants in basically the same manner as they do applicants in other categories, prepare a short list of the best qualified candidates, and may interview the candidates. The Bureau of Personnel convenes an advisory board (see page 37) which further evaluates the candidates, and makes a recommendation to the Personnel Director, who makes the final selection.

Field experts

Recruitment for field experts is about the same as for the other categories of regular staff. However, these posts are funded from extrabudgetary sources and are not subject to geographical quotas. The project host government makes the final selection for these posts.

Temporary staff

According to UNESCO's rules, the Bureau of Personnel is also responsible for recruiting and appointing temporary staff. However, UNESCO personnel officials told us that, in actual practice, the sectors generally recruit temporary staff, with the Director-General making the appointment.

The Senior Personnel Advisory Board

The Senior Personnel Advisory Board evaluates candidates for vacancies in the professional category to make sure their qualifications are in line with the post description and that the best qualified candidates are being recommended for the

post. Each board is composed of three voting members plus a chairman who is either the Director or Deputy Director of the Bureau of Personnel, a secretary from Personnel, a representative from the sector involved, and a representative from each UNESCO staff association. (See app. I.) Based on the Director of Personnel's suggestions, the Director-General draws up a list of 50 staff members at the beginning of each budgetary period. The Board secretary selects the three voting members required for each panel from this list. The chairman, or his alternate, presides over the board and pulls together the recommendations of the three voting members when the session is concluded. The secretary records the proceedings, the sector representative justifies the sector's selection, and the staff associations' representatives, as observers, are allowed to raise questions about the sector's short list selections.

The Director of Personnel may convene a board as often as he deems necessary, and boards typically consider candidates for more than one post at each meeting. Two days before the board convenes, the files of each post's applicants are made available to board members at the Bureau of Personnel. It is not uncommon to have 90 or 100 applicants for a single post.

The Bureau of Personnel does not provide criteria for the Board to use in evaluating candidates; however, the UNESCO manual contains rules of procedure which state what documents should be present and how the meeting should be conducted. When initial discussions are concluded, the sector and staff association representatives are asked to leave, and the three voting members write their recommendation, which may either support or modify the sector's short list. The Director of Personnel integrates the Board's recommendation with that of the sector and adds his own recommendation before submitting the package to the Assistant Director-General for Administration. The Assistant Director-General for Administration may or may not add his own recommendation before forwarding the recommendations to the Director-General for a final selection. (See footnote on p. 20 for recent delegation of selection authority.)

The Junior Personnel Advisory Board

The Junior Personnel Advisory Board evaluates candidates in the general service category and functions in a manner similar to the Senior Personnel Advisory Board. However, the three voting members include employees from the professional and general service categories, and the Director of the Bureau of Personnel makes the final selection.

RECRUITMENT DELAYS
FOR PROFESSIONAL POSTS

We analyzed regular program professional post vacancies at headquarters and at offices away from headquarters as of December 31, 1983 and identified 226 vacant posts. Of the 226 posts, active recruitment was underway for 145 which means that, at a minimum, the sector concerned had submitted a post description to the Bureau of Personnel. The remaining 81 posts were not under active recruitment. For 58 of these posts, sectors had not requested any action for such reasons as they were considering the post for upgrade or perhaps not filling it at all. In another 16 instances the Secretariat suspended recruitment action due to uncertainty about the situation in Lebanon (UNESCO closed its Beirut office) or because extrabudgetary funds which were to pay for a portion of the staff costs of the posts were not available as expected. Information was not available on the status of the remaining seven posts.

According to a 1984 UNESCO report to the Executive Board, the time elapsing between the closing date of the announcement for a professional category and the candidate's selection averages 11-1/2 months. Delays can be deliberate, such as when a post is frozen for budgetary purposes, or arise unexpectedly, such as when a member state is late submitting candidates. Some examples cited by UNESCO officials illustrate the type of situations which develop during recruitment and lead to long delays.

- The sector completed its candidate evaluation in July 1983 for a post initially advertised in February 1982. The short list was presented to the Director-General for selection in 1984. He made his selection, but the candidate was subsequently found medically unfit for the post.
- A post was advertised in October 1981 and the sector reviewed applicants in March 1982. The post was subsequently reclassified to a higher level and readvertised in February 1983. The sector submitted its short list in March 1984, and the selection was pending as of June 30, 1984.
- A sector submitted its short list to the Bureau of Personnel in July 1981. In February 1984, the Director-General appointed a person who was not on the short list and who had not applied for the post.
- As of July 1984, the sector had prepared at least three short lists for a post advertised in December 1981. We were not able to determine why the post remains unfilled.
- The sector began its review of applicants for a post in December 1981 and in January 1982 requested the post be

filled by a specific, temporary employee. The short list was prepared in March 1982, but the sector wanted to appoint the temporary employee already filling the post. The employee lacked sufficient experience to be included on the short list but was given a succession of extensions in the post. By September 1983, the temporary employee had acquired sufficient experience to be added to the short list and in March 1984 was appointed to this post.

UNESCO officials have identified delays due to their internal process--institutional--as well as noninstitutional. It appears institutional delays can occur in many units involved in the process. For example, sector evaluations of applicants can cause delays as the Bureau of Personnel has not established a time limit for this phase--sector officials told us they often have up to 100 applicants and only one employee performing evaluations. A sector may also, in some instances, have to wait for an applicant's file if the applicant has applied for a post in more than one sector.

Delays may also occur when the sector and the Bureau of Personnel disagree on who should be on the short list. For example, the Bureau of Personnel may put more emphasis on geographical distribution while the sector may give more weight to professional qualifications.

UNESCO officials involved in the recruitment process believe a reduction in recruitment delays is possible. For example, they pointed out that the UNESCO computer can produce a printout of applicants' files, but to date only one sector has taken advantage of this capability. Making greater use of computerized files could prevent sectors from waiting for files of candidates who have applied for more than one post. The officials also believe that the Bureau of Personnel should establish a time limit for sector evaluations, after which time the process would proceed even if the sector had not completed its evaluation of candidates.

Noninstitutional delays appear to be most often related to the member states' role in the recruitment process. In some instances, a member state contributes to delays in obtaining the proper documents. Bureau of Personnel officials and sector administrative officers told us that applicants usually are not appointed without their governments' endorsement. Thus, delays can occur if an applicant is filling an important position at home and the member state hesitates to endorse the individual.

Delays due to extensions beyond mandatory retirement age

UNESCO has a mandatory retirement age of 60, and each year at the beginning of June and December, the Bureau of Personnel sends each sector a list of all staff members who have reached or will reach retirement age within the next 6 months. Sectors are asked to recommend any extensions based on the employee's indispensability to UNESCO or possibly on personal hardship. The Director-General then decides each case individually. Bureau of Personnel officials and sector administrative officers told us that retirement age extensions affect UNESCO's recruitment process because sectors are often slow about recruiting for posts held by retirees they want to extend.

As of December 31, 1983, UNESCO had 31 staff members beyond the mandatory retirement age. Sectors had provided a variety of reasons for extension, such as the employee remaining in his or her post until a replacement arrived, or his or her expertise was needed, or he or she was working on preparations for the General Conference.

SUPPLEMENTARY STAFF

UNESCO supplemented its 3,316 regular staff in 1983 by hiring 2,362 employees on a short-term basis who worked an equivalent of about 663 staff years. The two supplemental staff categories--consultants and supernumeraries--, according to UNESCO rules, are intended to provide, respectively, short-term technical expertise and support services during peak work periods or emergencies. The rules say that these employees should not perform functions normally undertaken by regular staff. However, Secretariat officials told us that there is a growing tendency to hire temporary staff, such as supernumeraries and consultants, to do the work normally done by regular staff.

According to Bureau of the Budget records, as of December 31, 1983, 88 regular program posts were being filled by regular temporary and supernumerary personnel and 18 by consultants. The Bureau of the Budget did not have information on the number of posts filled by supernumerary versus regular temporary employees. However, according to information from the Bureau of Personnel, 29 regular temporary staff filled vacant posts during 1983. This would indicate that at least 49 supernumeraries filled vacant posts as of December 31, 1983. Discussions with Secretariat officials from various sectors indicated that this was a reasonable estimate. Although they have become an important part of UNESCO's work force, these employees are not hired under the same criteria and procedures as regular staff.

Supernumeraries

During 1983, UNESCO employed 1,426 supernumeraries, of which about 60 percent were hired at the general service level and about 40 percent as professionals. Such appointments in the professional category are typically for translators, interpreters, and editors, and in the general service category for clerical and administrative services. The supernumeraries worked an equivalent of about 532 staff years in 1983 and cost UNESCO \$7.5 million.

The employment of supernumeraries was originally confined chiefly to meet the temporary needs of the Bureau of Personnel, the Bureau of Conferences, Languages, and Documents, and the Maintenance Service. However, since 1978 the use of supernumeraries has spread widely throughout the Organization. During 1983, 64 percent of all supernumeraries worked within the Bureau of Personnel, Conference and Documentation Service, or Maintenance Service. The rest, 36 percent, worked in 24 other divisions, sectors, bureaus, and offices. According to the Secretariat, about 16 percent of the time worked by supernumeraries can be attributed to their filling in for regular staff on extended leave.

Requests for supernumeraries are initiated by the sector Assistant Director-General and they are recruited either directly by the sector or with the assistance of the Bureau of Personnel. According to a Bureau of Personnel official, supernumeraries must meet minimum requirements for the post they will be filling, and the Bureau of Personnel checks candidates' qualifications. However, the process is largely controlled by the sectors, which make the selections, with the Director-General approving candidates only in special cases, such as when they are to fill a vacant post. The Bureau of the Budget reviews the contracts to make sure there is enough money to cover the appointment, which is typically financed from the "savings" a sector is entitled to for not filling a post and the sector's temporary assistance account.

UNESCO rules at the time of our review stated that professional supernumerary appointments should normally not exceed 3 months, including extensions, with general service appointments limited to 1 month, including extensions. Sectors often avoid the limits by laying individuals off for a few days at the end of a contract period and then rehiring them. In 1983, 57 percent of all supernumeraries worked beyond their initial contract for periods ranging from a few days to as long as 8 months.

According to Bureau of Personnel and sector officials, there has been substantial growth in the use of supernumeraries in recent years because they can be hired easily and quickly without the usual recruitment constraints. Supernumeraries allow "flexibility" since they can be tested in a post before

possible appointment to an established post. These officials told us one reason is that people with specialized skills, such as interpreters and translators, are hard to find. This rationale, however, does not explain the fact that nearly 70 percent of the extended employees were general service supernumeraries who fill clerical and secretarial positions. In this respect, one official told us that a good secretary will often fill a succession of temporary needs in various sectors.

According to an analysis prepared by Secretariat staff for use by the Director-General's working group examining recruitment and other personnel management issues:

"The prevailing situation with regard to supernumerary appointments gives rise, roughly speaking, to the following main problems: general recourse to supernumeraries by all Secretariat services, even if certain services remain the largest users of this category of staff; continuous recourse over long periods to supernumeraries, who finally become quasi-permanent employees; often a lack of care in the selection and management of the persons concerned. While the selection and management of supernumeraries should be improved, it seems desirable to avoid the 'proliferation' of this category of essentially temporary staff."

Consultants

UNESCO employed 936 consultants in a professional staff capacity in 1983. These consultants worked an equivalent of about 131 staff years. Secretariat officials were unable to provide consultant costs for 1983 but told us that for the period 1981-83, regular budget consultant costs were \$8.4 million. UNESCO officials told us they could not estimate extrabudgetary consultant costs because such costs are not treated separately from total extrabudgetary project costs.

Sectors recruit and evaluate consultants using such criteria as education, language capability, work experience, and knowledge of the specific areas of specialization. Selection is made by the sector in consultation with the Bureau of Personnel. Although criteria are not formally established, UNESCO officials stated that the maximum duration of consulting contracts, including extensions, is generally to be 6 months to 1 year full-time work for extrabudgetary projects away from headquarters. In commenting on a draft of this report, the Secretariat noted that almost 75 percent of the consultants hired in 1983 were engaged to advise member states on operational projects.

Consultants working intermittently or part-time are limited to the equivalent of 6 months full-time work during 12 months. UNESCO appears to generally follow its consultant policies with regard to time limits. However, we found that in 36 instances during 1983 consultants worked longer than the normal time limit for periods ranging from 1 to 18 months.

Consultants are sometimes employed under a series of contracts, and 20 of the 36 consultants above had had more than one contract. For example, one consultant had signed one contract plus six extensions, totaling an 18-month period. Another consultant had received two contracts and three extensions over a 14-month period.

WORKING GROUP AND TEMPORARY COMMITTEE RECOMMENDATIONS ON PERSONNEL MANAGEMENT

In July 1984, the Director-General established a working group composed of Secretariat officials and outside personnel experts to recommend improvements in the Secretariat's recruitment and staff management procedures. In May 1984, the Executive Board established a Temporary Committee to review various UNESCO operations, including personnel management. Both the working group and the Temporary Committee recommended that further efforts be made to expedite the recruitment procedures, involve the various sectors more closely in staff recruitment and management, strengthen staff training, and improve communication between management and staff. The Temporary Committee's recommendations were general in nature whereas the working group recommended many specific actions to be taken. For example, the group recommended that the Organization develop short-, medium-, and long-term recruitment plans; improve periodic computerized reporting on vacancies; and check the references of all qualified candidates. On August 27, 1984, the Director-General transmitted the working group's report to the Executive Board, commenting that most of the actions recommended were within his authority and that he planned to implement them progressively within the Organization's human and financial resources.

OBSERVATIONS

UNESCO, in essence, has dual personnel systems. One system is composed of regular staff members and the other of supplementary staff who are not subject to the same recruiting procedures that apply to regular employees. Recruiting delays for regular staff positions may, in part, have contributed to an increase in the use of supplementary staff, some of whom have been used to fill vacant posts and perform duties of regular employees. In 1983, UNESCO employed a total of 2,362 supplementary staff who worked a total of 663 staff years.

SECRETARIAT COMMENTS
AND OUR EVALUATION

The Secretariat stated that UNESCO's use of temporary staff and supernumeraries has not increased sharply in recent years and emphasized that these employees are used primarily

- to handle peak workloads linked to conferences and meetings;
- to handle seasonal workload variations in some offices;
- to replace regular employees who are ill or on extended leave;
- to fill posts vacant due to recruitment difficulties; and
- to help achieve rapid program implementation where specialized talent is required for a limited period.

We asked the Secretariat to provide us with statistics on the extent to which the use of supernumeraries has grown since 1973. The Secretariat was able to provide statistics only for 1983; thus comparative statistics were not available. However, in discussions with Secretariat staff, we were told that UNESCO had increased its use of supernumeraries substantially over the last 10 years. Further, the Director-General's Consultative Working Group on Recruitment Procedures and Staff Management Methods noted in its July 1984 report that auxiliary staff, such as supernumeraries and consultants, represented a growing proportion of total Secretariat staff.

We agree that there are a variety of legitimate reasons for using temporary staff. Our concern is that, in addition to the traditional reasons for hiring such employees, it appears that temporary staff are being hired to do work that would normally be done by regular employees because UNESCO's managers find it easier and faster than going through the normal recruitment process. In fact, some senior Secretariat management officials expressed concern to us that the situation was getting out of hand. In this regard, while about 64 percent of all supernumeraries worked within the Bureau of Personnel, Bureau of Conferences, Languages and Documents, and Maintenance Service--areas where they have traditionally been used to handle peak workloads--the other 36 percent worked in 24 different divisions, sectors, and offices.

The Secretariat emphasized the temporary nature of these employees; however, we note that even in the three offices that traditionally use supernumeraries for peak workloads, more than 100 of them worked 180 days or longer during 1983.

The Secretariat disagreed with our statement that UNESCO has not established comprehensive procedures for recruiting personnel and stated that "...detailed personnel procedures are contained in the UNESCO manual and in a large number of internal instructions, originating from different central services involved in the process." We revised the report to reflect the additional information provided by the Secretariat.

CHAPTER 5

UNESCO'S PROGRAM PLANNING, COORDINATION, AND EVALUATION

Planning, coordinating and evaluating UNESCO's program activities have been the subject of U.S. criticism. The State Department noted in a policy review of UNESCO that "UNESCO suffers from serious management problems at every level and in almost every aspect of its work, including reluctance to delegate real authority, especially at the top; lack of rigorous criteria for program formulation and evaluation; and ineffective intersectoral coordination."

We reviewed the Secretariat's procedures for planning, coordinating, and evaluating program activities to determine (1) how programs are formulated and coordinated among the sectors, (2) how program planning facilitates or impedes program evaluation, and (3) how far program evaluation efforts have progressed.

PROGRAM PLANNING: THE MEDIUM-TERM PLAN AND PROGRAM AND BUDGET

UNESCO's program planning is sequential; it begins with the specification of medium-range goals (a 6-year Medium-Term Plan) that are used to develop short-term objectives (a 2-year Program and Budget). We analyzed the procedures UNESCO uses to develop its medium-term plan and biennial program and budget. We found that

- the development of the medium-term plan is a difficult task for the Secretariat since it must try to reconcile the diverse and often conflicting comments of 161 member states, and
- the development of the program and budget occurs without adequate means of identifying marginally useful programs and without avoiding program overlap and duplication.

The medium-term plan: a statement of general goals

The medium-term plan is the first level in UNESCO's program planning process, and once approved by the General Conference, it guides the Organization's actions through its 6-year period. These guidelines reflect the Organization's general goals as defined in the constitution and are based on an analysis of world problems as they relate to UNESCO's fields of competence.

UNESCO's medium-term plan specifies 14 major programs, 54 programs, and 183 subprograms of the Organization. The Secretariat prepares the plan based on directives adopted by the General Conference and after consultation with the Executive Board, member states, other U.N. organizations, as well as intergovernmental and nongovernmental organizations. Preparing the draft medium-term plan is a Secretariat-wide activity with each sector drafting the appropriate parts. The Assistant Director-General for Studies and Programming coordinates the sectors' work and requests and summarizes the comments received from the groups mentioned above. The Director-General then submits the draft for Executive Board review and General Conference approval.

Member state consultation
is a difficult process

The medium-term plan represents the Secretariat's attempt to combine the diverse comments received from numerous member states and international organizations into an overall statement of the Organization's objectives. According to the Secretariat, the medium-term plan is designed to maximize member state support. However, developing the medium-term plan is difficult because member states often disagree on UNESCO's goals and objectives. Therefore, according to the Secretariat, the medium-term plan is prepared so as to meet with the largest possible support from member states.

The General Conference, at its 21st Session in Belgrade in late 1980, called for extensive consultation with member states on the development of the 1984-89 medium-term plan. Accordingly, in December 1980, the Secretariat sent all member states and intergovernmental and nongovernmental organizations a questionnaire asking them to (1) define global problems and (2) outline actions UNESCO should take to solve them.

The Secretariat received replies from 105 member states, 19 intergovernmental organizations, and 83 nongovernmental organizations. UNESCO officials told us that some replies showed that member states were sensitive to UNESCO's contribution to solving world problems while others reflected a lack of understanding of UNESCO's constitutional goals and objectives. Our review of comments from member states representing UNESCO's regional groupings tended to confirm these officials' views. For example, some member states commented that a UNESCO goal should include the fight against world hunger or strengthening developing countries' industrial bases--goals more appropriately the work of other U.N. organizations.

The comments varied on the extent to which UNESCO should address global problems. Some member states believed UNESCO's activities should be limited to its fields of competence--education, science, and culture--while others believed that

no global issue was beyond UNESCO's purview. A north-south orientation also was evident among the replies. For example, some member states believed that UNESCO's priority to help least developed countries should not cause it to ignore developed countries; the Organization should act as a mediator among developed countries "by striving to promote their solidarity." Others emphasized UNESCO's role in helping the developing countries "find endogenous paths of development."

According to Bureau of Studies and Programming officials, it was difficult to synthesize so many different comments, and the Secretariat has abandoned its attempts to summarize them in a planned publication, Objective 1990. The publication was to have been submitted for member state's review, but, according to these officials, it proved too difficult to develop.

The program and budget development process

The UNESCO manual states that the Director-General will prepare the draft program and budget after consulting with member states, the Executive Board, the United Nations, other specialized agencies, and international intergovernmental and nongovernmental organizations. (See ch. 6 for details on UNESCO's budget formulation.) Due to a lack of time, a separate consultation process was not conducted for the 1984-85 program and budget; the Secretariat used the comments received on the 1984-89 medium-term plan to develop the program and budget.

In a December 1982 memo, the Director-General directed his Assistant Directors-General to prepare their parts of the program and budget using the member state and other comments on the medium-term plan, previous General Conference resolutions, intergovernmental conference recommendations, and in-depth Executive Board studies.

The Bureau of the Budget in cooperation with the Bureau of Studies and Programming coordinated the draft program and budget, which was then submitted to member states for their review. Member states were also afforded an opportunity to amend the draft program and budget by submitting draft resolutions. These resolutions, along with the Director-General's comments, were submitted to the General Conference for acceptance or rejection. The final program and budget for 1984-85 was adopted by the General Conference in November 1983.

The Secretariat's program planning efforts provide no systematic control over program growth. New programs are developed without identifying ineffective, obsolete, or marginally useful

programs that could be eliminated or combining existing programs that overlap and duplicate each other.

Bureau of the Budget officials said that UNESCO activities representing \$1,135,400 in the 1982-83 budget base were discontinued in the 1984-85 budget. However, the 1984-85 budget for major program activities increased by \$14.8 million over the previous budget. In other words, for every \$1 cut in old activities, \$13 in new activities was added to the 1984-85 budget. According to officials in UNESCO's Bureau of Studies and Programming, the Secretariat does not have an effective means of identifying marginally useful or obsolete programs. As a result, program planning becomes an additive process--more activities are added than are discontinued.

In our 1981 report on controlling growing U.N. costs,¹ we stated that not many U.N. activities had been identified as marginal. We noted that this was due to the fact that program managers who are responsible for implementing program activities and insuring program objectives are met are unable to objectively evaluate their own activities. This conclusion would also appear to apply to UNESCO's evaluation system, which relies on program managers to evaluate their own work (see p. 52).

Coordination of program activities

UNESCO has no central unit to coordinate program activities and help avoid overlap and duplication. Although UNESCO's internal Committee on Intersectoral Cooperation is responsible for coordinating the sectors' program activities, UNESCO officials familiar with its operation stated it concentrates on broad policy issues and does not attempt to identify program overlap or duplication. A Bureau of Studies and Programming official told us that the Bureau only responds when intersectoral coordination problems are brought to its attention. The Bureau generally deals with policy issues, such as coordinating a UNESCO-wide response to member state requests.

In May 1984, the Director-General announced he would establish an internal working group made up of current and former UNESCO employees to identify program elements that are identical or related and which could lead to duplication of effort. In its July 1984 report, the Internal Working Group on the Critical Analysis of the Program reported that of the 186 UNESCO subprograms, all or part of 57 subprograms contained duplicative activities that could be combined with activities in other subprograms or with those of other international organizations. Data was not available to determine how much UNESCO could save by combining duplicative activities as the working group suggested. However, the total estimated cost of those

¹Identifying Marginal Activities Could Help Control Growing U.N. Costs (ID-81-61), Sept. 30, 1981.

activities for the 1984-85 budget period was about \$11.5 million.

The working group noted that concentrating duplicative activities in a single program leads to economy in the use of resources and effectiveness in their implementation. The group further cited the need for better intersectoral coordination during program planning and better scrutiny of continuing actions to assess justification for their continuation.

OBSERVATIONS

Developing a mechanism to eliminate ineffective programs and duplication would help UNESCO to manage programs better. UNESCO does not have an effective means of identifying marginal programs, thereby making its program planning an additive process.

PROGRAM EVALUATION

Planning and evaluation are complementary tools for achieving effective programs, since effective program planning helps an organization to evaluate program effectiveness--the impact and relevancy of a program in light of its objectives. However, UNESCO's program planning process does not facilitate program evaluation, because UNESCO's program and budget does not provide precise identifiable objectives stating what UNESCO intends to produce, when it will complete its actions, or who will benefit from what it does. As a result, UNESCO does not have an effective evaluation system, and the Secretariat cannot provide member states with information that would allow them to fully understand what and how well UNESCO is doing.

The program and budget does not establish a framework for evaluation

We randomly selected 18, or about 10 percent, of the 186 subprograms in UNESCO's 1984-85 program and budget and analyzed their presentations. We included one additional subprogram in our sample because it contained proposals for the New World Information and Communication Order, about which the United States has expressed specific concerns.² We analyzed the 19 subprograms, which represented 11 of the 14 major programs, to determine whether they provided sufficient detail on objectives to allow later evaluation of their results. We used criteria established by the Joint Inspection Unit, which has been given responsibility for developing such criteria by the U.N. General

²The United States views UNESCO's New World Information and Communication Order as an attempt to impose government censorship and other curbs on freedom of the press.

Assembly. Among other things, the Unit believes that the subprograms of U.N. organizations should specify completion dates to help determine their continued usefulness. The Unit also believes that subprogram descriptions should clearly specify outputs (products), the date that the output would be produced, and the intended user of each output. Examples of UNESCO program outputs would include studies, publications, catalogues, guides, and meetings. Our analysis showed that UNESCO subprograms did not meet all the above Joint Inspection Unit criteria. Although they specified outputs, none of them specified overall subprogram completion dates, the dates specific outputs would be produced, or who would be expected to use them.

The expected results
of subprograms are vague

The Secretariat may not have established subprogram completion dates, because overall results expected from the various activities of the subprograms often are not quantifiable and hence not readily identifiable. The Director General's Internal Working on the Critical Analysis of the Program, stated that targets and expected results should provide a statement, as far as possible in quantifiable terms, against which the various outputs of the subprogram can be evaluated and noted that target and expected results formulation is currently unsatisfactory.

The overall results expected for each of the 19 subprograms included in our analysis were vaguely stated and were not quantified to allow determining objectively whether they were successfully met. The 19 subprograms listed 61 expected results: however, 57 of these provided little or no basis for evaluating whether or not UNESCO succeeded in meeting its subprogram objectives. Some examples of expected results that would be difficult, if not impossible, to quantify were:

". . .inculcating communication workers and users alike with a more active and critical attitude to communication and to the message it conveys."

". . .laying down basic principles that will govern the relationship between future generations and their environment and habitat."

For the other four, expected results contained measurable objectives such as:

". . .19,000 bibliographical items will be indexed in machine readable format bringing the total number of records to approximately 70,000."

". . .ratification and acceptance of the Protection of the World Cultural and Natural Heritage Convention by at least 15 more countries."

Overall, the lack of measurable expected results in UNESCO subprograms may be partly because the Bureau of Studies and Programming, which is supposed to provide sector program specialists guidance on how to develop expected results, has done an inadequate job of providing the required guidance. UNESCO program specialists described program results descriptions for their subprograms as "too general" and "cosmetic". They told us that a major reason was that the Bureau of Program and Studies provides sectors with very general guidance of expected results which is subject to a variety of interpretations.

U.N. program evaluation and guidance

In 1977, the Joint Inspection Unit made its initial report on the status of U.N. evaluation activities.³ The report noted that little real evaluation work was being done but interest in evaluation was at a "take off point." The Joint Inspection Unit defines evaluation as ". . .a process which attempts to determine as systematically and objectively as possible the relevance, effectiveness and impact of activities in light of their objectives."

UNESCO program evaluation activities

Applying Joint Inspection Unit definitions, UNESCO does not effectively evaluate its regular program activities. UNESCO's efforts have yet to reach the first level of a complete internal evaluation system as defined by the Joint Inspection Unit. UNESCO's progress has been hindered because subprogram objectives, completion dates, and users are not precisely defined and because it relies solely on program managers to monitor and evaluate their programs. The table on the following page shows the progress UNESCO has made in achieving the six levels of evaluation that the Joint Inspection Unit believes make up a complete evaluation system.

UNESCO's attempts at program evaluation

In August 1977, UNESCO's Director-General submitted to the Executive Board a proposal to integrate planning, programming,

³Report on Evaluation in the U.N. System, United Nations Joint Inspection Unit, March 1977.

Status of UNESCO Program
Evaluation as of July 1, 1984

<u>Joint Inspection Unit</u> <u>statement of</u> <u>evaluation levels</u>	<u>Example</u>	<u>UNESCO status</u>
I. Determining the nature and extent of inputs provided and outputs produced in light of the objectives.	Processing and sales of a publication or instruction and the number of students trained.	Experiment with the Performance Evaluation Monitoring System 1981-83, discontinued in 1984.
II. Obtaining the views of <u>intended users</u> of the activity.	Satisfaction with the quality of the publication produced or the students trained.	Limited but not systematic.
III. Assessing the <u>direct impact</u> of the activity.	The ways in which the publication or training activity have actually produced changes in the problem situation.	Not a UNESCO activity.
IV. Assessing the <u>effectiveness and efficiency</u> of the activity.	Extent to which the publication or training activities have achieved their objectives and the productivity of their implementation processes.	Limited Inspector General reports on an organization-wide scale but no analyses of specific program activities.
V. Critically examining the <u>overall design and relevance</u> of the activity.	Reassessing the rationale, objectives, and strategy of the publication and its importance relative to long-range objectives.	Not a UNESCO activity.
VI. Assessing the <u>broader impact</u> of the activity.	Ways in which the publication has produced changes which contribute to achievement of the broader, long-range goals.	Not a UNESCO activity.

budgeting, and evaluation. At its 104th session in 1977, the Executive Board approved the proposal but recommended that such evaluation should be decentralized and based on "self-evaluation." The Board also decided that organizing and systematizing the initial self-evaluations undertaken by the program sectors should be done centrally.

In 1978, UNESCO established a central evaluation unit which developed a Performance Evaluation Monitoring System for sectors to use in evaluating their programs.

The Performance Evaluation Monitoring System was designed to serve as a widely applicable instrument of decentralized self-evaluation. In other words, those implementing the program activity evaluated the effectiveness of their own actions. The system used a six-page worksheet whereby program specialists described all planned and actual outputs in a given budgetary period. Forty-four of 172 subprograms in the 1981-83 budget were selected for the self-evaluation experiment. Program specialists for these subprograms completed worksheets which allowed them to monitor planned and actual activities and attempt to link inputs, activities, and outputs. The system, in essence, was geared toward monitoring progress in meeting objectives rather than evaluating subprogram effectiveness. The program specialists who participated in the experiment were not required to return the completed worksheet to the central evaluation unit since, under the decentralized approach, the program specialist both implemented and reviewed program actions.

According to a Bureau of Studies and Programming official, only 10 percent of program specialists using the system stated that it was a useful tool for monitoring program activities. In addition, it was not perceived as an effective reference tool for preparing the program and budget or the Director-General's report on program activities. The program specialists cited the following difficulties with the system.

1. It required supplementary administrative work; forms were too large and cumbersome to monitor activities.
2. It could not respond to themes implemented by more than one sector or when field office input was required.
3. It duplicated other reporting documents.
4. Its procedures and purpose were unclear because the central evaluation unit provided insufficient guidance.

In May 1984 the Assistant Director-General for Studies and Programming decided to discontinue using the evaluation system for the 1984-85 subprograms. In commenting on a draft of this

report, the Secretariat stated that the system had been discontinued in order to study its shortcomings and identify ways in which to improve the system and apply it to a larger number of program activities. We believe that even though the system had some shortcomings, it was a beginning attempt at evaluation, and its elimination has left the Secretariat with no systematic means of evaluating UNESCO's activities. Establishing a program monitoring system is the first step in developing effective program evaluation. Once the needed improvements have been identified, it is important that UNESCO develop an acceptable replacement for the performance evaluation monitoring system.

Reports provided to member states provide little information on program activities

An effective program evaluation system would give member states comprehensive information on the results achieved through the budget appropriations they had approved. The Secretariat provides evaluation information to UNESCO's governing bodies through two principal documents: (1) the statement of major impacts, achievements, difficulties, and shortfalls for each continuing program activity and (2) the Director-General's report. However, these documents are only descriptive; they do not provide member states with information on what the Secretariat is trying to accomplish and how well it is doing it. For example, the statement of major impacts describes what activities were completed and, if not completed, the reasons for delay. The Director-General's report contains less detail. It describes what UNESCO did but not how well it was done or the impact of its activities. Thus, the ability of member states to oversee UNESCO's activities is limited.

WORKING GROUP AND TEMPORARY COMMITTEE RECOMMENDATIONS ON EVALUATION

In May 1984, the Director-General also set up a working group to identify ways that the Organization could improve its program evaluation. The Consultative Working Group on Evaluation Methods and Techniques issued a report in July 1984 in which it concluded that ". . .all UNESCO's programs and processes are evaluable. . ." and that they should be evaluated whenever appropriate. It also noted in its report that the program and budget document needed more concise program targets and needed to be more consistent from one period to the next. The Group recommended, among other things, that the Organization establish a central unit of evaluation of about five full-time specialists reporting to the Director-General. The Group recommended that the unit be given responsibility for

- coordinating and guiding assessments of activity implementation, in order to improve detailed programming and program execution methods;
- bringing together the resources for assessing activity relevance and success to contribute to UNESCO's future program; and
- assessing the impact of UNESCO's activities through in-depth studies.

In its October 4, 1984 report, the Executive Board's Temporary Committee stressed the importance of evaluation in determining UNESCO activity effectiveness and impact and as an integral part of planning, programming, budgeting, and implementation. It also endorsed the central evaluation unit concept, which the Committee believed should have clearly defined functions. The Committee recommended, among other things, that ". . . increased efforts should be made to have clear targets and indicators at the level of subprograms, where possible, in order to facilitate evaluation, and also to ensure that the evaluation machinery is, in so far as possible, simple and inexpensive."

In transmitting the Working Group's report to the Executive Board on August 27, 1984, the Director-General informed the Board that he had decided to add two more professional or director-level posts and two general service posts to the current central evaluation unit in the Bureau of Studies and Programming by the end of 1984. (Currently, the unit has two professional posts and one general service post.) He also advised the Board that an officer in each program sector would be made responsible for evaluation work within the sector. The Director-General also noted that the evaluation unit's staff might be increased in 1986-87 to seven or eight posts (four professional and three or four general service category). The Director-General said that he would consider the most appropriate location for the central evaluation unit whose activities, he noted, should be closely connected both with short- and medium-term program execution.

OBSERVATIONS

Improving UNESCO's program and evaluation process would require better identification of program objectives, users, and completion dates so that member states can understand **what** UNESCO will attempt to accomplish, **when** UNESCO will achieve its goals, and **who** will benefit from actions. Since evaluation builds on effective program planning, the Secretariat would need to develop a system to monitor program progress and ultimately evaluate program results. Evaluation results would feed back into program planning, enabling the Secretariat to identify and

eliminate ineffective programs and allowing UNESCO's governing bodies to better oversee the Secretariat's work.

We recognize that some program objectives are difficult to quantify in specific terms, given the broad concepts of many UNESCO programs. Even so, we believe that more can be done to develop the type of information needed to effectively evaluate programs. For example, UNESCO should be able to establish milestones for most of its activities.

Secretariat officials have noted that the program and budget is very detailed and told us that by including information on outputs, users, and completion dates, a voluminous document would result. Member states want less, not more, detail according to the Secretariat. In our view, UNESCO does not need more detailed information on its program and budget but greater clarity to provide a clear picture of expected program achievements, a key factor which would permit more effective oversight by member states.

SECRETARIAT COMMENTS AND OUR EVALUATION

In commenting on a draft of this report, the Secretariat stated that we failed to cite the ". . .large number and variety of evaluation activities [that] have always been carried out at UNESCO." As examples of its evaluation efforts, the Secretariat cited the Director-General's periodic reports to the governing bodies on such things as major impacts, achievements, difficulties and shortfalls; the Bureau of the Budget quarterly reports; the Secretariat-wide reporting by exception; the Inspector General efficiency reports; thematic evaluations; and the external auditor's work. The Secretariat further noted that it established a three-category evaluation framework that exemplifies its numerous activities in program evaluation. The first category includes information on the implementation of program activities while the remaining categories deal with assessments of program relevance, success and impact.

In its evaluation glossary UNESCO defines evaluation as a ". . .process which attempts to determine as systematically and objectively as possible, the relevance, effectiveness and impact of activities in light of their objectives." Using this definition, we do not believe the activities described by the Secretariat represent a true evaluative process. For example, the reports to the governing bodies cited by the Secretariat merely describe what meetings were held, what reports were published, and what training was provided during a given period. The reports do not evaluate the success or relevance of these activities in order to judge whether they should be continued or terminated. The quarterly budget reports are used only to monitor expenditures; they are not evaluative reports. Likewise the

reporting by exception process is a process whereby employees inform their supervisors whenever program implementation problems arise. These types of activities are sources of information but do not represent a systematic and objective evaluation of UNESCO programs. The Performance Evaluation Monitoring System was an attempt to systematize the monitoring of program implementation--a first step toward system-wide program evaluation--but it was discontinued by the Secretariat.

The Secretariat stated in its comments that ". . .it is not the Secretariat that can determine which activities are obsolete or of marginal usefulness. . ." but the General Conference. However, the Secretariat also said that we failed to recognize its extensive internal process used to eliminate ineffective programs. The Secretariat did not elaborate on this process and in our discussions with the Assistant Director-General in charge of evaluation, he could identify only one minor publication that had been eliminated as a result of an internal review.

The Secretariat disagreed with our observation that the lack of an effective program coordination mechanism within the Secretariat has hindered its ability to identify duplicative programs. The Secretariat cites the work of the Coordinating Committee for Intersectoral Activities and its 15 subcommittees as an effective internal coordinating mechanism.

If the Committee had been effectively coordinating program activities, it should have isolated some of the areas of duplication that the internal working group on the critical analysis of the program identified in its July 1984 report to the Director-General. The group, consisting of current and former UNESCO program specialists, none of whom were members of the Coordinating Committee, reported that of the 186 UNESCO subprograms, all or part of 57 subprograms contained duplicative activities that could be combined with activities in other subprograms or with other international organizations. The working group identified duplicative UNESCO activities and suggested that subprogram objectives be defined better. We believe the group's mandate should become a permanent responsibility of an internal unit within the Secretariat.

CHAPTER 6

THE PROGRAM AND BUDGET

Like other U.N. organizations, UNESCO's activities are financed by

- assessed contributions to the regular budget which member states, through treaty or other arrangement, have an obligation to pay and
- voluntary contributions, sometimes earmarked for specific programs, from member states, individuals, and organizations such as the United Nations Development Program.

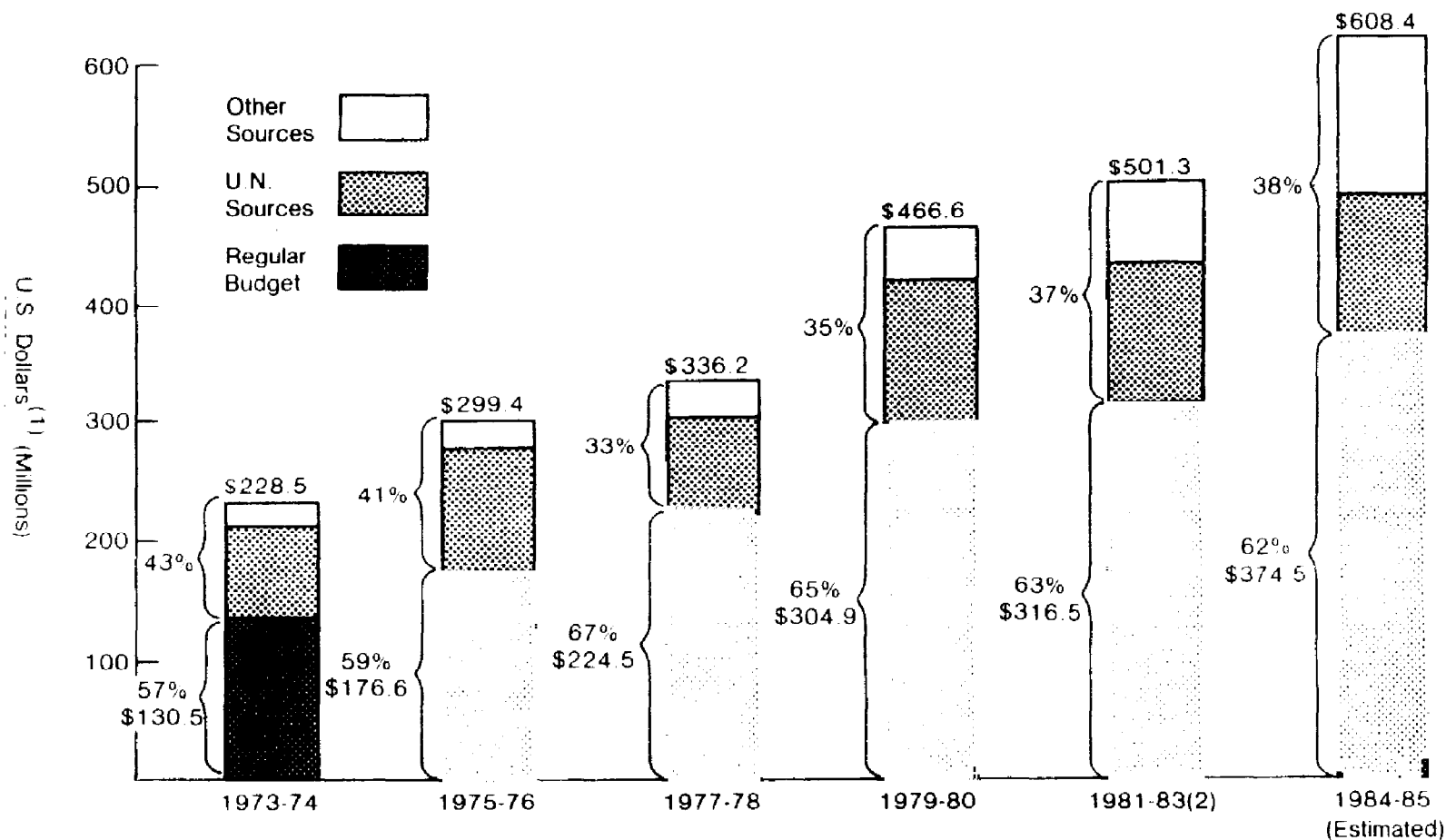
In recent years, the United States has become more and more concerned about the growth in U.N. agencies' regular budgets--those financed from member state assessments--because the contributions are mandatory in nature and because the organizations have regularly proposed budget increases. U.S. policy toward the assessed budgets of these organizations has been to maintain zero net program growth and significant absorption of nondiscretionary cost increases. As recently as 1983, the United States stated in meetings with Directors-General of U.N. agencies that it would support only those agencies' budgets that adhered to this policy.

When the U.N. agencies introduced their 1984-85 budget proposals, UNESCO's proposed regular budget contained the highest real program growth--6.1 percent, which the United States viewed as unacceptable. Although real growth in the 1984-85 regular budget was later reduced to about 3.6 percent when UNESCO's General Conference cut \$10.5 million from the budget proposed by the Director-General, the United States still viewed it as too high, and gave budget growth as one of the reasons for its decision to withdraw from UNESCO.

The congressional committees asked us to review issues surrounding budget growth and specifically the mechanisms for evaluating the budget. Consequently, our review focused on

- the extent of budget growth over the past 10 years,
- the major steps in UNESCO's budget review and approval process,
- the controversy over UNESCO 1984-85 budget,
- the overall budget presentation and techniques, and
- the procedures used to develop staff costs.

Growth in UNESCO Regular Budget and Extrabudgetary Expenditures 1973-74 to 1984-85 Budget Periods



(1) All budget figures are in nominal terms. The data required to develop price deflators was not readily available.

(2) UNESCO had a one-time triennial budget covering the years 1981-83 to make its budget cycle coincide with other agencies in the U.N. system. In order to facilitate comparisons with other budget periods, data shown for 1981-83 is two-thirds of actual amounts.

GROWTH OF UNESCO'S BUDGET, 1974-1984

As shown in the chart on the previous page, the regular budget approved by UNESCO's General Conference during the past 10 years has grown from \$130.5 million, approved for the 1973-74 biennium,¹ to the \$374.4 million budget approved for 1984-85.² During this period, the funds UNESCO received from extrabudgetary sources also grew--from \$98.0 million in 1973-74 to an estimated \$233.9 million for 1984-85. The portion of UNESCO's expenditures coming from its regular budget increased from 57 percent in 1973-74 to 63 percent in 1981-83.

Extrabudgetary funding sources

From 1973-74 to 1981-83, the amount of extrabudgetary funds received from the United Nations Development Program declined from 31 percent of the total to 18 percent. According to the Secretariat, this difference was offset, to a large degree, by an increase in financing from other sources which grew from \$27.2 million, or 12 percent of the total in 1973-74, to \$138.8 million, or 19 percent of the total in 1981-83. UNESCO received over \$44 million in 1981 and 1982 from Libya, Qatar, and Saudi Arabia for funds-in-trust projects which accounts for much of the increase. According to a UNESCO official, the extrabudgetary element of the budget will not grow as much in the future because these countries are no longer expected to provide large amounts of funds for these projects. Also, UNESCO expects spending from United Nations Development Program resources in 1984-85 to remain at about the same level it has been in the last 2 years.

Effect of the dollar's strength on UNESCO's budget

Through the 1979-80 budget period, UNESCO's expenditures coincided very closely with the amount of the regular budget approved by the General Conference; but during 1981-83, UNESCO actually spent about \$151 million less than the \$625.4 million budgeted. The reason for the difference was the strength of the U.S. dollar against other currencies. Like most other U.N. specialized agencies, UNESCO calculates its budget in dollars, but spends a large part of its budget in other currencies. For example, over 60 percent of UNESCO's expenditures are in French

¹The total approved budget, including supplementary appropriations, was \$134.2 million but \$3.6 million of the supplementary appropriations was not assessed to member states.

²All budget figures are in nominal terms--current year's dollars. We were unable to develop price deflators for the 10-year period because the data required to do so was not readily available.

francs; thus, as the dollar rises expenses decrease, since a given expenditure in francs costs relatively fewer dollars.

The strong dollar also affected UNESCO's 1984-85 budget. Because the 1984-85 budget was calculated at a higher exchange rate than was used in the previous budget period, the total nominal budget increase is less than it would have been otherwise. When UNESCO introduced its 1984-85 budget, it pointed this out to member states, noting that although program growth exceeded 6 percent, the budget's dollar growth was only 0.5 percent. See page 66 for a discussion of the 1984-85 budget formulation.

Disagreement regarding timing of return of budget surplus

A disagreement arose between the United States and UNESCO concerning the timing of the return of the \$151 million 1981-83 budget surplus to member states. When the 1981-83 budget was prepared, it included \$70.8 million in the currency fluctuation account to be used in case the dollar depreciated in relation to the French franc. Because of the dollar's strength, not only was the \$70.8 million not needed, an additional \$79.6 million surplus developed. At the 22nd General Conference in November 1983, the Director General proposed that the \$70.8 million be credited toward reducing member states' 1984 assessments but no mention was made of returning the remaining \$79.6 million.

In a May 2, 1984, letter to UNESCO's Comptroller, the U.S. Ambassador to UNESCO stated that the accumulated savings of \$79.6 million should also be returned to member states in 1984, since the savings relate to obligations which have been fully discharged. The Ambassador further stated that the United States would not make its 1984 contribution until it received a billing reflecting a return of all currency fluctuation savings. In a reply dated May 9, 1984, the Comptroller stated that "all budgetary surpluses remaining at the end of the 1981-83 budget period will definitely be returned to member states in due course," but did not specifically address when the \$79.6 million would be returned.

The Comptroller stated that the main reason for not returning the \$79.6 million to member states immediately is that it might be needed to cover additional currency fluctuations that might occur on 1981-83 obligations which will not be liquidated until 1984. For example, a contract for equipment entered into late in 1983 probably would not be delivered and paid for until 1984. Under UNESCO's regulations, the organization has 12 months to liquidate obligations. UNESCO's financial regulations allow it to hold the budget surplus until all its 1981-83 budget obligations are liquidated; however, the regulations do not preclude the return of an unobligated surplus at the end of a financial period.

As of December 31, 1983, UNESCO had only \$22.6 million in unliquidated obligations from 1983 against which it was holding the \$79.6 million surplus. In August 1984, we discussed this issue with UNESCO officials. They reiterated that there was no question that the remaining \$79.6 million would be returned to member states in accordance with financial regulations. Since then UNESCO has stated that they would return the \$79.6 million in 1985. According to UNESCO, the United States will receive its share of the surplus even if it is not a member of the Organization.

Interest UNESCO earns by investing its assets, such as the \$79.6 million, is credited to member states under the miscellaneous income budget category and is offset against member states' assessments for the subsequent budget period. According to the Assistant Director-General for Administration this practice is in accordance with UNESCO's financial regulations and is also followed by other U.N. organizations. The Executive Board has requested the Secretariat to examine the disposition of interest earned on budgetary surpluses in the context of the U.S. intent to withdraw.

HOW UNESCO'S BUDGET IS APPROVED AND REVISED

Early in the second year of the biennium, UNESCO's Director-General prepares a draft program and budget for the next 2 years based on the medium-term plan and any other directives adopted by the General Conference. He submits the draft program and budget to the Executive Board which, in turn, submits it, along with its recommendations, to the General Conference for consideration and approval. The draft program and budget is also sent to UNESCO's member states, other organizations in the U.N. system, and certain other international organizations for comment.

If a member state wants to propose an amendment to the draft program and budget, it has to submit a draft resolution for General Conference approval. If the draft resolution involves undertaking new activities or a substantial increase in the budget for specific items, it has to be submitted for the Director-General's consideration at least 11 weeks before the General Conference session opens, and any proposal involving an increase or decrease in the overall budget ceiling must be submitted 6 weeks before the session opens. The draft resolutions, along with the Director-General's comments, are issued as documents of the General Conference. The Bureau of the Budget summarizes comments from organizations in the U.N. system and issues them as a General Conference document, while comments from nongovernment organizations are considered within the Secretariat.

The General Conference makes final appropriation decisions

The General Conference examines the draft program and budget at its biennial meeting and determines UNESCO's policies, program, and budget for the next 2 years. The General Conference adopts a program and budget at a plenary meeting on the basis of program and appropriation resolutions recommended by its Program and Administrative Commissions. These two commissions are responsible for the actual review of the program and budget document.

Secretariat develops detailed plans

After the General Conference adopts a program and budget, the Secretariat prepares an approved program and budget document which serves as a working tool for UNESCO's detailed planning, coordinating, and executing the program and budget. For example, the sectors prepare annual detailed plans, called Program Activity Details, for all activities of the Organization. The plans break down activities by task and identify the employees responsible for each task. These plans also include detailed estimates of various costs, such as travel, associated with the activities. The Program Activity Details are reviewed by UNESCO's Bureau of the Budget and Bureau of Studies and Programming as well as the Assistant Director-General of the sector. According to the Secretariat, the sector Assistant Director-General can approve the Program Activity Details and only unresolved issues are submitted to the Director-General for a decision.

Budget includes all sources of funds

UNESCO's planned activities are grouped by program area in the budget presentation regardless of whether funded by the regular budget or extrabudgetary sources. The estimated cost of each program area is shown with funding broken out by source. However, because extrabudgetary programs funds are controlled by sources outside of UNESCO, amounts shown for extrabudgetary program activities can only be estimates of what UNESCO expects to receive from these sources. Consequently, the General Conference's budget resolution authorizes the Director-General to receive and spend funds from such sources without reference to specific amounts.

Deviations

The Program Activity Details may vary from the program and budget approved by the General Conference. If the detailed plan calls for a minor deviation, the responsible Assistant

Director-General can approve the change and report it to the General Conference in the Director-General's activity report, which is delivered after the close of the biennium. If the Assistant Director-General determines that it is an important deviation, he must bring it to the attention of the Director-General, who then decides whether prior approval of the Executive Board is required. Prior Board approval is required for deviations from a program established by a specific General Conference resolution.

If Program Activity Details need to be modified during the year, an amendment is prepared and, again, the level of approval depends on the degree of change. For example, amendments involving the transfer of funds within a project can be approved by the responsible Assistant Director-General.

Funds are allotted to sector level

Based on the estimates in Program Activity Details for the regular program and in agreements and project documents for extrabudgetary programs, the Bureau of the Budget issues budget allotments to the various sectors and bureaus. Allotments authorize sectors and bureaus to incur obligations and expend funds up to the limit specified for each particular activity. UNESCO's Comptroller is responsible for ensuring that the obligations incurred do not exceed allotments. In addition, the Bureau of the Budget monitors budget execution by the sectors and bureaus.

Reprogramming actions

UNESCO's procedures provide that funds may be transferred after the budget has been approved. For the regular program budget, transfers of funds within major programs are made on the basis of approved Program Activity Details, amendments thereto, and General Conference appropriation resolutions. Transfers within major programs do not require Executive Board or General Conference approval. The Director-General or his Assistant Directors-General made 314 such transfers in the 1981-83 budget period. Transfers of funds between major programs, on the other hand, can be made by the Director-General only with the approval of the Executive Board. When the transfer involves common staff costs or "urgent and special circumstances," the Director-General is authorized to make transfers on his own, provided the Executive Board is informed at its next session. Funds may not be transferred between the regular budget and extrabudgetary programs or between one extrabudgetary program and another.

During the 1981-83 budget period, the Executive Board approved seven transfers between program activities totaling \$59.2 million. Examples follow.

- Transfers totaling \$52.2 million were made from the appropriation reserve to the program areas primarily to cover increases in staff costs and costs of goods and services due to inflation.
- A total of \$1.2 million was transferred from other UNESCO activities to finance (1) an \$889,100 deficit incurred in holding the 4th Extraordinary Session of the General Conference in November 1982 and (2) costs totaling \$320,000 to remodel the Executive Board room to accommodate six additional Board members. According to UNESCO, neither of these expenses was foreseen when the budget was approved. UNESCO's financial report shows that these additional costs were financed from austerity measures, including delaying recruitment for vacant posts.
- Adjustments were made when closing accounts at the end of the triennium to align budget provisions and actual expenditures under various appropriation lines. These transfers totaled about \$1.6 million and were approved by the Executive Board in May 1984.

FORMULATION AND APPROVAL
OF UNESCO'S 1984-85 BUDGET
WAS CONTROVERSIAL

In April 1983, the Director-General submitted the 1984-85 draft program and budget to member states for review. The proposed budget for the regular program totaled slightly more than \$433 million, reflecting a nominal program growth of 6.1 percent. However, UNESCO claimed that, after provisions for inflation and currency fluctuations, nominal budget growth was only 0.5 percent.

Controversy over actual budget growth was one of the issues leading to the United States notice of withdrawal from UNESCO. The controversy involved two specific aspects of the budget proposal

- the exchange rates which were used to formulate the budget; and
- the exclusion of certain items from the base amount used to calculate budget growth.

The United States was also opposed to the program base growth in the budget. It argued that because the dollar's strength

against other currencies was the factor keeping total dollar growth down, if the dollar weakens, the increased program base could result in significant total dollar growth in future UNESCO budgets.

Following is a summary of the Director-General's 1984-85 budget proposal compared to the 1982-83 base.

UNESCO's 1984-85 Draft Budget Compared to
1982-83 Program Base as Calculated by UNESCO

	1982-83 (at 4.90 French francs = \$1)	1984-85 (at 6.45 French francs = \$1)
----- (millions) -----		
Part I - General policy and direction	\$ 21.6	\$ 25.6
Part II - Program execution		
Major programs	183.7	228.6
General program activities	24.0	27.3
Part III - Program support	47.5	54.6
Part IV - General administrative services	29.0	30.9
Part V - Common services	27.8	28.5
Part VI - Capital expenditure	<u>5.8</u>	<u>4.8</u>
Total	<u>\$339.4</u>	<u>\$399.9</u>
Part VII - Appropriation reserve ^a	44.0	28.0
Part VIII- Currency fluctuation	47.2	4.2
Reserve for draft resolutions submitted by member states	<u>-</u>	<u>1.0</u>
Total	<u>\$430.7^b</u>	<u>\$432.7</u>

^aReserve for inflation.

^bTotal does not agree due to rounding.

Budgetary techniques

UNESCO uses three major techniques in formulating the budget: (1) use of a constant dollar value, (2) separate treatment of inflation, and (3) separate treatment of currency fluctuations.

Under the constant dollar value technique, UNESCO calculates its proposed budget at the same rate that was in effect when the preceding budget was adopted. The purpose of the constant dollar value is to identify budget differences caused by program change before considering the effects of inflation and currency fluctuation.

The second technique is to calculate the effect of inflation. Since the constant dollar value technique shows the proposed budget costs as they would have been at the beginning of the previous budget period, two calculations must be made: one to account for the inflation that occurred in the prior budget period, in this case, to inflate 1982-83 budget base costs to January 1, 1984, and one to provide for inflation that is expected in the current period. The amount budgeted for current period inflation is shown separately in the budget as Part VII--Appropriation reserve.

The third major budgetary technique is a budget provision for currency fluctuation, either positive or negative, to adjust for the real exchange rate of the dollar during the course of the budget period. If the actual exchange rate is lower than the rate used for calculating the budget (that is, if the dollar falls in value against the French franc), the additional expenditures are charged against the currency fluctuation account. (Part VIII of the budget.) However, if the dollar rises above the rate used to calculate the budget, the resulting surplus is transferred to the currency fluctuation account (Part VIII of the budget). UNESCO's financial regulations require that any positive balance in this account at the end of the budget period, after all obligations for the period have been liquidated, be returned to member states.

U.S. reaction to the Director-General's draft program and budget

In the introduction explaining the budget, the Director-General stated that he had followed a General Conference resolution, adopted in late 1982, calling on him to use a 4- to 6-percent growth rate in drawing up the budget. The United States had opposed this resolution because it conflicted with the zero net growth policy the United States advocated.

The United States found the proposed 6.1 percent real growth rate unacceptable, and at the Executive Board meeting in June 1983 the United States, joined by several other major contributors, objected to the budget and voted against recommending its approval.

The United States objections related not only to the amount of growth in the budget but also to how UNESCO had applied the budget techniques. For example, UNESCO departed from the constant dollar value technique to formulate the 1984-85 budget. The United States and other major contributors noted that in preparing its three previous budgets, UNESCO had used the rate prevailing when the budget was prepared in January, which for the 1984-85 budget would have been the January 1983 rate, or 6.70 francs to the dollar. However, UNESCO had actually used the average dollar/franc exchange rate for 1982--6.45 francs to the dollar--to calculate the budget, which resulted in a higher dollar budget total.

There was a similar controversy about the rate UNESCO used to calculate the currency fluctuation reserve. UNESCO used a rate of 6.35 francs to the dollar, which resulted in \$4.2 million reserve being provided in the budget. The United States and several other member states argued that the use of a 6.35 rate at a time when the dollar was rising steadily against the franc was unrealistic and that there should, in fact, be a negative reserve for currency fluctuation. For example, by May 1983, the exchange rate was 7.30 francs to the dollar.

Another area of concern was UNESCO's method in calculating the budget growth of 6.1 percent. The United States argued that the real growth in the 1984-85 budget was closer to 10 percent because

- a \$1 million contingency reserve for draft resolutions was not shown in the budget as program growth;
- an additional \$7 million, which will be available for program execution during 1984-85 due to a change in budgeting for inflation, should either be deducted from the 1981-83 base or added to the 1984-85 program budget; and
- \$2.2 million for three programs was shown in the body of the budget but was not included in the growth calculation.

Executive Board recommended approval of the budget

In June 1983 the Executive Board's Finance and Administrative Commission debated the issues concerning budget growth and

the exchange rates used to calculate the budget. The Commission's report stated that a Commission majority believed the Director-General had properly followed directives of the General Conference and Executive Board and that his assumptions were reasonable and estimates correct. The report noted that some members disagreed with this conclusion, but the 116th Executive Board recommended that the General Conference favorably consider the draft program and budget.

Before the 117th Executive Board session and the 22nd General Conference which met in October and November 1983, respectively, the Director-General proposed two alternative updated exchange rates for calculating the currency fluctuation reserve. The two alternate rates reduced this overall budget from the original \$433.1 million to either \$384.5 million or \$401.2 million, depending on the rate used. He did not, however, propose changing the 6.45 French franc rate used to calculate the cost of the program portion of the budget, nor did he propose reducing program growth.

In September 1983, the United Kingdom, the Federal Republic of Germany, the Netherlands, the United States, and Switzerland submitted a draft resolution for consideration by the General Conference to limit the UNESCO budget for 1984-85 to \$360.6 million, which, according to them, was a zero real budget growth figure. The Director-General's note accompanying this resolution contained detailed comments opposing its adoption, and it was not debated by the 117th Executive Board. Instead the Board recommended that the General Conference approve the Director-General's revised budget of \$384.5 million reflecting an exchange rate of 7.80 francs to the dollar³ for calculating the currency fluctuation reserve, plus an additional \$2.2 million to cover three activities which were shown in the body of the draft program and budget but not included in the budget total. Thus, the total budget recommended by the Executive Board was \$386.7 million. The vote was 30 for, 6 against, including the United States, and 7 abstentions.

For the General Conference, the Director-General proposed another revision which deducted \$1.8 million from the Executive Board recommended budget due to a reduction in scheduled pension contributions for a new budget total of \$384.9 million. In addition, five Nordic nations submitted a draft resolution to limit the UNESCO budget to \$374.4 million. As a result, the General Conference had three major budget proposals before it: the Director-General's proposal for a \$384.9 million budget, the Nordic countries' proposal for a \$374.4 million budget, and the

³By August 1984, the dollar/French franc exchange rate was approximately 8.84 French francs = \$1.00.

proposal co-sponsored by the United States for a \$360.6 million budget.

The final budget resolution

After initially strongly opposing the Nordic proposal, the Director-General withdrew his \$384.9 million proposal and supported their \$374.4 million proposal. The U.S.-sponsored budget was voted down by 101 against, and 11 for, with 19 abstentions. The Nordic proposal was then accepted by 126 to 1, (the United States voted against the proposal) with 10 abstentions.

As a result of the adoption of the \$374.4 million budget, UNESCO estimates that program growth has been limited to approximately 3.6 to 4.3 percent.

U.S. participation in UNESCO's budget process

We are currently preparing a report on the results of a separate GAO review of U.S. participation in U.N. organization program and budget processes. The review focused on UNESCO and the Food and Agriculture Organization. We found that the United States needs to improve its participation in the budget process to encourage budget restraint. Specifically, we found that U.S. efforts have emphasized a broad policy calling for budget restraint in U.N. agencies with less emphasis on specific means to improve the program budget processes. We believe that more active executive branch agency participation in the Department of State's policy management process and more budget review capability at the mission level should help to improve U.S. ability to contain costs and promote management efficiencies in U.N. agencies. We also believe that program and budget decisions may have a better chance of success if specific proposals and suggestions are made informally to the Director-General and Secretariat officials early--before and during formulation of the program and budget.

OBSERVATIONS

The techniques UNESCO uses to present the budget are designed to show the effects of (1) program changes and (2) cost increases or decreases due to inflation and currency fluctuation. However, in applying these techniques to the 1984-85 budget, UNESCO departed from past practice in selecting the exchange rate. UNESCO's budget director agreed that UNESCO had departed from past practice, but stated that the departure was due to an unusually large fluctuation in the dollar/French franc rate of exchange, which will not likely occur again. In addition, the Secretariat did not include certain new program costs as program growth.

To a certain extent, these problems were resolved when a higher exchange rate was adopted for the currency fluctuation reserve, and the new programs not originally shown as budget growth were added. However, the controversy provoked by these issues indicates a need for further definition as to how the techniques are to be applied. As discussed on page 76, member delegations have met with budget officials and a working group has been formed to deal with these issues.

HOW UNESCO BUDGETS FOR STAFF COSTS

The congressional committees asked us to review the procedures UNESCO uses in budgeting for staff costs, which account for nearly 60 percent of its regular budget expenditures, and to determine specifically how vacant posts are accounted for in the budget.

The Bureau of the Budget develops staff costs for the Organization and centrally controls costs during the budget period. Program sectors submit their staff needs to the Bureau of the Budget and the Bureau of Personnel for review. The Bureau of the Budget calculates staff salaries and allowances using a variety of techniques to determine the standard costs of each grade level and then reduces the standard costs by a certain percent to account for staff vacancies. This budget technique, used throughout the U.N. system, is known as a "lapse factor."

Use of a lapse factor means that not all of the posts established in the budget are actually financed. For example, a UNESCO budget officer told us that of the 2,620 posts to be financed under the regular 1983 budget, about 2,470 positions were actually financed. The difference of 150 positions is the assumed normal level of vacancies, or lapse factor.

However, because of delays in filling vacant posts, UNESCO's actual vacancies have been greater than estimated in the budget. Bureau of the Budget data showed that as of December 31, 1983, 305 regular program posts were vacant, of which 88 were being filled by regular temporary and supernumerary employees and 18 by consultants.⁴ In December 1982, 322 posts were vacant with 94 being filled by supernumeraries, regular temporary staff, and consultants.

The General Conference had directed UNESCO to absorb inflation costs occurring in the second half of the 1981-83 triennium within its approved budget. UNESCO calls this "semi-full budgeting." The Assistant Director-General in charge of the budget

⁴As of December 31, 1983, the Bureau of Personnel showed 348 regular program post vacancies whereas the Bureau of the Budget showed 305. According to the Assistant Director-General for Administration, the vacancy statistics differ due to the different uses these bureaus have for the data.

told us that because of semi-full budgeting, UNESCO was obliged to keep a number of positions unfilled to stay within its budget. These vacancies are in addition to the approximately 150 "lapse factor" vacancies built into the budget. The Budget Director estimated that about 70 positions were unfilled because of "semi-full" budgeting.

For the 1984-85 budget period, the General Conference voted to switch from "semi-full" to "full" budgeting, in effect allowing UNESCO to budget for the full effects of inflation expected during the biennium. However, the Assistant Director-General in charge of the budget told us UNESCO will continue to keep posts vacant to help offset the anticipated financial impact of U.S. withdrawal.

Reprogramming staff cost savings
in 1981-83

UNESCO uses the funds freed up from vacancies in excess of those budgeted to cover cost overruns in other activities and to hire temporary personnel and consultants. According to the Budget Director, based on staffing projections, \$46.3 million was transferred from the Appropriation Reserve account to cover additional staff costs of which \$16.8 million was subsequently transferred back out again to other activities. The following table summarizes UNESCO's 1981-83 staff costs.

<u>1981-83 Staff Costs</u>		--(millions)---
Approved budget provision		\$298.8
Transfers in:		
From appropriation reserve (for inflation)	\$46.3	
From printing fund	<u>.2</u>	
Total		46.5
		<u>345.3</u>
Transfers out:		
To hire temporary personnel	10.1	
To cover additional costs of General Conference and for common services activities.	4.4	
To cover various program activities approved by General Conference but not financed	.5	
To cover various program activities	<u>1.8</u>	
Total		<u>-16.8</u>
Adjusted staff cost budget		<u>\$328.5</u>

As shown, over 60 percent of the \$16.8 million, or \$10.1 million, was used to hire temporary personnel to carry out programs. The \$4.4 million was used to finance extra costs associated with the General Conference and for additional general support costs. This amount was approved by the Executive Board. Another \$0.5 million was used to partially cover the cost of two programs--the International Program for the Development of Communication and the International Information System on New and Renewable Sources of Energy--which the General Conference approved but did not include in budget.

The remaining \$1.8 million was used to finance a variety of activities, including cost overruns of activities contained in the approved budget and other activities not in the budget but subsequently approved by the Director-General. Below are examples of these reprogramming actions.

- \$257,000 to finance a budget deficit on a higher education center UNESCO operates in Latin America. The deficit was incurred because contributions made in the host nation's currency were devalued as the U.S. dollar rose.
- \$17,000 to cover additional costs to purchase UNESCO medals. The budget included \$31,000 for medals, but they actually cost \$48,000.
- \$83,000 to finance a film on scientific research in Senegal, which had not been included in the approved budget.
- \$500,000 to hire temporary personnel in UNESCO's Bureau of Conferences, Languages, and Documents.
- \$52,491 to finance the budget deficit resulting from the World Conference on Cultural Policies in Mexico in 1982. (See p. 121.)

UNESCO BUDGET PRESENTATION

Member states have found it difficult to analyze changes from one budget period to the next. We believe UNESCO could improve its budget presentation by

- providing summary tables which clearly show how the budget has changed from the preceding budget and
- including clearer descriptions of the budgetary techniques and assumptions used in preparing the budget.

UNESCO has recognized difficulties in its budget presentation and in July 1984 formed a working group to examine its budget formulation.

Changes from prior year not clear

Comparing the 1984-85 draft program and budget to the preceding budget is difficult because (1) UNESCO was returning to a biennial budget after one 3-year budget period and (2) the program organization changed from having objectives and themes as in the 1981-83 budget to organization by major programs, programs, and subprograms.

In addition to the one-time difficulties, we believe there are systemic improvements UNESCO could make to improve its budget presentation. For example, UNESCO does not include summary tables which clearly and readily show to what extent the budget has changed from the preceding period and why it has changed. There is a summary table in the back of the budget, but it is not accompanied by an explanation and contains so many numbers the lay reader would likely be confused. To compare costs to the preceding budget period, one has to page through the document and assemble information from various places.

In contrast, the World Health Organization budget has separate sections containing (1) a detailed narrative on the development, presentation, and financing of the proposed program budget and (2) an "analytical framework for budgetary analysis." The latter is a step-by-step procedure which facilitates a logical and comprehensive review of the budget proposals and is supported by tables showing the "real" increase or decrease in the program budgets; a summary of staff resources at established offices; the "cost" increases due to inflation, including factors taken into account and the assumptions made; currency exchange rate adjustments; the total increases in the budget estimates; and the determination of the program budget level.

UNESCO's presentation of subprogram costs can be difficult to follow. A table comparing 1982-83 budget provisions to 1984-85 is at the beginning of a program section, while staff and direct program costs are shown at the end of the program section, usually several pages away. Further, staff and indirect program costs are given by program, not subprogram, and are not compared to the preceding biennium.

Techniques and assumptions need to be more clearly presented

During the Executive Board and General Conference examination of the 1984-85 draft program and budget, delegates raised a number of questions about UNESCO's budget techniques. The questions centered on how UNESCO had applied the techniques rather than on the techniques themselves. For example, questions raised about treatment of currency fluctuation concerned

the exchange rate UNESCO was using to calculate currency fluctuation rather than the calculation itself. Also, questions on the growth rate were concerned with what UNESCO was not including in the base rather than the theory of having a base.

In April 1984, members of the Geneva Group⁵ met with UNESCO's Budget Director to discuss budget techniques, including establishing (1) a budget base to measure the 1986-87 budget and (2) a formal arrangement to fix the timing of the rate of exchange used for calculating currency fluctuation. According to correspondence, the group and the Budget Director agreed to use a base figure of \$391.2 million⁶ 1984-85 budget to make comparisons with the 1986-87 budget and to ask the Director-General to formally propose to the Executive Board using the average U.N. rate of exchange applicable to the month immediately preceding the month in which the General Conference formally approves the appropriation resolution.

Working group and Temporary
Committee recommendations
on the budget presentation

In 1980, an Executive Board special committee charged with examining UNESCO's planning, programming, budgeting, and evaluation techniques suggested streamlining the program and budget document so that the Executive Board and General Conference could more easily view the programs and other operations at a strategic and policy level. The Executive Board took no specific action on this report, but "Invite[d] the Director-General to bear in mind, when appropriate, the views expressed therein. . ."

In July 1984, the Director-General formed a working group to examine budget formulation issues. Specifically, the working group's tasks included

- examining UNESCO's techniques in calculating and presenting the draft program and budget and making practical proposals for improving the techniques,
- comparing UNESCO's budget presentation to other agencies in the U.N. system and preparing a model budget presentation which would allow easier identification of proposed activities and the funds and staff allocated to them, and

⁵The Geneva Group is an informal coalition of major Western donors to UNESCO.

⁶The \$391.2 million is based on the first six parts of the UNESCO budget and does not include factors for inflation and currency fluctuations.

--studying the nature and form of information the Director General should provide to member states and the Executive Board regarding program and budget execution.

The working group recommended that UNESCO continue with its existing budgetary techniques--constant dollar, separate calculation for inflation and separate calculation for currency fluctuation--but with certain improvements to make the calculations more clear. The group also recommended that the exchange rate used in approving the budget should be the rate in effect for the month preceding the General Conference and that the 1986-87 budget be prepared on the existing budget base of \$391.2 million. The group recommended that the program and budget be split into two documents and more tables be included to show budget changes. Finally, the working group recommended that the Executive Board strengthen its budgetary review procedure by considering establishing a small committee of budget experts. On August 27, 1984, the Director-General transmitted the recommendations of the working group to the Executive board along with his comments. The Director-General said that in general terms the recommendations were acceptable to him. However, with regard to the establishment of a small committee of experts, the Director-General suggested the Secretariat study the matter and submit a report to the Executive Board and General Conference.

The Temporary Committee of the Executive Board in its October 3, 1984, report endorsed the Director-General's proposals on budgeting techniques and budget presentations and invited him to study whether there was a need to establish a group of experts on budget and finance to assist the Board's Administrative Commission. We believe that a small budget or finance committee of experts would strengthen the Executive Board's budget review.

SECRETARIAT COMMENTS AND OUR EVALUATION

The Secretariat stated that the Director-General will present budgets to the Executive Board and the General Conference in the manner and containing the detail requested by these bodies. The Secretariat noted that a large measure of Executive Board support has developed for the recommendations for budget presentation improvements made by the Director-General's working group and the Board's Temporary Committee. We recognize that the Secretariat prepares the budget in accordance with the method approved by the General Conference. However, we note that the Secretariat has taken initiatives and that the General Conference has looked to it for guidance in this regard in the past. Thus, we believe the Secretariat's support for the working group's recommendations could be an important factor in implementing the improvements.

CHAPTER 7

FINANCIAL MANAGEMENT

The congressional committees asked us to review issues surrounding the financial management of UNESCO and specifically how the Organization controls expenditures. We reviewed UNESCO's financial management for the 1981-83 budget period and focused on

- determining the sources of UNESCO's regular and extrabudgetary funds,
- determining the uses of UNESCO's regular budget funds,
- documenting the financial management structure in the Organization and the overall system of internal controls, and
- reviewing the role of UNESCO's external and internal auditors in the financial management process.

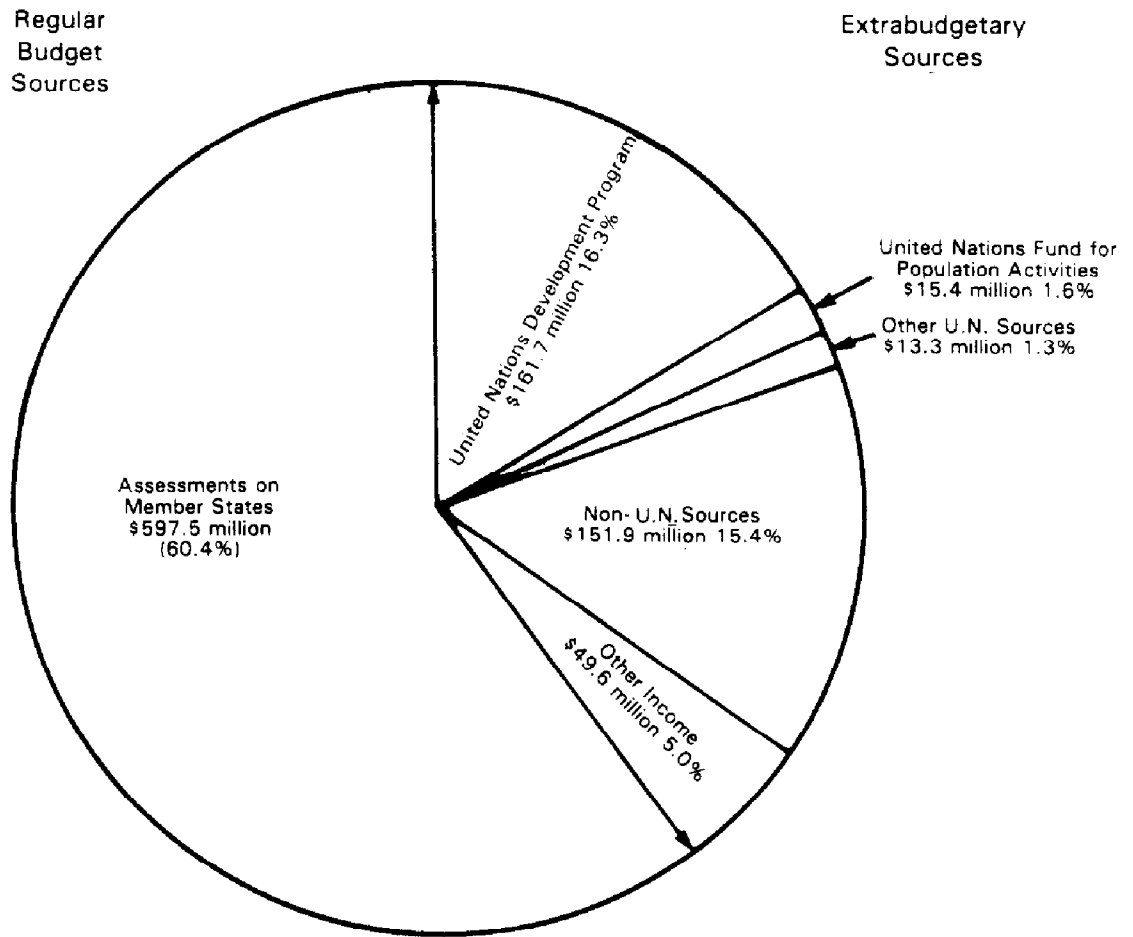
The United Kingdom's National Audit Office audits the financial accounts of UNESCO each budget period and, except for minor technical exceptions in 1976 and 1977, has concluded that the financial reports accurately reflect the results of UNESCO's operation.

SOURCES OF FUNDS

As noted in chapter 6, UNESCO's funds fall into two major categories: regular funds and extrabudgetary funds. The General Conference approves a specific amount for the regular program--the basis for member state assessments. Since UNESCO has no direct control over the amount of extrabudgetary funds it receives, a specific budget amount cannot be approved--the budget resolution simply authorizes the Director-General to receive and spend money from U.N. and other sources. Specific extrabudgetary projects and amounts are described in the budget, but the amounts are considered purely indicative because the funding source may modify the project.

Over the past decade, about 57 to 62 percent of UNESCO's total funds have come from member states through assessed contributions to the regular budget and other income and from about 43 to 38 percent has come from extrabudgetary sources. The following chart shows the sources of UNESCO's funds during the 1981-1983 budget period.

SOURCES OF UNESCO FUNDS 1981-83



About \$151 million of the assessments on member states shown in the figures above is expected to be refunded as reduced assessments for the 1984-85 budget, primarily because of the budget surplus resulting from a strong dollar (see p. 6). The table on the following page shows UNESCO's anticipated income sources for the 1984-85 budget period.

UNESCO's Anticipated Income Sources for 1984-85

----- (millions) -----

Regular program		
Assessments on member states	\$344.7	
Miscellaneous income	<u>29.7</u>	
Total regular budget		<u>\$374.4</u>
Extrabudgetary programs		
United Nations Development Program	83.0	
United Nations fund for population activities	11.5	
Other U.N. sources	16.7	
Other program sources	<u>122.8</u>	
Total		<u>234.0</u> <u>\$608.4</u>

Contributions to the regular program budget

Member states' assessments are based on the amount of the approved regular program budget reduced by expected miscellaneous income. They are calculated by dividing the total assessment according to a scale of contributions approved by the General Conference, which is based on the scale adopted by the U.N. General Assembly and adjusted for the difference in membership between UNESCO and the United Nations. As shown in the table on the next page, 10 member states contribute over 75 percent of UNESCO's regular program budget.

Extrabudgetary funds

In general, extrabudgetary funds are provided to carry out specific economic and social development programs or projects. UNESCO's largest single source of extrabudgetary funds is the United Nations Development Program. In 1981-83, this Program provided \$161.7 million, and UNESCO estimates it will receive \$83.0 million for 1984-85. Another major source of UNESCO funds is the U.N. Fund for Population Activities, which provided \$15.4 million in 1981-83 and is expected to provide \$11.5 million for the 1984-85 budget period. Other U.N. funding sources include the Environment Program and the Financing System for Science and Technology for Development.

Contributions to UNESCO's 1984-85
Regular Program Budget

	<u>Percent</u>	<u>Millions</u>
United States	25.00	\$ 86.2
Soviet Union	10.41	35.9
Japan	10.19	35.1
West Germany	8.44	29.1
France	6.43	22.2
United Kingdom	4.61	15.9
Italy	3.69	12.7
Canada	3.04	10.5
Spain	1.91	6.6
Netherlands	1.76	6.1
	<u>75.48</u>	<u>260.2^a</u>
71 member states contributing amounts ranging from .02 percent to 1.55 percent	23.75	81.8
77 member states contributing the minimum amount--.01 percent	<u>.77</u>	<u>2.7</u>
	<u>100.00</u>	<u>344.7</u>

^aDifferences are due to rounding.

UNESCO's other extrabudgetary funding sources include development banks, such as the World Bank, and funds-in-trust, which are monies received from member states or organizations (international, regional, or national governmental or nongovernmental) for carrying out, on the donor's behalf, specific activities in UNESCO's field of competence. The two types of funds-in-trust are:

- Self-benefitting funds-in-trust. A member state or organization provides funds for activities to be carried out for its own benefit. For example, UNESCO is establishing a cultural center in Saudi Arabia with Saudi funds.
- Donated funds-in-trust. A member state or organization provides funds for activities to be carried out for the benefit of another member state or organization. For example, Sweden has established a trust fund to finance projects in other countries.

Funds-in-trust agreements, as described above, generally include

- project funds to cover the cost of experts, equipment, building components, fellowships, grants, and related expenses, including travel, and
- overhead cost funds to defray UNESCO's expenses for planning, supervising, servicing, and administering projects.

UNESCO can also receive funds for cultural campaigns, voluntary contributions, and international appeals. Examples include the Special Account for Increased Aid to the Developing Countries, the Special Account for the International Program for the Development of Communication, and the Special Appeal for Safeguarding the Ancient Cities of Mauritania.

The table on the next page summarizes UNESCO's extrabudgetary funding sources during the 1981-83 budget period.

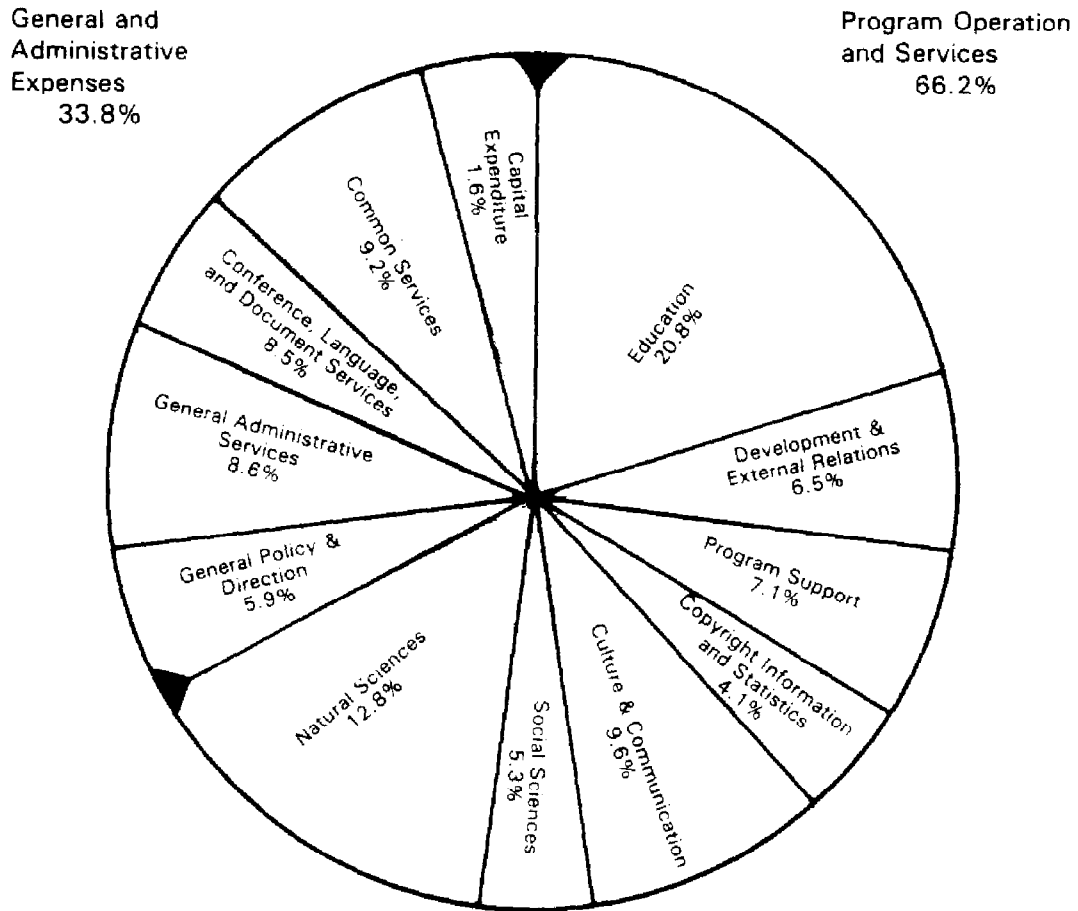
Extrabudgetary Funds Received by UNESCO, 1981-1983

<u>U.N. sources</u>	Number of sources, funds, or major accounts as of <u>December 31, 1983</u>	<u>Total</u> (millions)
United Nations Development Program	1	\$ 161.7
United Nation fund for population activities	1	15.4
Other U.N. organizations	<u>17</u>	<u>13.3</u>
Total U.N. sources	<u>19</u>	\$ <u>190.4</u>
<u>Other extrabudgetary sources</u>		
Cooperative programs with development banks	5	\$ 8.2
Technical assistance projects financed by loans/grants from institutions	6	17.9
Self-benefitting projects	27	65.1
Donated projects	37	37.2
Funds for cultural campaigns, voluntary contributions, and international appeals	36	21.3
Government contributions to regional representatives and coordinators' offices	<u>2</u>	<u>2.2</u>
Total other	<u>113</u>	\$ <u>151.9</u>
Total	<u>132</u>	\$ <u>342.3</u>

USE OF FUNDS

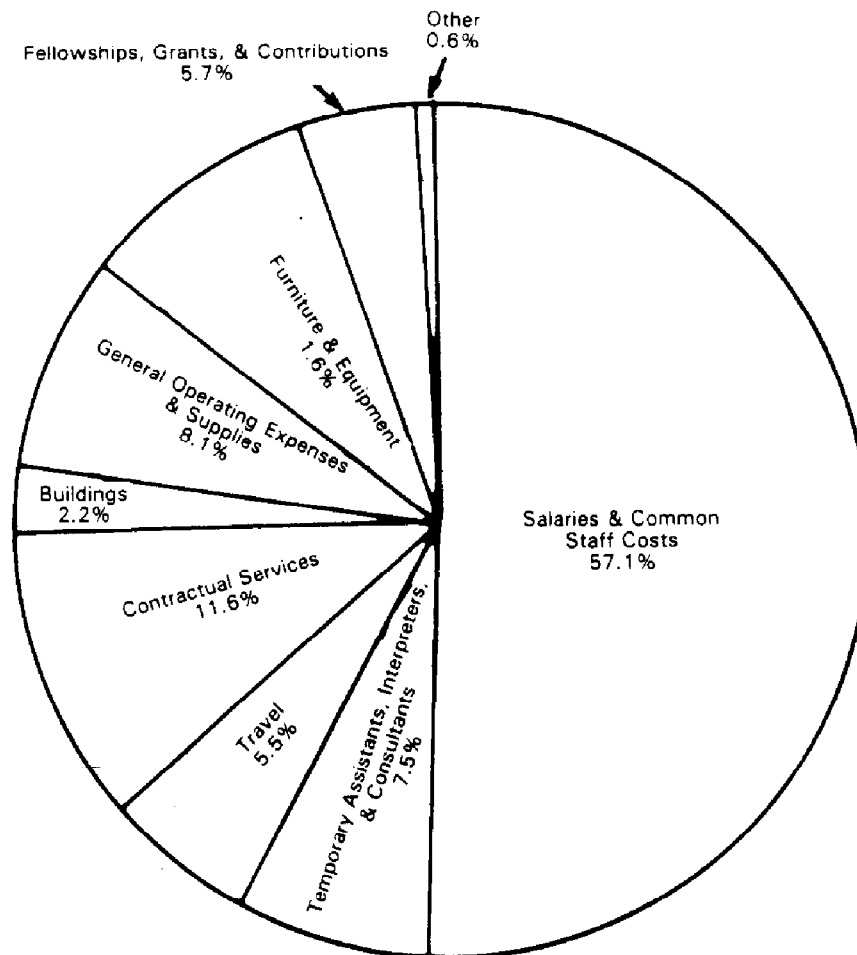
In the 1981-1983 budget period, about two-thirds of UNESCO's regular budget was spent on program operations and services and one-third was spent on general and administrative expenses and capital expenditures, as shown below.

DISTRIBUTION OF UNESCO REGULAR BUDGET EXPENDITURES BY ACTIVITY, 1981-1983



UNESCO's largest expenditure is for salaries and staff costs. The following chart shows the types of expenditures made by UNESCO in carrying out its programs and activities.

DISTRIBUTION OF UNESCO REGULAR BUDGET EXPENDITURES BY TYPE OF EXPENSE, 1981-1983



UNESCO FINANCIAL MANAGEMENT SYSTEM

UNESCO's financial management system is based on financial regulations adopted by the General Conference and on implementing financial rules made by the Director-General and approved by the Executive Board. The regulations and rules apply to all offices and financial transactions of UNESCO. The Director-General may also establish special rules for extrabudgetary funds, which must be reported to the Executive Board.

The Bureau of the Budget and the Bureau of the Comptroller share responsibility for UNESCO's financial management. According to UNESCO's manual, the Bureau of the Budget is generally responsible for budget preparation, allotment of funds, and maintenance of records pertaining to budget execution, while the Bureau of the Comptroller is responsible for controlling fund receipts, obligations, and expenditures and for maintaining the official accounting records.

The official organization chart indicates that the Budget Director reports to the Assistant Director-General, Bureau of Studies and Programming. However, in some instances, he reports directly to the Director-General. The Comptroller reports to the Assistant Director-General for Administration.

Control over expenditures

The Bureau of the Budget continues to have a significant role in advising how UNESCO spends its money in accordance with the budget approved by the General Conference. The Bureau of the Comptroller, on the other hand, is concerned primarily with the technical aspects of accounting for UNESCO's receipts and expenditures.

The Bureau of the Budget reviews the annual Program Activity Details which are prepared by the sectors and show exactly how they plan to implement the budget. The Bureau, in comments provided to the Director-General, considers whether the plan has been prepared in accordance with the approved budget and whether other budgetary guidelines have been followed. It may raise questions on whether specific activities should be undertaken. In monitoring the execution of the budget, the Bureau reviews obligations issued by sectors for compliance with approved budgetary documents. As part of its monitoring role, the Bureau centrally controls staff costs and advises the Director-General on how to reprogram savings from vacant positions.

While the Bureau of the Budget controls how money is spent to the point of allotment, the Bureau of the Comptroller controls expenditures from the time allotments are issued. UNESCO's expenditures, with the exception of the payroll, are

based on an "obligation" system under which commitments, such as contracts, fellowship awards, and purchase and travel orders are recorded against an allotment and subsequently liquidated by payment.

Sector assistant directors-general and bureau directors may obligate funds for the purpose covered by and up to the amount of the allotment. According to UNESCO's financial rules, the Comptroller must approve all proposed obligations. However, under the decentralized system in use, the Comptroller has designated about 100 certifying officers in the sectors who are responsible for assuring that the obligations entered into are in accordance with the Program Activity Details and comply with financial rules and regulations and that funds are available. The certifying officers also certify payments once goods and services have been satisfactorily received and forward payment requests to the Bureau of the Comptroller for review and payment.

Payments for personal services

The Bureau of Personnel exercises control over staff appointments, including determining grades and salary rates, and the Bureau of the Budget has responsibility for controlling staff costs. However, the actual payments to employees are the Comptroller's responsibility. UNESCO's permanent employees are paid monthly. The computerized payroll system has been regularly reviewed by UNESCO's external auditors. We noted, however, that the system does not use time cards which could be reviewed by the payroll section before processing employees' pay.

The current system, though computerized, does not directly link the payroll system to confirm attendance other than on an exception basis. Every 2 weeks, unit administrative officers are responsible for completing a leave report which is to be certified correct by unit supervisors and employees who have taken leave. The approved forms are sent to the Bureau of Personnel where all leave records are maintained. Whenever a staff member takes unauthorized annual or sick leave, the Bureau of the Comptroller is to be informed so that a payroll deduction can be made. According to the Secretariat, the system in effect at UNESCO is similar to that used throughout the United Nations and some national government services.

The Comptroller is also responsible for making payments to others who render personal services to UNESCO, such as supernumerary employees and consultants. As is the case with regular staff, the basis for payment of supernumeraries is an approved personnel action form from the Bureau of Personnel. However, these employees are paid twice a month, separate from other employees. Again, the system does not require positive confirmation of work attendance.

The system governing payment of consultants is the same as for payment of other goods and services. When a decision is made to hire a consultant, the sector executes a written contract and prepares a document which obligates the required funds against a particular budget allotment. The obligation document is signed by the sector's certifying officer and forwarded to Data Processing Services for entry in the automated financial records. A copy is also forwarded to the Bureau of the Comptroller where payment is made based on a written request from the sector certifying officer.

UNESCO's procedures require the certifying officer, when requesting payment, to attest that the goods or services have been properly received. In the case of consultants, the contract states that final payment shall be made only after UNESCO receives and approves any required reports and documents, including the consultant's travel record with supporting documents. Sector certifying officers confirm that the sector has received required documents before requesting the Comptroller to process payment.

The Inspector General's role

The Office of the Inspector General reports to and receives instructions from the Director-General. The office, established in 1975, has two divisions, a five-person Management Division (see p. 24), and a six-person Audit Division whose functions include

- financial, operational, and management auditing;
- participating in evaluations or program execution;
- liaison activities with the external auditor and the Joint Inspection Unit.
- establishing standards and techniques for measuring work done;
- participating in the use of new office automation systems; and
- monitoring the forms control program.

At the time of our review, two of the audit positions were vacant--one for more than a year.

The Inspector-General discussed his activities with us and gave us a list of the 52 reviews, audits, and studies his office completed in 1983. He also went through 7 of his job files with us and provided information on some of the management areas covered in our review. However, citing his confidential

relationship with the Director-General, he did not give us complete access to his reports. Much of his work is specifically requested by the Director-General and deals with matters such as commenting on proposed changes to procedures or specific investigations. For example, in 1983 he reviewed procedures for dealing with requests from permanent delegations and followed up on a misappropriation of coupons used by UNESCO to purchase tax-free gasoline, which was discovered by the Bureau of the Comptroller. In addition, the Inspector General's staff reviews the operation of field projects and has done projects such as an analysis of UNESCO's costs for translation and interpretation. They also follow up on the external auditor's findings and perform financial audits, such as examinations of imprest funds, bank account reconciliations, and reviews of payments and receipts, which are relied on by the external auditor in his work.

We are not able to provide an overall opinion of the Inspector General's work because we did not have complete access to his internal audit reports. We believe that the internal audit function is properly located in the Inspector General's office, but with current vacancies and a small staff, its audit activities are limited.

OBSERVATIONS

As noted earlier, we did not duplicate the work performed by the external auditors and our review did not constitute an audit of UNESCO accounts and financial reports. However, our review showed that UNESCO's financial rules, regulations, and detailed procedures include a variety of internal controls which generally appear to provide a reasonable framework for UNESCO's financial control system.

Nevertheless, we believe that payroll controls could be improved. UNESCO's payroll system does not have a positive means of confirming regular or temporary employee attendance, which we believe should be required more than on an exception basis. Under such a system employees are required to report the number of hours they worked each period, and a supervisor must certify the report.

THE ROLE OF THE EXTERNAL AUDITOR

UNESCO's financial regulations require the General Conference to appoint an external auditor from among the auditors-general, or equivalent organization, of its member states. For the past 30 years, the United Kingdom's National Audit Office has audited UNESCO's activities.

Until July 1982, the National Audit Office sent teams from London to audit UNESCO. At that time, they established two full-time resident audit positions at UNESCO and a third team member

traveled to UNESCO from London. The third team member will also become resident in early 1985.

The external auditors' scope and responsibilities, which are contained in the financial regulations, state the auditors are to perform account audits, including U.N. and trust funds, to satisfy themselves that

- financial statements agree with the Organization's books and records;
- financial transactions are in accordance with rules and regulations, budgetary provisions, and other directives;
- securities and monies on deposit and on hand have been verified by certificate received directly from the Organization's depositories or by actual count;
- internal controls, including the internal audit, are adequate; and
- satisfactory procedures have been applied to recording all assets, liabilities, surpluses, and deficits.

The external auditors have no power to disallow items in the accounts but are responsible for bringing any improper transactions to the Director-General's attention. The auditors' reports, together with the audited final accounts, are reviewed by the Executive Board's Finance and Administration Commission composed of all 51 Board members. After the Commission's review, the reports are transmitted by the Board to the General Conference.

In addition to a statement certifying the accuracy of accounts, the external auditors' report contains a statement on the type and scope of the examination, matters affecting the completeness or accuracy of the accounts such as expenditures not properly substantiated, and other matters which should be brought to the attention of the General Conference. They may also make observations on their audit findings directly to the General Conference.

According to the external auditors, the financial regulations do not restrict their activity solely to financial reviews but also allow them to review efficiency of operations. They estimate that about half of their work is efficiency reviews--what the auditors refer to as "value for money" auditing. They also told us that because staff salaries and allowances constitute nearly 60 percent of UNESCO's expenditures, they review payroll activities each year. They try to review all areas of expenditure over a 6-year period. According to the auditors, they have never been denied information needed to carry out their work nor has UNESCO restricted their activities.

Observations made by
the external auditor

Except for minor technical exceptions in 1976 and 1977, the external auditors have issued unqualified opinions on UNESCO's financial statements certifying that the financial statements are correct. In addition to rendering an opinion on the financial statements, the reports also summarize many of the observations brought to UNESCO's attention together with the Secretariat's response.

According to the auditors, the Secretariat has usually agreed with their suggestions but has not always carried them out. Furthermore, the governing bodies have not actively followed up on the progress being made by the Director-General in making suggested improvements. Following are examples of the work done and problems reported by the auditors over the past 4 years.

--The computer installation has been reviewed three times by the auditors--in 1980, 1981, and 1982. Each time, the auditors suggested improvements to strengthen security and control. The 1982 review disclosed that no progress had been made on the 1980 recommendation to improve system documentation. In a February 1984 letter to the Assistant Director-General for Administration, the Director of External Audit noted that action had not been taken to improve documentation of UNESCO's computer programs. The auditor also stated his belief that insufficient resources were being allocated to UNESCO's Bureau of Data Processing Services. UNESCO officials agreed that system documentation needed improvement but indicated improvements or redesign would be quite costly.

--In 1981, the auditor reported that required progress reports from a member state were not being received for some United Nations Development Program projects. This problem was reported again in 1983, and at the time of our review, the reports were still not being received. In commenting on a draft of this report, the Secretariat said it had appointed a representative in science and technology to help improve reporting on projects in the country in question.

--Also in 1981, the auditor reviewed the operation of UNESCO's publications fund to identify causes of deficits in fund operation. The auditor's report stated that the Director-General had established a working party to examine fund operations and report by the end of September 1982. In 1983, the auditor reported continuing deficits and asked for the status of the working party project. He also reported that the major studies of the

fund had not been carried out, including a post-by-post analysis of staff charged to the fund. The Assistant Director-General for Administration informed the auditor that a consultant had made various recommendations concerning the fund but they were still under review. In commenting on a draft of this report, the Secretariat said that it would pursue the consultant's recommendations, but that, due to multifaceted problems in the area, there is a need to proceed with caution.

--In 1981, 1982, and 1983, the auditors questioned bidding practices used in awarding contracts for building construction. UNESCO did not agree that the practices needed improvement. However, in his response to the 1983 external auditor's report, the Director-General stated that steps would be taken to revise contracting procedures.

We noted that the 1983 external auditors' report contained several strong observations. For example:

--Questions were raised about the overall cost of remodeling the Executive Board room and the contracting process used. This was one of three recent observations concerning procedures used to award construction contracts.

--The auditors' examination of the public information and liaison fund showed that in order to make use of an expected surplus in the fund, it had been improperly charged with two regular program expenditures amounting to \$354,000 and \$21,000 which should have been charged to another account. After the auditors questioned the charges, they were transferred back to their original account. The auditors noted that self-financing fund charges often appeared to be dictated more by what a particular fund would bear than by the purpose the separate fund is intended to serve. They suggested that the governing bodies might consider setting up a subcommittee to review the purposes which these funds should serve and the terms under which they should operate.

--In reviewing maintenance services, the auditors found that in many cases some charges should have been capital expenditures and the actual cost of repair jobs could not be determined. The auditors also recommended that UNESCO study the efficiency of contracting out some of the maintenance work now done by its own employees. The Assistant Director-General for Administration agreed to undertake a study, possibly in 1985, to determine whether it would be more cost effective to contract out some of the maintenance work.

--The auditors found obligations totaling \$1.34 million made in early 1984 were improperly charged to the 1981-1983 budget in violation of UNESCO's financial rules. They stated in a letter to the Assistant Director-General for Administration that unless the matter was resolved, a qualified certificate would likely be issued. The Secretariat cancelled \$0.3 million in obligations and transferred \$0.6 million in others to the 1984-1985 accounts. UNESCO subsequently satisfied the auditors that the remaining \$0.4 million was for valid 1981-83 obligations.

In the above letter the auditors also stated that many problems relating to year-end obligations resulted from Secretariat inability or reluctance to identify areas for savings and to seek timely Executive Board approval so that sectors and bureaus would know what funds were available to them and could proceed with their business in an orderly fashion. The auditors' views were based on the 1982 and 1983 delays in meeting postal charges; the haste to remodel the Executive Board room, although the decision had been made in 1980; and a failure to quantify and seek Executive Board approval for using the savings arising from reduced United Nations Development Program activities.

The auditors concluded that their review of unliquidated obligations disclosed evidence of failure to allocate funds promptly to meet inescapable liabilities maturing during the financial period and consequent attempts to obligate funds rapidly, and in some cases improperly, at the end of the period. The auditors recommended that the Secretariat improve the arrangements for providing the Bureau of the Budget with budget forecasts during the financial period and review the end of period closure instructions to ensure correct treatment of obligations.

OBSERVATIONS

UNESCO's financial regulations provide appropriate arrangement for external audit, and the terms of reference governing the auditors' responsibilities allow them freedom to make needed recommendations. However, the impact of the auditors' work is diminished by the Secretariat's slow pace in implementing recommendations and by the apparent limited oversight by UNESCO's governing bodies.

We believe the governing bodies should exercise greater oversight of the Secretariat's implementation of the auditors' recommendations. One such means would be to establish an audit committee composed of a small number of member states to monitor on a regular basis the Secretariat's actions on audit recommendations. However, such a committee would need dedicated members interested in this audit function.

SECRETARIAT COMMENTS
AND OUR EVALUATION

The Secretariat disagreed with our observation that UNESCO's report by exception payroll control system could be improved by requiring a positive confirmation of actual hours worked by employees. The Secretariat commented that the present system is similar to that used by other U.N. organizations and many government departments and allows an adequate check on employee attendance without installing time clocks or other time-recording devices.

The Secretariat noted that within the U.N. system, time cards or detailed time-recording for professional staff have not been used for the following reasons.

- Professional staff are paid a flat yearly sum and are not compensated for working more than a standard number of hours, generally 40 hours per week.
- Most professional staff are required to work more than the standard number of working hours during conferences, missions, and other peak periods during the year.
- The annual leave entitlement of 30 days plus 8- to 10-official holidays and sick leave provisions tend to be adequate to meet staff needs.
- Recording professional staff work hours is not normal practice in most member states.

The Secretariat also noted that UNESCO does have a system for reporting overtime worked by general service employees.

Under its current system, paychecks are issued automatically unless the Comptroller is notified of an unauthorized absence. While we are not suggesting that UNESCO adopt a time-recording device, we do believe a positive means of recording employee attendance for each pay period would provide assurance that employees worked the minimal hours required. For example, a time and attendance form could be completed by employees for each pay period and certified by a supervisor.

With respect to external audit recommendations, the Secretariat noted that it endeavors to respond to all such recommendations, the only constraint being the resources necessary to carry them out. We recognize the impact of resource constraints but believe that management commitment of resources to implementing auditor recommendations could generate a payback through more efficient and economical operations. For example, the auditor's recommendation related to improving UNESCO's contract bidding procedures could lead to savings in construction costs.

CHAPTER 8

REVIEW OF SELECTED AREAS OF EXPENDITURE

To respond to specific issues raised by the committees, we reviewed the policies and controls applicable to the following areas.

--The Participation Program.

--The Special Account for Increased Aid to Developing Countries.

--Fellowships.

THE PARTICIPATION PROGRAM

The Participation Program, in existence since the 1955-56 biennium, is part of the regular budget but is reserved for specific projects suggested by member states. In 1981-83, the Participation Program budget totaled \$15,048,800, or 4.4 percent of the \$343.9 million budgeted for direct regular program activities. For 1984-85, \$14,034,800 has been set aside, which represents 5.5 percent of the \$255.1 million UNESCO has budgeted for direct regular program activities.

The General Conference approves the budget allocation for the Participation Program by field of activity and sets forth the program's terms of reference, the types of activities eligible for funding and the criteria for project selection.

All Participation Program requests submitted by member states are reviewed by the appropriate sector, which in turn makes a recommendation to the Director-General on each proposal. The Director-General decides which requests will be funded in light of the Secretariat recommendations and has a great deal of latitude in approving such projects. He reports overall program statistics to the General Conference but not a description of individual requests funded.

The General Conference resolution authorizing the program states that projects must be based on a written agreement between UNESCO and the government or governments concerned, a national commission, or an authorized intergovernmental organization. The Director-General personally approves all Participation Program projects, and the agreement may specify a financial contribution if this is the most effective means for implementing a particular activity. UNESCO regulations limit financial contributions to \$25,000 for each project.

UNESCO's records show that during the 1981-83 budget period 1,942 projects, averaging about \$8,100 each and providing the following types of assistance, were approved.

		<u>Percent</u>
Experts and consultants	\$ 1,586,000	10.0
Fellowships and grants	2,630,000	16.7
Equipment and material	1,656,000	10.5
Financial contributions	<u>9,917,000</u>	<u>62.8</u>
Total	<u>\$15,789,000</u>	<u>100.0</u>

To use the maximum amount of Participation Program funds, and taking into account the likelihood that some projects may not be realized and some may cost less, UNESCO approves more projects than will actually be implemented. Expenditures for the period actually totaled \$14,965,000.

As shown above, financial contributions represented almost 63 percent of the total Participation Program funds approved by the Director-General. These are direct cash payments to governments, national commissions, or intergovernmental organizations for consultants, fellowships, equipment, or activities such as seminars and studies. A Secretariat official told us he believed the percent of financial contributions was so high because it is easier to provide a check than to design a program, purchase equipment, or arrange for a fellowship.

According to Participation Program rules, when UNESCO makes a financial contribution, the member state or beneficiary organization must submit a statement at the close of the project indicating that the funds were used for their intended purpose and must return any unused funds to UNESCO. Member states cannot receive further contributions if they have not submitted reports for funds they had received during the first year of the preceding budgetary period. Thus, to be eligible for participation in 1984, member states must have submitted financial statements for funds obligated in 1981, the first year of the prior budget period. The Bureau of the Comptroller is responsible for monitoring the receipt of financial statements so that financial contributions are not made without them.

We examined project files, including obligation and payment documents, and discussed the projects and payment control procedures with responsible Secretariat officials for 13 projects representing the regions receiving the majority of program funds and which had been approved in the 1981-83 budget period. Eight of the 13 projects were financial contributions, 2 were for fellowships, and 1 each was for a consultant, equipment, and assistance to a national commission. Our review showed:

- The eight financial contributions were for activities such as fellowships, a symposium on African society and solidarity, purchase of equipment and material for physical

education classes, publishing a book on Syrian history, and for a workshop on restoration of cultural property. All but one of these eight projects had been approved in 1982 and 1983, thus financial statements were not yet due. One project was approved in 1981, and there was a statement on file from the member state saying that the money had been used for the approved purpose. All eight included signed obligation and payment documents.

--Activities financed in four other projects included two international fellowships, a consultant to set up a theater arts program, and equipment to be used at a member state's ministry of information and broadcasting. In each case, obligation and payment documents were on file. The equipment and consultancy projects were supported by purchase orders and a consultant contract, respectively, and the fellowships were administered by UNESCO's Fellowship Division. These types of activities require documented proof of expenditures.

--The final project we reviewed was a travel and subsistence payment for the Secretary-General of the Senegalese National Commission to attend a 2-week training course at UNESCO headquarters. Again, obligation and payment documents were on file.

The Participation Program is open to all member states; however, a Secretariat official told us that more weight is given to the least developed countries in approving projects. UNESCO's records showed the following distribution of Participation Program money in 1981-83:

Between \$140,000 and \$150,000:	1 member state
" \$130,000 " \$140,000:	2 " states
" \$120,000 " \$130,000:	0 " states
" \$110,000 " \$120,000:	8 " states
" \$100,000 " \$110,000:	16 " states
Less than \$100,000:	136 other members

Twenty of the countries receiving more than \$100,000 are among the least developed ones. The above table refers only to country specific projects. During the same period UNESCO also funded about \$5 million in regional and interregional projects.

OBSERVATIONS

When UNESCO approves a Participation Program project in the form of a financial contribution, the only requirement on the recipient government or organization is to provide a statement that funds were used for the intended purpose. There is no requirement to furnish additional supporting documentation. In view of the relatively high percentage of program funds provided

as financial contributions, we believe UNESCO should consider obtaining additional information, such as statements from fellow-ship recipients and copies of consultant contracts awarded showing exactly how the monies were used. This would provide UNESCO with greater assurance that funds are being spent in accordance with UNESCO purposes. We discussed this issue with the Assistant Director-General for Administration and other UNESCO officials who told us that prior to the 1980 General Conference, the Secretariat required more information than it does today. At the 1980 General Conference, member states voted to reduce the documentation requirements for financial contributions because they felt the requirements were too burdensome.

Unlike the rest of the regular program, the details of Participation Program activities and projects are not specifically included in UNESCO's program and budget. We believe it would be appropriate for the Executive Board to receive periodic reports from the Director-General on the specific projects approved and carried out under the Participation Program.

SPECIAL ACCOUNT FOR INCREASED AID TO DEVELOPING COUNTRIES

In the mid-1970s the United States suspended its payments to UNESCO because of concern about the Organization's position on Israel. During this period, several Arab and African countries provided UNESCO interest-free loans to make up the difference. In 1979, after the United States had resumed its payments, the Executive Board authorized the additional income resulting from the investment of the loan balance to be used to create the Special Account for Increased Aid to Developing Countries. Subsequent regulations for this account allowed for donations, stressed aid to the least developed countries, and provided that separate accounting reports be audited by UNESCO's external auditor.

The Special Account has been viewed from its beginning as an extension of UNESCO's Participation Program. Account activities include projects originally requested but not funded under the Participation Program as well as those specifically requested under the Special Account. All Special Account activities are subject to the Director-General's approval and do not require specific approval by the Executive Board or General Conference.

In 1981, the Executive Board approved an \$800,000 transfer to the Special Account from the UNESCO public information and liaison fund. The latter fund is self-financing, drawing revenues from UNESCO's stamp and medal sales and from sales of special coupons which allow persons in countries whose currency is nonconvertible to buy educational, scientific, or cultural material. In 1983, the Executive Board provided for about 34 percent of the fund surplus at the end of each financial period to be distributed to the Special Account, assuring the Special

Account a continuing source of income. In that year \$575,000 was transferred from the fund to the Special Account.

As of December 31, 1983, the Special Account balance was \$8,561,000, of which \$7,595,000 had been allocated for 521 projects, leaving an available balance of \$966,000.

GAO review of selected
Special Account transactions

We reviewed selected Special Account transactions of Committee interest to obtain a better understanding of account activities and the control exercised over them. We reviewed the following transactions.

- A financial contribution to an Executive Board member for expenses at a Canadian university while studying educational planning.
- Financial contributions which helped pay travel expenses for certain countries' General Conference delegations.
- Various fellowship payments to Senegalese nationals.
- Various Special Account obligations incurred in 1983 which were transferred to the Participation Program in 1984 but charged against the 1981-83 Participation Program budget.

The following sections summarize the results of our examination of the financial records of these transactions and our discussions with responsible Secretariat officials.

Financial contribution to
Executive Board member

Executive Board rules provide that during their term of office, Board members shall not accept payment of any expenses, allowances, fees, or other remuneration from UNESCO other than those travel, subsistence, and office expenses associated with Board membership. However, in December 1982, UNESCO, with the Director-General's approval, made a \$17,800 financial contribution from the Special Account to an Executive Board member from Tanzania to pursue studies at a Canadian university.

According to the Assistant Director-General for Cooperation for Development and External Relations and UNESCO's files, the Executive Board member approached the Secretariat in April 1982 about obtaining a UNESCO contribution to help finance his studies. According to the Assistant Director-General, after initially being turned down by him and the Director-General, the Board member made the same request to the Secretary of the Executive Board. In a June 11, 1982, memorandum to the

Director-General, the Board Secretary indicated that the Chairman of the Executive Board favored the request and that UNESCO's Counselor saw no incompatibility between the Executive Board rules and the award of the fellowship. In December 1982, after the Government of Tanzania formally asked UNESCO for the financial contribution on behalf of the Board member, the Assistant Director-General sent a memo to the Director-General recommending the award. It was approved by the Director-General on December 4, 1982.

In June 1983, the Government of Tanzania requested an additional \$22,000 to extend the fellowship. Though the Assistant Director-General and the Bureau of the Budget recommended \$10,000, and this amount was obligated, it was later cancelled.

We discussed this payment with the Assistant Director-General for Administration and other UNESCO officials, who told us that the Secretariat fully disclosed the circumstances of the payment to the Executive Board. The Assistant Director-General for Administration stated that the Director-General had at first refused to authorize the payment but was persuaded to do so by the Chairman of the Executive Board and in consultation with UNESCO's general counsel. He said the payment was made to the Executive Board member as part of his responsibility for writing the report on an in-depth study for the Board.

General Conference contributions to delegates

According to the December 31, 1983, financial statement for the Special Account, 35 payments totalling \$166,000 had been made to help pay for the General Conference delegations of 21 least developed countries. UNESCO does not have a formal policy regarding the conditions under which such payments will be made but, according to the Assistant Director-General for Cooperation for Development and External Relations, UNESCO generally does not pay the expenses of delegations attending the General Conference. The Assistant Director-General indicated UNESCO paid these countries' expenses because they lack sufficient hard currency to finance their delegation. He stated that UNESCO was studying ways to help these countries but was still far from reaching a decision.

Fellowship payments

At the Committees' request, we examined 15 Special Account payments of \$6,000 each, made to Senegalese nationals. Documents showed, in all but one case, that the payments were financial contributions to either the Senegalese National Commission in Dakar or the Senegalese Permanent Delegation in Paris on behalf of specifically named individuals to pursue studies in specific fields. In one instance, payment was made directly to the student.

UNESCO does not require any positive confirmation, such as a university transcript, that the funds have been used for the intended purpose. The only requirement is an after-the-fact certification from the member state that the funds were used for the purposes intended. In a 1984 audit observation, the external auditor noted that member states had not submitted the required certification in many cases.

The Committees were also interested in which member states had received the largest amount of funds from the Special Account for activities ranging from fellowships to cultural restoration projects. A total of 105 countries or organizations have received Special Account funds; the top 10 recipients being are as follows.

Top Ten Recipients
of Special Account Funds
through December 1983

1. Yugoslavia	\$265,814
2. Mauritania	239,119
3. Yemen Arab Republic	233,277
4. Morocco	232,654
5. Senegal	224,292
6. Tanzania	213,200
7. Sri Lanka	209,334
8. Palestine Liberation Organization	188,100
9. Dominica	183,598
10. Vietnam	183,388

Obligations transferred from
Special Account to regular program

On February 1, 1984, the Director of the Bureau of the Budget directed the Comptroller to transfer the expenditures and obligations for 11 projects, totalling \$110,700 and originally charged to the Special Account, an extrabudgetary account, during the 1981-83 financial period, to the Participation Program, which is part of the regular budget. According to the Secretariat, member states had initially requested funding for the 11 projects under the Participation Program but, because of a lack of funds, the projects were charged to the Special Account. Participation Program funds became available later, after certain obligations were liquidated and some previously approved projects were not implemented. Therefore, the Secretariat considered it appropriate to transfer the expenditures and obligations for these projects to the Special Account.

UNESCO's regulations state that budgetary transfers may not be made between extrabudgetary accounts and the regular budget accounts. However, the UNESCO Comptroller told us that the Secretariat interprets this regulation to apply to the transfer

of appropriations rather than expenditures. According to the Assistant Director-General for Administration, the transfer was justified because the Special Account is an extension of the Participation Program. The Secretariat also noted that transfers of expenditures and obligations between regular and extrabudgetary accounts, although not frequent, are made as necessary. The Comptroller told us that transfers between regular and extrabudgetary accounts were not a widespread practice but are made on occasion to correct errors.

OBSERVATIONS

The Executive Board's request for and the Director-General's approval of a payment from the Special Account for Increased Aid to Developing Countries to the Executive Board member does not appear consistent with Executive Board rules. In addition, payments have been made to General Conference delegates without a policy having been established. As is the case with the Participation Program, many payments are made in cash with little accountability. The only documentation for more than half of the projects funded is a statement by the member state that the funds were spent for the intended purpose. Controls over the Special Account for Increased Aid to Developing Countries should be strengthened to ensure that payments made from the account are in accordance with UNESCO's rules and purposes, particularly since funds are now being regularly transferred to the account from other sources.

THE FELLOWSHIP PROGRAM

UNESCO's constitution states that one of the Organization's purposes is to "maintain, increase, and diffuse knowledge... by encouraging cooperation among nations in all branches of intellectual activity including the international exchange of persons active in the fields of education, science and culture." Throughout UNESCO's history, a vital part of this exchange has been the awarding and administering of fellowships, study grants, and travel grants.

UNESCO's fellowships and study grants involve study in fields encompassing UNESCO's overall program--educational, natural science, culture, communication, and social sciences. A fellowship is given generally for long-term study leading to a degree from an accredited educational institution, while study grants allow member states to organize short observation tours abroad for nationals occupying positions of high professional responsibility.

We reviewed UNESCO's fellowship and study grant program to address committee concerns regarding (1) distribution of fellowships among member states and (2) UNESCO's arrangements for making fellowship payments.

Training data is incomplete

According to UNESCO's directory of fellowships and study grants, between 1981 and 1983 UNESCO's Fellowship Division awarded 2,879 fellowships and study grants to recipients in 132 countries. This represents only a portion of the total fellowships and grants awarded because

--the five program sectors award grants apart from those of the Fellowship Division and maintain no comprehensive records of their awards and

--the Sector for Cooperation for Development and External Relations maintains budget codes for fellowships, but not all fellowships awarded under the Participation Program and Special Account for Increased Aid to Developing Countries are charged to this code.

The education, science, social science, culture, and communication sectors award study tours, travel grants, research grants, and grants-in-aid directly to recipients. Fellowship Division officials stated that their study grants and the sector's study tours differ only in their titles. However, the Secretariat was unable to provide us data on the grants awarded by the program sectors and, in a written response to our request, stated that:

"The compiling and verification of the type of data requested would require technical staff resources that UNESCO unfortunately does not presently have available or the resources to hire such extra staff."

Fellowships awarded under the Participation Program and Special Account as financial contributions to member states are not charged to the fellowship budget code. For example, the Senegalese fellowships discussed on page 100 were not listed as fellowships because they were financial contributions. Also, the award of a fellowship to a Tanzanian member of the Executive Board from the special account was listed under a sundry (miscellaneous) budget code rather than the fellowship code.

Of the Fellowship Division's 2,879 fellowships and study grants, nearly 44 percent were awarded to nationals in Asian countries. The table on the following page shows the distribution among the highest recipients between 1981 and 1983.

Top Ten Recipients of
Fellowships and Study Grants
1981-83

<u>Recipient</u>	<u>Awards</u>	<u>Percent of total awards</u>
1. Indonesia	279	23.0
2. China	241	20.0
3. India	166	13.7
4. Pakistan	121	10.0
5. Palestine Liberation Organization	86	7.0
6. Sri Lanka	78	6.4
7. Thailand	72	6.0
8. Greece	72	6.0
9. Afghanistan	48	4.0
10. Tanzania	47	3.9
Total	1,210	100.0

According to UNESCO officials, Asian countries receive many fellowships and study grants because there are a large number of development projects with training components in these countries.

Administration of
fellowships and grants

Within the sector for Cooperation for Development and External Relations, the Fellowship Division is responsible for developing and applying criteria, rules, and procedures governing the fellowship operation; providing advice on the substance of training, including placement of fellows; and maintaining contact with fellows during and after their study.

To receive a UNESCO fellowship, a member state must first nominate a candidate and submit to the Fellowship Division a fellowship application, copies of degrees or diplomas, and language and health certificates. The Fellowship Division reviews the application for completeness and requests that a program specialist in the appropriate sector review the candidate's qualifications and develop a study program. The program specialists do not have standard criteria by which to judge a candidate's qualifications but rely on their expertise to decide whether or not a candidate is qualified.

Since 65 percent of UNESCO fellows study in the United States, the United Kingdom, and France, UNESCO employs administering agencies in these countries to place fellows at educational institutions. The Institute of International Education in New York administers UNESCO fellowships in the United States.

Fellows are required to submit progress reports to UNESCO after 6 months and immediately prior to leaving their host country. However, according to a fellowship official, the response rate for the progress report due prior to leaving the host country has been poor. UNESCO relies on the administering agency to attest to the fellow's needs and to ensure attendance at the educational institution.

In processing payments, the fellowship division's certifying officer prepares documentation to obligate funds and the Comptroller pays the appropriate amount. UNESCO has established imprest funds in the United States, the United Kingdom, and France for use by the administering agency, which are replenished periodically by UNESCO. The agencies in the United States and France provided this service without charge to UNESCO; the agency in the United Kingdom charges UNESCO for administration.

We studied the agreements UNESCO has with each of these agencies and discussed the procedures for operation of the imprest fund with the certifying officer of the Fellowship Division and an official with the Bureau of the Comptroller. We found that the agencies submit monthly expenditure statements to the Bureau and the Comptroller which he then forwards to the certifying officer for verification. The certifying officer reviews the charges to make sure they coincide with agreed upon amounts but does not require the agencies to forward supporting documentation.

OBSERVATIONS

We were unable to determine the total number and distribution of UNESCO fellowships and grants because the program sectors (1) do not maintain central records of the awards granted and (2) do not charge all fellowships to the fellowship budget code. It appears that as a result of these recording gaps, UNESCO's official directory of fellowships and study grants underestimates the amount of training UNESCO provides each year. UNESCO's lack of criteria and central control over fellowship and grant awards also raises questions as to whether UNESCO can be assured of their effective use.

SECRETARIAT COMMENTS AND OUR EVALUATION

The Secretariat commented that reimbursing travel expenses for least developed country delegates to attend UNESCO's General

Conference was fully in accordance with the U.N. General Assembly's request that U.N. organizations provide special measures and assistance for such countries. Our point is that UNESCO does not have a formal policy regarding such payments. If the Secretariat believes UNESCO should take special measures in this regard as a result of the General Assembly resolution, we believe it would be good management practice to develop a formal and consistent policy for dealing with situations where countries have insufficient hard currency to send General Conference delegates. In other words, established criteria for making such payments would be preferable to the present ad hoc approach.

The Secretariat also commented that our report implies that the Director-General decides what Participation Program projects to undertake without referring to established review procedures or the Secretariat staff's role in the process. Similarly, the Secretariat believes we ignore the role played by its staff and their recommendations in the Director-General's approval of Special Account projects. We realize that others are involved in the process of recommending Participation Program and Special Account projects and we have incorporated greater detail in the report on how the process works. However, based on our review of records, we believe that the Director-General has a great deal of latitude in approving Participation Program and Special Account projects.

The Secretariat also commented that the Executive Board established the regulations governing the Special Account and would, therefore, have to approve a modification requiring additional documentation from beneficiary countries using the funds. We believe the Secretariat should seek whatever approval is necessary from the Board to improve controls over the use of Special Account funds.

In commenting on a draft of this report, the Secretariat said that the Director-General plans to begin suspending financial contributions from the Special Account to member states that have not submitted financial statements for the period before the mid-point of the previous financial period. We believe this is a positive step, but it does not satisfy our major concern that UNESCO should require some positive confirmation, such as a university transcript, that financial contributions have been used for the intended purposes.

OTHER PERSONNEL MATTERS

The Committees were interested in a description of UNESCO's promotion system, the geographical distribution of UNESCO's employees including supplemental staff, and employee organizations and grievance boards.

PROMOTION SYSTEM

UNESCO defines a promotion as advancement to a higher grade. Under the post classification system, an employee can advance only if transferred to a higher graded post or is an incumbent in a reclassified post. In addition, the Director-General may grant a "personal promotion" to individuals approaching retirement whereby an employee is paid a higher salary but remains in the same post. Also, employees performing functions at a level above their post may receive a special allowance. In 1983, 12.8 percent of the professional staff and 9 percent of the general service staff received promotions. The number of promotions by category of employee is shown below.

UNESCO Promotions--1983

<u>Type of promotion</u>	<u>Professional</u>	<u>General service</u>	<u>Total</u>
Transfer	67	34	101
Reclassification	90	146	236
Personal	<u>11</u>	<u>11</u>	<u>22</u>
Total	<u>168</u>	<u>191</u>	<u>359</u>

Transfer to a higher graded post

According to UNESCO's personnel rules, a promotion by appointment to another post of a higher grade is effected through the normal appointment procedures for filling vacant posts. In addition to the 64 new staff appointed in 1983, 101 UNESCO staff received appointments to higher graded posts.

Reclassification

A post is to be reclassified, either upgraded or downgraded, when the actual duties and responsibilities of the post

are not compatible with post classification standards. Both sectors and individual employees can request a reclassification. There is no limit on employee-initiated upgrades; however, the Director-General has set a ceiling equal to 3 percent of total posts on sector-initiated upgrades. Any upgrade which exceeds the 3 percent ceiling must be compensated for by a corresponding downgrade. As shown in the table, the Director-General approved 236 upgrades in 1983, with 148 initiated by sectors and 88 by employees. Of the sector-initiated 148 upgrades, 79 fell within the Director-General's 3 percent ceiling, 40 were compensated with corresponding downgrades, and 29 exceeded the Director-General's ceiling. The 29 were compensated for with other measures, such as using reclassification funds already held in reserve by the sector or by using extrabudgetary resources.

UNESCO officials told us the 1984-85 budget for staff costs contains a "reserve for reclassification" account amounting to \$600,000 out of a total staff cost budget of \$189 million. UNESCO officials also told us this amount would not cover the increased costs and said the difference would be made up by creating some of the new posts included in the budget at a lesser grade than authorized and by "other Bureau of the Budget measures."

The Director-General established criteria for reclassification promotions in an August 1981 administrative circular which states that employees must

- have at least 3 years of service in the post,
- have at least 5 years of seniority in grade, and
- serve satisfactorily in the reclassified post 6 months following reclassification.

According to the Secretariat:

". . . holders of reclassified posts who do not satisfy the conditions of seniority for immediate promotion, and whose service during the 6-month period has been evaluated as entirely satisfactory, shall receive a special post allowance commencing from the seventh month following the reclassification of the post."

The Director-General can also authorize "individual exceptions as appropriate," or he can advertise the reclassified post and

recruit someone other than the incumbent whenever he considers it to be in the interest of the Organization.

The Bureaus of Personnel and Budget jointly evaluate all reclassification requests and forward their recommendations to the Director-General for the final decision. When the Bureau of Personnel denies an employee upgrade request for a professional post at level P-5 or below or any general service level, the request is submitted to the Consultative Committee on Classifications for further review. The Committee serves as advisor to the Bureau of Personnel, and employees have the opportunity to justify the upgrade before the Committee. In 1983, the Bureau of Personnel denied 96 individual claims for reclassification. Under UNESCO's rules, the denied claims were submitted to the Consultative Committee for review, which confirmed the Bureau of Personnel's assessment in 56 cases but favorably recommended 40 cases. After a reexamination of these 40 cases, the Bureau of Personnel concurred with the Committee's favorable recommendation for 10 of them.

Personal promotion

The Director-General generally grants personal promotions to employees nearing retirement age who have served UNESCO over a long period of time. Generally, an employee is paid a higher salary after a personal promotion but remains in the same post. Thus personal promotions are different from post reclassifications because they do not inflate the Organization's grade structure.

Special post allowance

A special post allowance may be given a staff member who is temporarily performing functions at a level higher than his post or to staff members who are serving in a post which has been reclassified to a higher level but who do not have the required seniority for a higher grade. UNESCO regulations state the allowance can be paid up to 12 months and terminates if

- the post is abolished,
- the post is downgraded to the staff member's grade,
- the staff member is promoted and transferred to the post,
or
- the post is filled by another transfer or outside recruitment.

The Bureau of Personnel is responsible for determining a staff member's eligibility for a special allowance, but we were told that in actual practice an Assistant Director-General or the Director-General makes the final decision.

We identified 17 staff members who received special post allowances during 1983, but there were no statistics available on the number of times the above actions were taken. Seven of the 17 employees were general service staff receiving the allowance for filling professional posts that had become vacant. For example, a GS-6 employee had been paid the equivalent of a P-3 salary for more than a year to perform most of the duties of a vacant P-5 post. The sector had requested the GS-6 post be upgraded to a P-3 post. We were told the Director-General had not yet approved the reclassification because the post is subject to geographical distribution and the incumbent is from an over-represented country (representation is discussed below).

GEOGRAPHICAL DISTRIBUTION OF PROFESSIONAL POSTS

The UNESCO constitution states that subject to meeting the highest qualification standards, the appointment of UNESCO's staff shall be made on as wide a geographical basis as possible. Thus, the distribution of posts is designed to achieve equitable representation for all 161 member states. A quota system was initially adopted at a 1960 General Conference when maximum and minimum quotas were established on the basis of each member state's budget contribution. At that time, 400 posts were subject to geographical distribution among 100 member states. In subsequent years, the General Conference modified the method of calculating quotas, and the number of posts subject to geographical distribution has increased.

Member states have for many years expressed the need to improve geographical distribution, and in a 1982 report the Joint Inspection Unit noted that unrepresented and under-represented member states are a serious concern to members. The Joint Inspection Unit also noted in its report that while the over representation of some countries has decreased considerably since 1971, appointments to over-represented countries continued and that corrections were being implemented slowly. As of April 1984, nearly 100 of the 950 posts subject to geographical distribution were vacant, contributing to the difficulty in achieving equitable distribution.

The number of posts subject to geographical distribution is determined by the Director-General subject to approval by the

General Conference and represents only posts in the professional category and above, including field offices, which are financed entirely from the regular budget. The number, fixed at 950 since January 1, 1979, was increased to 1,100 effective January 1, 1984.

The 1,100 posts are distributed among member states in proportion to their budget contribution except for those members whose budget contribution is less than 1.1 percent. For these members a standard quota of posts is subtracted from the 1,100 before the distribution based on contributions is made. Since 1979, the standard quota called for a minimum of three posts and a maximum of five posts. Effective January 1, 1984, the standard quota was modified to range from two to eight which, as shown below, resulted in significant reduction in the number of over- and under-represented member states. However, the number of unrepresented states remained the same.

	<u>Member States' Representation In the Secretariat</u>			<u>Percent change from Dec. 1983 to Apr. 1984</u>
	<u>March 1983</u>	<u>December 1983</u>	<u>April 1984</u>	
Member states over-represented (above their maximum quota)	18 (14%)	26 (16%)	13 (08%)	-50%
Member states represented within desirable range (between their maximum and minimum quota)	54 (41%)	71 (44%)	100 (62%)	+41%
Member states under-represented (under their minimum quota)	<u>36 (28%)</u>	<u>33 (21%)</u>	<u>17 (11%)</u>	-48%
Member states represented	108 (83%)	130 (81%)	130 (81%)	
Member states unrepresented	<u>22 (17%)</u>	<u>31 (19%)</u>	<u>31 (19%)</u>	
Total	130 ====	161 ====	161 ====	

Geographical distribution of high-level posts¹

The Committees' concern, expressed by many Executive Board members as well, is the distribution of high-level posts and the apparent concentration of certain nationalities in these posts.

¹The Department of State generally defines high-level posts as P-5 and above.

A General Conference resolution also states that "the principle of equitable distribution should be observed . . . in regard to posts at all levels." High-level posts are defined as those posts at the senior and policy-formulating levels and above.

As shown below, total representation for the five regional groups falls within the desirable range as determined by the General Conference. Each of the groups also shares a fairly equitable number of high-level posts as a percentage of total posts occupied. However, the distribution of high-level posts (P-5 and above) is less equitable with respect to the over-represented and highest contributing member states.

Summary of High-Level Posts Occupied by
Nationals by Regional Groupings

<u>Group</u>	<u>Desirable range of total representation</u>	<u>Total professional posts occupied</u>	<u>High-level posts occupied</u>	<u>High-level posts as percent of total posts occupied</u>
Group I: Western countries	237-453	343	153	45
Group II: East European countries	60-129	68	30	44
Group III: Latin American and Caribbean countries	55-208	106	37	35
Group IV: Asian and Pacific countries	73-198	122	54	44
Group V: Arab and African countries	96-384	<u>213</u>	<u>94</u>	44
Total		852 =====	368 =====	

Over-represented
member states

Over-represented member states are those occupying posts exceeding the desirable range established by the General Conference for that particular country. Since the January 1984 quota modification, 13 countries are over-represented. As shown below, 7 of the 13 countries also hold more than 50 percent of their posts at the high levels.

Distribution of High-Level Posts by
Over-Represented Member States

<u>Member states</u>	<u>Desirable range of total representation</u>	<u>Total professional posts occupied</u>	<u>High-level posts occupied</u>	<u>High-level posts as a percent of total professional posts occupied</u>
1. United Kingdom	16-26	30	11	37
2. France	22-37	53	24	45
3. India	02-08	17	12	71
4. Spain	07-11	19	13	68
5. Algeria	02-08	14	08	57
6. Argentina	02-08	13	06	46
7. Belgium	04-08	11	08	73
8. Egypt	02-08	11	06	55
9. Haiti	02-08	09	02	22
10. Lebanon	02-08	09	03	33
11. Morocco	02-08	09	07	78
12. Jordan	02-08	09	05	56
13. Ghana	02-08	09	03	33
Total		213	108	
		====	====	

Distribution of High-Level Posts
Among the Highest Contributors

<u>Member states</u>	<u>Desirable range of total representation</u>	<u>Total professional posts occupied</u>	<u>High-level posts occupied</u>	<u>High-level posts as a percent of total professional posts occupied</u>
United States	85-114	83	30	36
Japan	35-46	23	06	26
Soviet Union	35-47	36	13	36
West Germany	29-48	31	17	55
France	22-37	53	24	45
United Kingdom	16-26	30	11	37
Italy	13-21	17	09	53
Canada	10-17	15	04	27
Australia	05-09	09	05	56
Netherlands	06-10	09	05	56
Spain	07-11	19	13	68
Total		325	137	
		====	====	

Highest contributing member states

Among the 11 highest contributing member states, 3 are over-represented--France, the United Kingdom, and Spain; 2 are under-represented--Japan and the United States; and the balance--6 countries--are represented within the desirable range established by the General Conference. Also, as shown above, five of the highest contributors hold more than 50 percent of their posts at the high levels.

Geographical distribution of Assistant Directors-General

Another interest of the Committees was the geographical distribution of Assistant Directors-General. As of November 1984, there were eight Assistant Directors-General and one Assistant Director-General holding a temporary Deputy Director-General appointment. (See chart on page 23.) Three of the groups, representing Western, Asian and Pacific, and Arab and African countries, have increased their representation since 1973. As shown in the table below, in 1984 nationals from Western and Arab and African countries had the highest number of Assistant Directors-General.

The Geographical Distribution of Assistant Directors-General

<u>Year</u>	<u>Group I</u> (Western countries)	<u>Group II</u> (East European countries)	<u>Group III</u> (Latin American and Caribbean countries)	<u>Group IV</u> (Asian and Pacific countries)	<u>Group V</u> (Arab and African countries)	<u>Total</u>
1973	2	1	1	0	2	6
1979	2	2	1	2	1	8
1983	2	3	1	2	2	10
1984	3 ^a	1	0	2	3	9

^aIncludes the Assistant Director-General holding a temporary Deputy Director-General appointment.

Supernumeraries

The table below shows the 12 member states with the most supernumeraries during 1983.

The Nationalities of Supernumeraries
from the Top 12 Countries
During 1983

<u>Nationality</u>	<u>Professional</u>	<u>General service</u>	<u>Total</u>
France	162	360	522
United Kingdom	54	40	94
China	30	49	79
Soviet Union	43	16	59
United States	23	31	54
Egypt	28	18	46
Argentina	20	19	39
Spain	11	20	31
Lebanon	13	11	24
Senegal	3	20	23
Algeria	3	16	19
Morocco	<u>4</u>	<u>14</u>	<u>18</u>
Total	<u>394</u>	<u>614</u>	1,008
Others (81 countries)	<u>93</u>	<u>325</u>	<u>418</u>
Total	<u>487</u>	<u>939</u>	<u>1,426</u>

The tables below show the geographical distribution of regular program consultants for the period 1981 to 1983.

Distribution of Consultants by Region
Regular Program
1981-1983

<u>Region</u>	<u>Number of member states</u>	<u>Number of consultants</u>	<u>Percent of total</u>
Group I (Western countries)	28	624	58.5
Group II (East European countries)	11	41	3.8
Group III (Latin American and Caribbean countries)	34	148	13.9
Group IV (Asian and Pacific countries)	26	64	6.0
Group V (Arab and African countries)	<u>62</u>	<u>190</u>	<u>17.8</u>
Total	<u>161</u>	<u>1,067</u>	<u>100</u>

Distribution of Consultants by Nationality
Regular Program
1981-1983

<u>Countries</u>	<u>Number of consultants</u>	<u>Percent of total</u>
France	210	19.7
United Kingdom	132	12.4
United States	69	6.4
Argentina	33	3.1
India	32	3.0
Belgium	29	2.7
Australia	28	2.6
Egypt	27	2.5
Canada	23	2.2
Senegal	21	2.0
Spain	19	1.8
West Germany	18	1.7
Total for 12 countries	641	60.1
Remaining countries	426	39.9
Total	<u>1,067</u>	<u>100.0</u>

EMPLOYEE ORGANIZATIONS,
GRIEVANCE BOARD, AND MEDIATOR

Though major decisions regarding personnel management are made at UNESCO's highest levels, staff present their views on these decisions through staff associations and air grievances through an appeals board and to a lesser degree through a mediator.

Staff associations

UNESCO has two employee associations, the UNESCO Staff Association founded in 1946, with approximately 1,300 professional and general service staff members and the International Staff Association of UNESCO founded in 1980, with about 460 professional and general service staff members. The associations, which together represent 51 percent of professional and general service staff, have observers on the personnel advisory boards (see p.) and are consulted on appointments to the Consultative Committee on Classification discussed on page 36. They are also consulted on staff appointments to the Appeals Board discussed below.

Appeals Board

UNESCO employees can appeal administrative or disciplinary actions taken against them to an Appeals Board composed of a chairman and alternate appointed by the Executive Board and four staff members. The Board Chairman and Director-General each select two staff members from employee-elected panels consisting of 15 members each from the professional and general service categories.

The appellant may be assisted by a fellow employee during the board proceedings but not by an outside attorney. The Board's recommendation, which can include dissenting opinions, is advisory to the Director-General. If the Director-General rules against the appellant, he or she may take the case to the Administrative Tribunal of the International Labor Organization, before which he may elect to be represented by an attorney. The tribunal's ruling is binding.

UNESCO mediator

The post of mediator was established in 1976 to

- receive and examine observations and complaints of staff members concerning problems and difficulties of an administrative and personnel nature which they may encounter, apart from those which may give rise to legal appeal procedures;
- identify and analyze any difficulties in working relations within the various units of the Secretariat;
- encourage or facilitate contacts between the staff members concerned with the authorities in charge of the administrative services units;
- suggest, when necessary, adopting new administrative regulations or amending existing regulations to prevent the development of situations which are a source of difficulties; and
- approach the appropriate administrator for help in finding a negotiated solution, or the Director-General to propose the adoption of individual or collective measures.

Both present and former staff members can seek assistance from the mediator, who has informal contact with the staff associations. Since the mediator reports directly to the

Director-General and serves as his advisor, both the mediator's level of independence and employee confidentiality is reduced.

In commenting on a draft of this report, the Secretariat said that the administrative link between the mediator and the Director-General does not affect the mediator's functional autonomy. The post of mediator, according to the Secretariat, was established by the Director-General to serve as an additional independent channel for dialogue and conciliation and is an avenue of access to the Director-General outside the formal administrative channels.

According to the mediator, of the 316 cases brought before him during the last triennium, 211 were resolved in the employee's favor, 43 against, and 62 are still under study.

UNESCO CONFERENCES, TRAVEL PROCEDURES, ANDCONTRACT OVERHEAD RATES

The Committees had specific questions related to UNESCO's conferences, travel procedures, and contract overhead rates.

CONFERENCES

Holding conferences and other meetings is one of the principal methods UNESCO uses to implement its program. We considered how UNESCO limits conference participation to control costs and how the costs of conferences are managed. Also, we were asked to review specific allegations concerning expenses incurred by UNESCO on the World Conference on Cultural Policies held in Mexico City from July 26 to August 6, 1982.

Conferences organized by UNESCO are divided into eight categories.

- I. International conferences of member states
- II. Intergovernmental meetings other than international conferences of member states
- III. Nongovernmental conferences
- IV. International congresses
- V. Advisory committees
- VI. Expert committees
- VII. Seminars and training or refresher courses
- VIII. Symposia

The first three categories are called meetings of a representative character, which means that the chief participants are states, governments, international government organizations, or international nongovernment organizations. The remaining categories are of a nonrepresentative character at which the chief participants act in a private capacity.

Policy on paying
travel to conferences

UNESCO's policy is to pay the travel costs of UNESCO staff members and consultants attending meetings as technical advisers to the Secretariat. The Organization will also pay travel costs of chief participants in category V, VI, or VII meetings. However, it will not pay the travel costs of chief participants or observers in category I, II, or III meetings. On an ad hoc

basis, UNESCO may also pay travel costs of other participants in a category IV or VIII meeting.

The 1982 World Conference on Cultural Policies held in Mexico City was a category II conference. We found that contrary to its policy, UNESCO paid the travel costs, totaling \$32,900, for nine delegates from six countries and the African National Conference. The payments were approved by the Director-General and financed from the Participation Program.

The 1984-85 budget for conferences and meetings

UNESCO appears to have tried to restrict the number of conferences and meetings in the 1984-85 budgeting process. A December 1982 letter from the Director-General instructed senior Secretariat officials that the number of conferences and meetings should be strictly limited in the draft program and budget for 1984-85. In their preparation of 1984 program activity details, sectors were also instructed to reduce the number of conferences and meetings below what was approved in the 1984-85 budget. The following table shows the number of meetings held and planned for 1981 through 1985.

UNESCO Meetings 1981-1985

<u>Year</u>	<u>Number of meetings</u>	
	<u>Directly organized by UNESCO</u>	<u>Indirectly organized by UNESCO^a</u>
1981	117	79
1982	150	180
1983	145	126
1984	116	128
1985	110 (est.)	No estimate available

^asponsored by UNESCO but organized by another group or organization.

The World Conference on Cultural Policies

The 1981-83 approved program and budget provided \$54,800 for the World Conference on Cultural Policies. However, actual costs totaled nearly \$600,000, including \$208,000 in travel costs paid by the government of Mexico. Major conference costs included salaries for 43 interpreters, \$103,000; hospitality, \$60,000; and travel and per diem for free-lance interpreters, \$40,000. In addition, the Director-General approved an emergency addition of \$15,000 to the budget after the conference began to cover temporary assistance and other local expenditures in Mexico.

According to Secretariat officials and Bureau of the Budget files, actual costs of the conference increased from the original budget estimates because:

- The conference, originally planned for Paris with 400 attendees, was, at the invitation of Mexico, held in Mexico City with 700 attendees. This increased UNESCO's costs significantly despite Mexico's contribution.
- The Director-General added an extra day to the conference, which increased costs by \$40,000, to handle over 200 draft resolutions submitted just before the closure date.
- The estimate in the 1981-83 approved program and budget was based on budget standards which were no longer applicable when the conference took place in 1982. A Bureau of the Budget official estimated that by 1982 budget standards the estimated cost would have doubled.

Our review of budget files showed that by early 1982 the Secretariat knew the costs of the conference would substantially exceed the amount in the approved budget. In discussing the circumstances of this conference, a Bureau of the Budget official said that there never was a question about the cost or value of the conference within the Secretariat and that all major decisions were made by the Director-General or with his knowledge. We did not discuss the circumstances of the cost increases for the conference with the Director-General.

In addition to the Mexican government's contribution, UNESCO reprogrammed certain budgeted activities to meet the increased costs of the conference. The reprogrammed costs and the Mexican government contribution are shown below.

Sources of Conference Funds

Original budget provision	\$ 54,800
Amounts saved by not publishing certain issues of the journal "Cultures"	103,600
Elimination of a "Round Table on Cinema"	15,000
Curtailment or cancellation of 16 projects in the culture sector	156,337
Transfer of savings from vacant positions	52,491
Contributions by Mexican government	<u>207,990</u>
Total	<u><u>\$590,218</u></u>

GAO observations

By holding the cultural conference in Mexico, substantial additional costs were incurred above the amount contributed by the government of Mexico. Although there is no requirement that the Director-General consult the Executive Board in situations such as this one, we believe he should have informed the Board of the substantial difference between the original budget and subsequent cost estimates before the conference was held.

TRAVEL COSTS

According to the Secretariat, from 1981 through 1983, UNESCO's travel costs, including travel of Executive Board members, totaled \$29.4 million. In response to the Committees' interests, we reviewed UNESCO's travel regulations and policies and the process for approving travel orders and reviewing travel claims.

UNESCO's travel regulations state that both staff and non-staff members, such as consultants and conference participants, are entitled to reimbursement for official travel. Such travel includes a wide variety of activities, including visits to

- prepare and implement projects,
- attend meetings organized by UNESCO or other international or nongovernment organizations,
- advise member states,
- meet with national commissions, and
- attend official events in member states.

The following is a summary of UNESCO's 1981-83 travel expenditures provided by the Secretariat.

UNESCO's 1981-83 Travel Expenditures

<u>Category</u>	<u>Reported cost of travel</u> (millions)
Travel to conferences and meetings organized by UNESCO (including Executive Board member travel)	\$11.0
Travel to seminars and training courses	3.8
Travel to conferences and meetings organized by the U.N. and other agencies	1.3
Travel to advise member states	1.7
Travel for other official purposes	4.4
Travel of interpreters, translators, and documentation staff	2.3
Travel of consultants	<u>4.9</u>
Total	<u>\$29.4</u>

Travel and subsistence
rates vary

UNESCO travel and subsistence allowances are established by the United Nations and vary by geographic area. Below are examples of daily subsistence allowances in effect on February 1, 1984.

Daily Subsistence Rates
as of February 1, 1984

<u>City or country</u>	<u>Rate</u>
Cairo	\$110
London	120
New York City	138
Paris	67
Tokyo	112
Bulgaria	71
Chile	83

UNESCO supplements the U.N. rates according to the rank or status of the official traveling. Following is a summary of travel entitlements by staff category.

Travel and Subsistence
Entitlements for UNESCO Officials

<u>Category of UNESCO official</u>	<u>Travel entitlements</u>	<u>Subsistence allowances</u> <u>Daily rate received^a</u>
Director-General	First-class accommodations on all flights	Standard rate plus 40 percent plus \$5.00
Assistant Directors-General	First-class accommodations on all flights outside of Europe and the Mediterranean area, tourist and economy class within this area ^b	Standard rate plus 40 percent
D-2 and D-1 authorized	Tourist and economy class	Standard rate plus 15 percent
P-5 and below, including non-staff members	Tourist and economy class ^b	Standard rate

^aAccording to a UNESCO personnel official, standards are established by the International Civil Service Commission.

^bThe Director-General may authorize first-class travel for medical or protocol reasons.

According to UNESCO travel regulations, daily subsistence rates, regardless of category, are to be reduced by a certain percent if either lodging and/or meals are provided. For example, allowable rates are reduced by

- 30 percent if meals are provided by a government or other organization at no expense to the traveler,
- 50 percent if accommodation is provided by a government or other organization at no expense to the traveler, and
- 80 percent if both accommodation and meals are provided by a government or other organization at no expense to the traveler.

Travel vouchers require individuals to certify whether they received lodging and/or meals from a government or other organization.

Travel procedures

Travel plans and cost estimates are included in the annual Program Activity Details which are approved by the Director-General. Based on the approved plans and estimates, each sector and office prepares specific travel schedules on a bi-monthly basis. UNESCO procedures require that the schedules be approved

by a coordinating committee to avoid duplicate or concurrent travel. Travel orders are to be initiated only when the travel has been included on the bi-monthly travel schedule. However, an Assistant Director-General or office director can override the coordinating committee's recommendations and approve travel not included on the schedule.

According to UNESCO's manual and discussions with officials in the Bureau of the Comptroller, travel claims must be supported by appropriate documentation and are reviewed by both the program sector and the Bureau of the Comptroller before payment is made. The traveler is required to submit copies of receipts and bills and have the claim countersigned by a certifying officer before it is paid.

GAO observations

Our review showed that UNESCO has established policies and procedures governing travel by Organization officials which appear to provide the framework for adequate control of travel expenses.

OVERHEAD CHARGED ON FUNDS-IN-TRUST PROJECTS

UNESCO charges an overhead rate when it administers funds-in-trust projects. The purpose is to defray the Organization's expenses for planning, supervising, servicing, and administering activities which cannot be identified to any specific project. Depending on the nature of the project, the rate charged is either 13, 8, or 5 percent of project costs.

In response to Committee interest in whether UNESCO had an equitable approach in establishing overhead rates, we reviewed UNESCO's policies and procedures for establishing the rates and reviewed documentation pertaining to one large funds-in-trust project involving the development of a cultural center in Saudi Arabia. We also reviewed the external auditor's observations on the subject of funds-in-trust overhead rates.

Policies for charging overhead rates on funds-in-trust projects

The overhead rate UNESCO normally charges is 13 percent. However, if at least 50 percent of the project costs are for procuring equipment and supplies, an 8-percent rate is charged. This is because it costs less to administer such projects as compared to projects having larger personnel and training components. In addition, if the project involves a least developed country as defined by the United Nations a reduced rate, usually 5 percent, is charged. In commenting on a draft of this report, the Secretariat noted that it occasionally waives the overhead charges for least developed countries.

The overhead charged to a trust fund is credited to a separate funds-in-trust overhead costs account. The account is then charged with the staff costs of posts which support funds-in-trust activities. The purpose of this is to prevent the regular program from bearing the costs of administering these extrabudgetary activities.

External auditor's observations
on charging overhead costs

In reviewing the 1982 accounts, the external auditors observed that over the years the balance in the funds-in-trust overhead costs account had steadily risen, reaching \$7.2 million at December 31, 1982. As a result, they questioned whether UNESCO was charging enough administration costs to the account--that is, all staff costs devoted to administering funds-in-trust. The auditors were concerned that the regular program was bearing some of these costs and recommended that UNESCO transfer the unneeded surplus to the general fund. UNESCO did not agree to transfer the existing surplus, but agreed to consider transferring future surpluses and to consider recommending to the Executive Board and General Conference that the account eventually be merged with the regular program. However, the auditors told us that the member states wanted the overhead cost account to remain separate and in 1983 another \$1 million was added to the account. According to the Secretariat, the \$1 million was primarily interest earned on unused account funds.

In 1983, the auditors reviewed a large funds-in-trust project UNESCO is administering in Libya and on which it had been charging 8 percent overhead. The auditors found the 8 percent rate was considerably more than UNESCO's costs arising from the project. As a result of the auditor's observations, the Director-General decided to reduce the overhead rate from 8 to 5 percent.

GAO's review of propriety of
overhead rate charged on a
large funds-in-trust project

In December 1981 UNESCO signed an agreement with the Saudi Arabian King Faisal Foundation under which UNESCO was to prepare an Islamic research collection and design and furnish a research center, a gallery, and a theater. Because the project budget envisioned that more than 50 percent of costs would be for equipment and supplies, 8 percent instead of 13 percent overhead is being charged.

UNESCO financial reports indicate that the procurement of furniture, equipment, and supplies represents the largest portion of the project. For example, as of December 31, 1983, the procurement of furniture, equipment, and supplies represented

about 89 percent of both total expenditures and total obligations. Based on our analysis of purchase orders, it appears the financial reports fairly represent project costs that have either been spent or obligated for equipment, furniture, and supplies. Thus, it appears the overhead rate being charged on the project is in accordance with UNESCO's regulations.



United States Department of State

Comptroller

Washington, D.C. 20520

OCT 18 1984

Dear Frank:

I am replying to your letter of September 17, 1984, which forwarded copies of the draft report: "Review of UNESCO's Management, Budget, and Personnel Practices."

The enclosed comments on this report were prepared in the Bureau of International Organization Affairs.

We appreciate having had the opportunity to review and comment on the draft report. If I may be of further assistance, I trust you will let me know.

Sincerely,


Roger B. Feldman

Enclosure:

As stated.

Mr. Frank C. Conahan,

Director,

National Security and

International Affairs Division,

U.S. General Accounting Office,

Washington, D.C. 20548

GAO DRAFT REPORT: "REVIEW OF UNESCO'S
MANAGEMENT, BUDGET, AND PERSONNEL PRACTICES"

My colleagues and I have carefully reviewed the proposed GAO draft report, "Review of UNESCO's Management, Budgeting, and Personnel Practices," and find it to be based on sound research and analysis and generally in accord with the Administration's serious concerns with UNESCO. We note particularly the attention given to the role and findings of the external auditor, to the supplementary staff of UNESCO, and to selected areas of expenditure such as the Special Account for Increased Aid to Developing Countries. The report usefully describes the administrative practices within UNESCO and the real sources of the evident power of the office of the Director-General.

The study provides helpful information about problems that have also concerned us: the fellowship program, the participation program, and program evaluation, to cite some examples. We believe it draws balanced observations and conclusions on the basis of carefully documented evidence.

Importantly, the study correctly emphasizes, we believe, that not all the blame for these evident problems lies with the Director-General. We concur in the assertion, on page 34, that the "governing bodies have not been effectively executing their oversight roles." To correct this, we have introduced a number of serious reform proposals at the current 120th Executive Board Session.

We judge that the GAO report is likely to become an important reference document not only for the Administration but also for UNESCO. For this reason, we have provided to the GAO staff a detailed list of suggestions on the text, accompanied by explanations.



Gregory J. Newell
International
Organization Affairs.



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The Director-General

October 15, 1984

reference: DG.5/ADG/ADM/L/84/177

Dear Mr. Conahan,

I am responding to the request contained in your 17 September 1984 letter transmitting copies of the draft of your proposed report. Unesco senior officials have reviewed the report and I am providing general comments on the draft text as an annex to this letter. In addition, detailed comments, organized according to the page numbers used in the draft report, are also provided separately to explain further our observations. Unesco has concentrated its review on the main draft report itself rather than on the digest. The Unesco review, based on the text of the draft GAO report has revealed some passages which you may wish to change plus any corresponding changes in the digest, before issuing the final report.

The notice stamped on the cover of the draft report regarding limitations on the use and need for safeguards to be followed so as to prevent the premature or unauthorized use of the text of the draft report, was scrupulously respected by Unesco. Nevertheless, your 28 September 1984 message leaving it to my discretion to make public my comments and asking me to inform the Chairman of the Executive Board that you had no objections to his making the draft report available to the members of the Board, was transmitted to the Chairman. I subsequently informed the Board of your position. In order to enable the members of the Board to have all the information needed to assess the situation, I shall make available my comments, confidentially, at the time they are sent to you. Moreover, in view of the wide circulation given to your draft report, despite the formal ban placed upon its distribution, I also informed the Board that I saw no reason why your draft report should not be made available confidentially to them for information.

Mr. Frank C. Conahan
 Director
 National Security and International Affairs
 Division
 United States General Accounting Office
 WASHINGTON. D.C. 20548
 U.S.A.

I would like to thank you for affording Unesco the opportunity to comment on the draft report and to note the friendly and courteous manner in which the GAO staff conducted their duties while at Unesco House. This is a tribute, no doubt, to your leadership and the high quality of your staff.

Inasmuch as the review conducted by the GAO was based upon mutually agreed Terms of Reference, it might be useful to include them as an Annex to the report, in accordance with normal practice and a copy of the Terms of Reference is provided as an appendix to this letter. In this context, the cover page of the draft proposed report uses the caption, "Review of Unesco's Management, Budgeting and Personnel Practices". Based upon the Terms of Reference, perhaps a more appropriate title of the report would be "Review of the United States' Participation in Unesco".

In the digest of the draft report, it is stated that "GAO does not make specific recommendations in the report but has observations on certain management areas it believes need improvement". Perhaps this fact could be highlighted so that it can be grasped by readers of the report. Thus the tone and content of the GAO observations could reflect this fact and, perhaps, after taking account of the Unesco comments, the text might be re-examined so that all observations are cast in an appropriate style making it clear that observations, rather than specific recommendations, have been made only on certain management areas as indicated above.

At several places in the draft proposed report, references are made to various unidentified persons or Unesco officials whereas, on page 7 of the draft proposed report, the statement is made that the "review was performed in accordance with generally accepted audit standards". Therefore, unsubstantiated comments or imprecise references to factual material, texts, rules or documents are not in conformity with such generally accepted audit standards and they could be deleted.

The digest states on page viii (and this statement is repeated on page 33) that the Director-General and other officials told the GAO that the Director-General has had to assume a great deal of the decision-making because lower-level officials have refused to accept such responsibility. Since I was not interviewed by the GAO during the review, I could not have made the statement contained in the draft. In addition, I do not feel that this is a correct reflection of the actual situation. The quality of the report would be improved if all unsubstantiated comments could be re-examined and substantiated.

The draft proposed report also refers, in several places, to the work of the Unesco External Auditor appointed by the General Conference. Since some of these comments reflect the

Auditor's observations or may not convey the actual response made to either the Executive Board or the General Conference when explaining the factual situation, you may wish to request the External Auditor to review and comment on those specific issues.

Some of the GAO observations deal with personnel and budget questions that are currently being considered by the Executive Board or have been covered by decisions already taken. For example, authority for the appointment and extension of contracts up to the level of P-4 has been delegated to the Deputy Director-General and the Assistant Director-General for General Administration. While on this point, it should be clarified that previously, I did not approve all staff appointments because the Director of the Bureau of Personnel has exercised the delegated authority to appoint and extend contracts for general service staff for some time and candidates for professional posts in operational projects were selected by the Assistant Director-General of the Sector for Cooperation and External Relations before being submitted to the recipient Member States for their views.

Apparently, several important subjects covered in the draft report were not discussed with the proper Unesco officials responsible for the subject under consideration. For example, the statement contained on page xx and repeated on page 116 that, "under the current system employees are paid without a positive confirmation that they actually worked" or the statement on page 49 that a person was appointed to a post when that person "had not applied for the post" or the statement on page 151 that "Unesco does not have established criteria for granting personal promotions" could have been corrected and factual supporting evidence provided, if the question had been raised with the appropriate officials. The detailed comments in the annexes clarify these points. The Terms of Reference for the review stated that Unesco personnel, upon request from the GAO, would be authorized to co-operate within the framework of their official duties, taking into account Staff Regulation 1.5. The purpose of that provision was to ensure that the GAO staff would receive only correct, factual and substantiated data in the process of the review.

Because I consider the GAO review of United States' participation in the Organization as a constructive endeavour designed to improve the overall functioning of Unesco in several important areas, namely management, personnel, financial and budgeting systems, every effort has been made to co-operate with the GAO staff and to provide access to all data necessary

to carry out the task. I believe, therefore, that the GAO report will make an important contribution. Bearing in mind the substantial resources devoted by GAO and Unesco to this report, I remain willing to consider any recommendation that might improve the functioning of the Organization, provided that such recommendation is in conformity with Unesco's basic regulations and procedures as established by the General Conference.

Yours sincerely,

A. M. M'Bow

Amadou-Mahtar M'Bow

GAO Proposed Draft Report : "Review of United States' Participation in UNESCO"

The GAO report contains a number of positive comments about Unesco's administrative practices. For example, in Para. 2, page xxiii the report states that Unesco has a well designed financial control system which includes provisions for regular audits and that Unesco's Financial Rules and Regulations and detailed procedures include a variety of internal controls which generally appear to provide a reasonable framework for Unesco's financial control system. In Para. 3, page 55, the report states that Unesco has developed a systematic approach for recruiting, evaluating and selecting candidates for its regular staff. In Para. 2, page 121, the comment is made that according to the auditors, they have never been denied information needed to carry out their work, nor has Unesco restricted their activities. Also in Para. 1, page 122, it is noted that since 1978 (should be 1951) the External Auditors have always issued an unqualified opinion on Unesco's financial statements certifying that the financial statements are correct. In Para. 2, page 155, the report states that the total representation for the five Regional Groups falls within the desirable range as determined by the General Conference and that each of the Regional Groups also share a fairly equitable number of high-level posts as a percentage of the total. The GAO report indicates in Para. 1, page 167, that Unesco appears to have tried to restrict the number of conferences and meetings in the 1984-1985 budgeting process. In Para. 3, page 164, the GAO notes that their review showed that Unesco has established policies and procedures governing travel by Organization officials which appear to provide the framework for adequate control of travel expenses, and in Para. 3, page 177, the statement is made that it appears that the overhead rate being charged on the project (Saudi Arabia King Faisal Foundation) is in accordance with Unesco's Regulations. The above selected cases are only some examples of positive comments.

The GAO proposed draft report also recognizes that changes have been made which would improve the functioning of Unesco. For example, the report indicates in Para. 2, page xvi that in April 1984 a meeting held between the Director of the Budget and the "Geneva Group" of Member States where progress was made toward solving any problems related to budgeting techniques. Also in Para. 2, page 102 the report states that the Director-General's establishment of a Working Group on budgeting techniques represents an effort to improve budget presentation. Other examples of changes being made by Unesco are covered in the Report of the Temporary Committee of the Executive Board Responsible For Reviewing the Functioning of the Organization (120 EX/3); the Preliminary Report By the Director-General Concerning the Draft Programme and Budget for 1986-1987 (120 EX/5 and Corr. 1-4); and the Report By the Director-General on the Initiatives He Has Taken to Improve the Functioning of the Organization (120 EX/9). The above reports are being considered by the Executive Board at its September/October 1984 session, after which, the decisions taken will be implemented by the Secretariat. Copies of the above reports are available to the GAO as well as the decisions when they are approved.

A number of the constructive recommendations made in the GAO Report are presently under consideration or have already been implemented, such as the following:

(i) Para. 1, page xxv and para. 2, page 133, noting that additional documentation of expenditures from Member States receiving financial contributions under the Participation Programme and the Special Account should be obtained;

(ii) Para. 2, page xxiv, which recommends the acceleration of the recruitment procedures;

(iii) Para. 1, page 147, which suggests that the fellowship administering agencies should provide better documentation of their expenditures in their monthly expenditure statements;

(iv) Para. 2, page 147, which proposes the establishment of a centralized recording system for all Unesco fellowships, and;

(v) Para. 1, page xxv, suggesting improvements in the budget presentation that might show to Member States the changes from year to year and a budget system using consistent methods for calculating currency exchange rates.

On the whole, Unesco feels that the GAO draft report contains a comprehensive description of some aspects of the administrative procedures and practices plus a clear description of the Organization of the Secretariat in these areas. However, regarding the authority of the Director-General and his involvement in the decision-making process, some clarification is required. In Para. 2 on pages 27-28 the implication is contained that the Director-General has unrestricted power to make decisions in ten areas including a variety of personnel, programme and budget matters which is certainly not the case in fact. Regarding the management of the programme and operational activities, the delegation of authority to Programme Sectors is very broad: Assistant Director-General (ADG's) approve the Programme Activity Details (PADs) concerning the Regular Programme and amendments thereto, designate experts taking part in the great majority of meetings, and approve the agenda and documentation for these meetings. ADGs also select all the short-term staff. In operational activities, apart from the designation of candidates to expert posts, authority to approve training arrangements, types of equipment, modifications to the programme of activities, etc., is almost entirely in the hands of the programme specialists that are graded at P-4 and P-5 levels. Also, it would be physically impossible for the Director-General, himself, to do all the work and take all of the decisions ascribed to him in the report. The more correct or the real situation to be reflected is that the supporting staff in the Secretariat carry out the detailed reviews and analysis of such issues, and develop the logical decision permissible under the regulations, rules and procedures for submission to the Director-General. In almost all cases, these recommendations are approved by either the Director-General, the Deputy Director-General or the Assistant Director-General for General Administration.

Some citations in the report that are negative or biased are attributed to unnamed Secretariat officials. For example, in Para. 2, page ix in the comments on why the GAO feels that governing bodies exercise little oversight over Unesco activities; or, in Para. 3, page 33 where the GAO provides its explanation of the reasons for centralized decision-making and comments on the Director-General's authority without referring to the normal procedures applicable; also on Pages 48-49 where comments are made on recruitment delays. Additional examples of negative citations are the following: Para. 3, on page 60 where the GAO comments on replies to the questionnaire on the Medium-Term Plan received from Member State

Para. 3 on page 62 - where comments are made on programme planning as an additive process; Para. 3, on page 66 and in Para. 1, on page 67 referring to the personal opinion of some Unesco programme specialists on the formulation of expected programme results as shown in the budget document (C/5); in Para. 1 on page 130 commenting on the high percentage of financial contributions under the Participation Programme, and in Para. 1, page 169 regarding budget overruns for MONDIACULT.

The proposed draft report contains several factual errors as follows that could be corrected:

- Para. 2, page iv - states that Unesco plans to publish 127 books and hold 226 conferences. The correct figures are 128 book titles and 244 conferences;

- Para. 1, page xii (also para. 1, page 138) where it states that \$173,570 was paid for delegations from the least developed countries to attend the General Conference, the correct amount should be shown as \$160,320;

- Para. 2, page 11 states that "when 18 African States were admitted to Unesco in 1960, western domination ended". Only seventeen African States entered Unesco in 1960. The north-south dimension referred to did not emerge in the form of a cohesive grouping of Member States until the late 1960s and more particularly after 1974 with the appearance of the New International Economic Order concept. Nevertheless, the following African States joined Unesco in 1960: Guinea, Dahomey, People's Republic of the Congo, Ivory Coast, Mali, Senegal, Niger, Madagascar, Cameroon, Central African Republic, Nigeria, Upper Volta, Somali Democratic Republic, Gabon, Togo, Zaire and Chad;

- Para. 1, page 16 where it states that the Executive Board has established two Commissions, the Programme (PX) and the Finance and Administrative (F. & A.) plus a Special Committee. However, the Board also has established a Committee on Conventions and Recommendations (CRE) and the Non-governmental Organizations (NGO) Committee;

- Para. 1, page 20 where it states that Unesco has accords with 40 IGOs and 391 NGOs. Unesco has Accords with 47 IGOs and with 527 NGOs (41 in Category A, 233 in Category B, 253 Category C);

- Para. 2, page 21 where it states that extra-budgetary funds come from other UN programmes and Member States. Unesco is also authorized to receive extra-budgetary funds from the World Bank, non-governmental sources, the regional Development Banks such as IDB and AfDB, private institutions and firms assisting with development activities;

- Para. 3, page 24 where it states that Unesco began development work in the 1960s. However, the 4th General Conference of Unesco in 1949 approved Resolution V.12 entitled "Technical Assistance for economic development of underdeveloped Territories" which authorized Unesco's participation in the ECOSOC plan of 1949 to establish the Expanded Programme for Technical Assistance (a copy of the resolution is attached as an annex);

- Para. 1, page 39 where it states that Unesco had 49 field experts in 1983. This figure is different from the number of 391 field experts cited in the chart on page 38 of the draft report;

- Para. 4, page 43 and para. 1, page 44 where it states that Unesco has not established comprehensive procedures for recruitment but that a systematic process evolved over time. However, detailed personnel procedures are

contained in the Unesco Manual and in a large number of internal instructions, originating from different central services involved in the process. An Index of these instructions was compiled in 1982 by the Bureau of Personnel and is brought periodically up to date. Moreover, this assertion is somewhat in contradiction with what is written elsewhere, on page 55, para. 3 of the report ("Unesco has developed a systematic approach for recruiting, evaluating and selecting candidates for its regular staff posts");

- Para. 3, page 128 where it implies that the Director-General decides what Participation Programme projects to undertake without any reference being made to established review procedures or the role of Unesco staff in this process;

- Para. 3, page 134 where it states that all Special Account activities are decided by the Director-General. This again ignores the role played by the Secretariat and the effect of its recommendations in this process;

- Para. 4, page 132 where it indicates that allocations over \$100,000 were made to Member States under the Participation Programme. However, this statement includes only "national" projects thereby excluding regional and inter-regional projects which are very important for international cooperation;

- Para. 3, page 142 where it states that Unesco awarded 2879 fellowships to persons from 132 countries in 1981-1983. The number of fellowships were 2925 granted to persons from 128 countries and;

- Para. 3, page 153 where it states that the Director-General determines the number of posts subject to geographic distribution. However, the number of such posts is based upon the approval of the General Conference.

In several places in the draft report a broader knowledge of standard United Nations practices could have provided a better context in which to treat the various subjects. Certainly, it is understandable that the GAO is much more familiar with United States procedures and practices, under the circumstances. Perhaps one or two examples might better explain this point. On page 32, paragraphs 1 and 2, the role played by the Unesco Management Unit is discussed in the light of certain JIU recommendations without taking into account the functioning of similar services or units in other UN Agencies. Also, when commenting on the post classification system used in Unesco apparently the GAO was not aware that the system used to classify posts in Unesco follows a standard methodology developed by the International Civil Service Commission and adopted by the UN General Assembly applicable to the common system as a whole. On page 38, para. 2, a reference is made to the ratio of Unesco staff at headquarters and in the field, apparently without consideration being given to the factual situation in the UN or other specialized agencies.

Perhaps some of the important changes that have occurred in Unesco's practices and activities could have been explained in greater detail, such as :

(a) In Para. 1, page x and pages 37-38 the changes that have occurred during the past ten years in the proportion of general service staff to professional staff are the result of major changes in the methods of achieving technical cooperation. While in the past the number of professional field staff was as high as 1,200, the number is now down to 391 plus there has been a large increase in short-term staff (consultants) which do not count as staff members;

(b) In Para. 2, page xi the use of a significant number of temporary staff and supernumeraries is referred to without it being explained that supernumeraries are used for the following main reasons namely, for peak work-load periods linked to conferences and meetings, seasonal variations in workloads in some services, illnesses and extended leaves, recruitment difficulties and to achieving rapid implementation of the programme where specialized talent is required for a limited period. Statistics confirm that the use of supernumeraries and temporary staff tend to increase in years when a General Conference is held but, otherwise, the actual use of such staff within the Secretariat has not increased sharply in recent years;

(c) In Para. 2, page xiv, the degree of Member States' influence over the draft programme and budget appears to be understated since Unesco's programming and budgeting procedures involve Member States to a considerable degree, much more than in other UN Organizations;

(d) In Paras. 1 and 2, page 14 the comments on the consensus decision-making process do not fully reflect the actual modalities utilized;

(e) On Pages iii-iv and pages 21-26 the comments regarding Unesco's operational activities omit the importance attached to projects dealing with cultural activities which have received increased attention in recent years;

(f) In Para. 3, page 82 the reference to the General Conference's procedure for adopting the programme and budget does not mention the amount of time involved in the detailed examination of the draft C/5 in the various Commissions, which is considerable;

(g) On Pages 136-137, the comments regarding the fellowship granted to a Member of the Executive Board Member do not present the complete explanation of the facts. This fellowship was approved only after consultations with the Chairman of the Executive Board and obtaining the advice of the Legal Counsel that the existing rules did not preclude a Member of the Board from receiving a fellowship since, legally, a fellowship is not a fee or remuneration;

(h) In Para. 2, page 138, the comments regarding the reimbursement of travel expenses for delegates from least developed countries to attend the General Conference could have explained that this action was fully in accordance with the General Assembly's decisions requesting organizations to provide special measures and assistance for the least developed countries; and

(i) In Para. 1, page 175 the explanation on overhead (programme support costs) charged for operational projects does not mention that such costs are occasionally waived in those cases involving the least-developed countries.

The digest contains overall observations and several steps which it feels Member States and the Secretariat could take to improve the functioning of the Organization. Unesco's general comments on these points are as follows:

- Increasing governing bodies' oversight of Secretariat activities

While this observation falls within the competence of the General Conference and the Executive Board, the provisions of the Unesco Constitution plus the General Conference and Executive Board rules of procedure provide considerable clarity on the respective roles and functions of each body. In addition, the recent report of the Temporary Committee (120 EX/3) has devoted attention to this question. Certainly, a more exhaustive review of this area might provide a better appreciation of the factual situation. Additional studies might produce concrete proposals the Board and the General Conference could consider.

- Reexamining the implementation of recruitment procedures to identify ways of reducing recruitment delays and the heavy reliance on supplementary staff

The concerns addressed by the GAO are presently under consideration by the Executive Board and, in this regard, the report of the Executive Board's Temporary Committee (120 EX/3) and the report by the Director-General on the Working Groups he appointed (120 EX/9) are relevant.

In its report, the Executive Board's Temporary Committee stressed the importance attached to Unesco having a comprehensive personnel policy conducive to the effective functioning of the Organization and the creation of the best working conditions for its staff. In addition, the Committee emphasized that such a policy should take full account of the principles set forth in Article VI.4 of the Unesco Constitution stating, 'Subject to the paramount consideration of securing the highest standards of integrity, efficiency and technical competence, appointment to the staff shall be on as wide a geographical basis as possible'.

The decisions that the Director-General has taken or intends to take to improve recruitment procedures and staff management methods as set out in document 120 EX/9 were noted, plus his decision to make a clear delegation of authority to the Deputy Director-General and the Assistant Director-General for General Administration in connection with appointments, promotions and transfer to posts in the Professional category up to P-4 was welcomed as well as the need for fresh talent and a regular renewal of skills and personnel within the Secretariat, particularly in the specialized and rapidly evolving fields covered by the Organization, was underlined. Attention was drawn to the provisions governing extension beyond the age of retirement, as stated in Staff Regulation 9.5.

It was recommended especially that further efforts should be made to: (a) expedite the recruitment procedure in order to shorten the period presently required for appointment; (b) involve the various programme sectors more closely in staff recruitment and management; (c) strengthen initial and in-service staff training, and; (d) improve communication between management and staff.

The restructuring of the Bureau of Personnel to take into account the above recommendations and the changing needs of the programmes was recommended. The Committee further emphasized: (a) the desirability of reassessing, in the context of restructuring, which is under way, the distribution of the work-load between and within the various sections, divisions, bureaux, sectors and the Secretariat of the Executive Board whose staff resources should be increased; (b) the importance of measures for improving staff career development; (c) the value of frequent consultation with the staff associations; (d) the usefulness of regularly updating

and publishing the provisions of the Manual concerning staff recruitment and management; and (e) the advisability of reviewing the types and duration of appointments with a view to greater flexibility and effectiveness as already foreseen by the Director-General.

The Committee considers that the information that is regularly provided to the Executive Board on personnel questions is useful and should continue to be made available. The Secretariat should also provide to any Board member who may so require any other concrete and relevant additional information on the question.

Following the adoption of the above recommendations, they will be promptly implemented so as to improve recruitment procedures and reduce the time required to recruit staff to the absolute minimum.

- Providing more specific information on objectives and milestones in Unesco programme documents to allow for a means to evaluate Unesco activities

While the Director-General shares the GAO concerns in this regard, he has been preoccupied for some time with the development of practical and effective means to improve both the content and description of Unesco programmes as well as evaluation. Measures have been taken leading to improvements in these areas and others will be taken, as appropriate. Nevertheless, concrete suggestions and proposals are always welcomed on this question.

The report suggests that there are three types of shortcomings in the Unesco programming and evaluation system, namely: (i) the programme and budget documents do not provide a satisfactory framework for evaluation; (ii) consequently, Unesco does not have a real evaluation system; this, in turn, impairs the programming process which, for want of adequate tools, does not facilitate identification of programmes or programmes of marginal usefulness; and (iii) Unesco has no central unit to co-ordinate programme activities and to eliminate overlapping and duplication.

The first of these observations is supported on page 65 by an analysis of selected subprogrammes "based on criteria established by the Joint Inspection Unit which has been given responsibility for setting such criteria by the U.N. General Assembly". However, the specific criteria applicable to Unesco adopted by the General Conference governing the preparation of its programme are not reflected in the analysis. The GAO analysis has been limited to only the "expected results" sections preceding the "work plans" which contain detailed descriptions of the programme actions that make up each subprogramme. As stated in paragraphs 274 to 276 of the written introduction by the Director-General to the Programme and Budget for 1984-1985, the purpose of the "targets" and "expected results" sections is to "provide an overall view of the nature and scope of each subprogramme in just a few lines of text". They are not intended to provide indications on the completion dates of activities, indications of their success or the potential users of their outputs.

The above information is provided, where necessary, in the "work plans". Moreover, more precise and more comprehensive information concerning the nature of the outputs, the dates of their production and, where applicable, their intended users, is drawn up during finalization of the Programme Activity Details (PADs), which constitute the annual programming of the activities to be executed in the framework of the biennial programme and budget. As regards the subprogrammes, themselves, which are part of the Medium-Term Plan, it goes without saying that their completion dates coincide with the term of the Plan itself, which is six years.

The formulation of "targets" and "expected results" entails, during the preparation of the programme and budget documents, numerous working meetings following which written directives are sent to each programme unit. The Executive Board and the General Conference have on the whole been favourably disposed both to the inclusion of these sections into the programme and budget for 1984-1985 and to the way in which they are set out, it being understood that, as indicated above, their primary aim is to facilitate the analysis of programme proposals by indicating their nature and their scope. While such improvements as including more specific information of a type that would facilitate evaluation under these heads is being sought, progress in this matter must occur within an on-going process of continuous improvement in programming and evaluation in methods and in their application by all programme specialists.

The second observation is that Unesco does not have a real evaluation system, this being linked to the preceding shortcoming, i.e. the fact that the programme and budget documents do not provide a satisfactory framework for evaluation. Unesco feels that this contention is unfounded, particularly when it attempts to relate "shortcomings" in programming with shortcomings in evaluation in a manner that implies that no evaluation activity at all is carried out at Unesco. Independently of the efforts to establish an integrated system of planning, programming, budgeting or evaluation, a large number and variety of evaluation activities have always been carried out at Unesco.

Following the Joint Inspection Unit definitions, both internal and external evaluations are undertaken at Unesco. Internal evaluations fall into two categories: self-evaluation or evaluation undertaken by staff members directly responsible for the activity; and 'independent internal evaluation undertaken by staff members of another department of the Organization.

Concerning self-evaluation, the Constitution requires the Director-General to provide a periodic report to Member States on the activities of the Organisation. In addition to the oral report given by him to each Executive Board session, the Director-General submits to each session of the General Conference a written report on the activities of the Organisation in the preceding budgetary period (C/3), a report (C/11) entitled "statement of major impacts, achievements, difficulties and shortfalls for each continuing programme activity" during the current biennium. Quarterly reports on the execution of the programme are sent by the Assistant Director-General of each sector to the Director-General in accordance with the instructions issued by the latter in 1976. These 'by-exception' reports deal only with the problems and difficulties arising during the execution of programmes, whether regular or extra-budgetary. Instructions are then issued by the Directorate to the sectors concerning most of the points dealt with in these reports.

The implementation of operational projects, most of which are financed from extra-budgetary resources, is subject to review at several levels: by the Assistant Directors-General at sector level, frequently in the presence of representatives of the programme support sectors; and at the level of the Secretariat, by the Assistant Director-General for Co-operation for Development and External Relations (CPX), in the presence of all the specialists and services concerned (budget, personnel, equipment, fellowships, etc.). Each project is subject to analysis and evaluation, and decisions are taken to improve its implementation.

Independent internal evaluation covers all evaluation activities which are neither self-evaluation nor evaluations performed by bodies outside the Organization: (i) the quarterly reports by the Bureau of the Budget provide information concerning the budgetary implementation of activities financed under the regular programme and from extra-budgetary resources; (ii) a systematic period evaluation of the fellowship and study grants programme in order to improve the operation of this programme; (iii) some evaluations are entrusted to the Inspectorate-General; they may concern the functioning of certain services or, generally, the examination of certain programme implementation procedures (recruitment, equipment supply, etc.); (iv) certain activities are subject to ad hoc evaluations - sometimes by external experts - on the initiative of the sectors concerned; (v) Unesco's programmes of co-operation with other organizations (Unicef, the World Bank) are subject to evaluation, including both 'mini'-evaluations and in-depth evaluations, particularly in the case of Unesco/World Bank projects; (vi) projects financed from various external sources are subject to periodic evaluations which generally follow the procedures in force in the funding agencies concerned (UNDP, UNEP, etc.), or which follow procedures agreed with the 'donor' States (Federal Republic of Germany, Scandinavian countries, etc.). All these evaluations, some of which are conducted with the participation of external experts, lead where need be to adjustments, changes in project documents or the extension of projects.

Also thematic evaluations dealing with both extra-budgetary projects and regular programme activities, for example the struggle against illiteracy, educational innovations, etc., are also undertaken.

Lastly, joint evaluations with other United Nations agencies are carried out in relation to activities having common objectives (for example, the improvement of the status of women in the global evaluation of the impact of technical co-operation financed by UNDP in different countries or regions).

With respect to external evaluation, one could include the work of the External Auditor appointed by the General Conference. The United Nations Joint Inspection Unit which undertakes inspection on its own initiative or at the Organization's request and some members of the Executive Board carry out in-depth studies of some selected Organization's programmes or projects.

Evaluations by or for particular intergovernmental programmes are undertaken as part of the activities carried out under these programmes (science, development of communication, protection of the world heritage or of copyright, etc.). These evaluations are sometimes made at the request of the organs responsible for running the programmes. They are undertaken with the participation of governmental experts and their results are subsequently taken into account in the formulation of the concerned programmes' activities.

The basic characteristic of the above evaluation activities is that each is designed to meet specific needs in programme monitoring or execution, or to comply with the demands of funding sources, particularly in the case of projects financed by extra-budgetary sources. The different evaluations would benefit from harmonization, so that they could be used for complementary purposes within a monitoring and evaluation system that would be an integral part of the planning, programming and budgeting process. The framework of such a system was outlined in the "Preliminary report of the Director-General on studies carried out concerning evaluation of programme activities" (103 EX/10) and the concept was approved by the Executive Board. The main categories of evaluation should, together, help to serve the purpose ascribed to the system.

The first category concerns the evaluation of programme activities and their various constituent parts. From the point of view of programme execution, this is by far the most important category, since it contributes directly to its efficiency. This form of evaluation consists in providing 'as the programme is being executed, systematic information on the implementation of the activities and the results achieved by them, so as to contribute to the improvement of detailed programming and of the methods of current programme execution'.

The second category of evaluation, involving a more general approach, operates at the level of programme and subprogramme actions and is intended to establish the necessary bases for assessing the relevance and success of the programmes being implemented in order to draw the appropriate conclusions from this experience for use in preparing the Organization's future programmes.

The above two categories of evaluation are designed to contribute to improved programming as regards the choice of not only content, principles and strategies of action, but also implementation procedures.

The third category of evaluation is aimed at providing material for assessing the impact of the Organization's activities as a whole. By contrast to the first two, the third category of evaluation is extremely broad in scope. It is "ex-post facto" in character; that is to say, it bears retrospectively on a period that is sufficiently long for the real impact of the Organization's activities to have become apparent. It is addressed to activities taken sufficiently in the aggregate, such as programmes or major programmes. It also implies the implementation of in-depth studies which could necessitate substantial financial and human resources, comparable to those required by programme actions proper. Such evaluation can therefore be contemplated on only a selective basis.

The Performance Evaluation and Monitoring System (PEMS) was designed in order to deal with the first category of evaluation and was established on an experimental basis during 1981-1983. A survey was undertaken to evaluate the experimental phase of implementation of the PEMS. Different shortcomings have been analyzed and an improved system has been worked out. The proposals made to improve this system have been examined by the above-mentioned consultative working group on "Evaluation methods and techniques". The working group has endorsed these proposals which are now being applied within the Unesco's Secretariat. The group also underlined the value of the principle of self-evaluation for the first type of evaluation, while recommending an increased recourse, to the fullest extent possible, to external evaluation as far as the third category is concerned.

The GAO draft report links the absence of an evaluation system to the Secretariat's supposed inability, for lack of appropriate tools, to identify obsolete activities or those of marginal usefulness. This assertion does not take into account the objectives of evaluation and the criteria for formulating priorities and programmes that have been decided upon by the Board and the General Conference. No activity is retained when it does not have the support of Member States.

Of all the specialized agencies of the United Nations system, Unesco is the one Organization in which the Member States fully participate in the preparation of the programme and budget. The Medium-Term Plan, which is presented by major programmes provides the conceptual framework for biennial programming, indicating for each major programme the main lines of emphasis and the strategy of action and setting out the objectives and principles of action for each of the programmes that make up the major programmes. Accordingly, the key criterion governing the selection of activities, for the purpose of preparing the biennial programme, is their relevance in terms of the objectives of the Medium-Term Plan - in other words, the priority to be given to them is judged by reference to the nature and extent of their contribution to the attainment of these objectives. Moreover, the preparation of each biennial programme and budget document is preceded by a broad consultation of Member States, Associate Members and international governmental and non-governmental organizations. Thus, it is the objectives set forth in the Medium-Term Plan and the priorities determined by Member States that provide the basis for formulating the activities to be carried out during the biennial budgetary periods. It is therefore not the Unesco Secretariat that can determine which activities are "obsolete" or "of marginal usefulness" or, indeed, to lay down the criteria whereby an evaluation might be carried out for that purpose, much less to undertake such an evaluation on the basis of criteria suggested by some Member States applicable to other organizations such as the United Nations. Moreover, as is the case with the zero-base budgeting system, the General Conference has full power to modify or to eliminate any of the activities proposed including those envisaged as a continuation of previous activities, in the light of its own criteria for assessing Member States' needs and priorities.

On the other hand, it is the Unesco Secretariat that applies the criterion of efficiency in the choice of the most economical and most effective procedures for carrying out the activities approved by the General Conference. It is from the implementation of the programme that lessons are drawn for the analysis of the different methods of execution, while the choice of these methods takes precise shape during the annual preparation of the Programme Activity Details (PADs). This form of internal evaluation is practised in the normal course of programme management, thereby illustrating the possibility of satisfactorily integrating one form of evaluation into the programming process, without any need for cumbersome procedures which are always in danger of becoming bureaucratic and generating a great deal of paperwork.

The third observation made in the report is the absence within the Secretariat of a central unit responsible for co-ordinating programme activities and eliminating overlapping and duplication.

The Bureau of Studies and Programming, whose central functions in matters of planning, programming, co-ordination and evaluation, are indicated in Part I ("General Policy and Direction") of all the programme

and budget documents, should have been taken into account by the GAO in its report as the central unit responsible for this function. On the other hand, the report refers to cases of duplication in Unesco's programme, on the basis of certain observations of the internal working group set up by the Director-General to carry out a critical analysis of the programme. Since this was an internal working group, its terms of reference and its conclusions and recommendations must, if they are to be correctly interpreted, be placed in the general context of the programming methods and procedures actually in use in Unesco. The conclusions of this working group were mainly of a preliminary nature only, and implementation would have to be supplemented by more specific and more in-depth analyses, for which provision has indeed been made. That is one of the reasons why this group's report was not immediately circulated, primarily to prevent the risk of misinterpretation. The way in which certain passages from the report have been used supports the Secretariat's concern over misinterpretation.

In addition to the Bureau of Studies and Programming, there is an Intersectoral Co-ordination Committee chaired by the Assistant Director-General for Studies and Programming. While the GAO report notes the existence of this committee, the impression is conveyed that the Committee does not function effectively since it does not meet at fixed intervals. However, the Intersectoral Co-ordination Committee is assisted in its duties by over fifteen other intersectoral committees or subcommittees. Thus, increased flexibility is achieved by not having regular meetings of the Intersectoral Committee. This should not be taken as a defect in the system or that the Committee's role is limited to co-ordination in relation to broad policy issues. The Committee also engages in the co-ordination of activities in the context of programme implementation.

The fact that the same question is considered in different Unesco programmes, or that a single activity is covered by different sectors, does not in itself mean that there is actually overlapping or duplication in these activities. The interdisciplinary nature of Unesco's action and its programme structure mean that priority is given to the inner logic and coherence of each programme. In other words, in so far as themes covered are concerned, the major programmes and projects are far from constituting mutually exclusive categories, thus, the same theme may feature in several programmes, but what by contrast makes each approach specific is the context into which the theme fits. For example, the cultural dimensions of development are dealt with both in Major Programme VIII, "Principles, methods and strategies of action for development", and in Major Programme XI, "Culture and the future", but the activities carried out in connection with this theme and the approaches to which they give rise are specific to each of these major programmes, and constitute a feature that is crucial to the inner coherence of each one.

The same observation incidentally applies for the activities carried out by the specialized agencies of the United Nations system in a given field of common interest. Rural development is an example of one of those many fields that call on the part of most organizations for measures that are specific to their fields of competence. In all cases, both within Unesco's programme and at the level of programmes conducted within the United Nations system as a whole, what matters is to ensure that the activities envisaged in the same field or on the same theme are effectively co-ordinated so that, far from leading to duplication of efforts, they are able to strengthen or reinforce one another.

The terms of reference assigned to the internal working group were to "identify programme elements which concern identical or related subjects and which could lead to duplications of effort, and propose, where appropriate, possible grouping". Although the annual programming exercise conducted at the time when the programme activity details (PADs) are drawn up already has the effect of eliminating possible duplication and co-ordinating the activities relating to common fields and allied themes, it was felt appropriate to assign to the working group, among other tasks, that of systematically "scanning" the programme so as to identify more precisely those programme elements that will need to be analysed in greater depth when the PADs for 1985 are being drawn up and the Draft Programme and Budget for 1986-1987 is being prepared. It should moreover be noted that, even in the absence of actual instances of duplication, the group was also called upon to propose possible groupings of activities or any other system of cross-referencing, precisely so as to prevent the casual reader from obtaining the impression that there are overlaps or duplications in the proposed activities.

The GAO report uses certain general observations contained in the report of the internal working group in contradictory ways. On the one hand, certain observations appear to have been taken out of context in order to support the contention that duplications exist among the activities included in 57 out of a total of 186 Unesco subprogrammes. On the other hand, while acknowledging that sufficiently detailed data was not available to carry out a precise analysis, the report nevertheless indicates that the total cost of "duplicative activities" was \$11.2 million, which also displays, perhaps, an unfortunate tendency to use these figures without taking fully into account the need to be objective in the significance of such assertions.

- Establishing a mechanism for coordinating program activities to avoid unnecessary duplication

While such a mechanism presently exists in the Bureau of Studies and Programming (see comments under the previous section), efforts will continue to improve and enhance these functions taking into account the level of resources available for such purposes. The avoidance of unnecessary duplication is a key concept that has to be kept in mind because complementarity in inter-disciplinary programmes is sometimes recognized as duplication when this is not the case at all.

- Developing a budget presentation that clearly shows changes between successive budget periods

The Director-General will present budgets to the Executive Board and the General Conference in the manner and containing the detail that is requested. Unesco considers that a "zero based budgeting" concept is incompatible with an incremental budget approach and that essentially, one or the other must apply. But, once the General Conference expresses its preference on this question, the preferred format will be followed. Here again, both the reports of the Temporary Committee (120 EX/3) and the Working Groups appointed by the Director-General (120 EX/9) are also relevant. Based upon the discussion on this question in the Executive Board, a large measure of support has developed for the recommendations contained in the reports referred to above.

- Assuring that methods used for calculating exchange rates are applied to the budget consistently from year to year

The General Conference is empowered to establish the modalities governing the exchange rates to be used in the biennial programme budget. Whatever method that is approved by the General Conference will be used in preparing future budgets.

- Improving financial controls for the payroll system and certain expenditures from the Participation Account and Special Account for Increased Aid to Developing Countries

Unesco has followed a consistent and long standing policy of striving to improve all financial controls and systems. The GAO comments on the Unesco payroll system require explanation and clarification. The present system that is used for recording the time worked by the staff is similar to that followed by other UN Organizations and many Government Departments and allows for a close check on staff working time without the installation of time-clocks or other time-recording devices which would be envisaged only in connection with the establishment of a flexi-hours system but, not if the present time-recording system remains unchanged.

Within the UN system as a whole, the use of time cards or detailed time-recording for professional staff, except in connection with "flexi-hours" as noted above, has not been utilized for the following reasons: (a) professional staff are paid a flat yearly sum and are not compensated for working more than the standard number of hours (40 hours in Unesco but less than 40 hours in the UN and some other Organizations); (b) most professional staff are required to work more than the standard number of working hours during conferences, missions and peak or rush periods during the year; (c) the annual leave entitlement of 30 days plus 8 - 10 official holidays and sick leave provisions tend to be adequate to meet the staff needs and (d) the recording of working hours for professional staff is not a normal practice in most Member States. However, with respect to general service staff that are paid for working overtime, it is the responsibility of the supervisor and the administrative officer to ensure that working hours are properly recorded because general service staff members are either compensated for or given equivalent time off for all time worked in excess of the normal work day, except in certain very special circumstances. The procedures followed have been given to the GAO.

- Improving the Secretariat's responsiveness to External Auditor's recommendations

The Secretariat endeavours to respond to all external audit recommendations, the only constraints being that the required resources and/or the necessary expertise are available plus the time required to respond. The compliance with audit comments is monitored by the External Auditor. In commenting on this subject at the 120th Session of the Executive Board, the External Auditor said that there were only a few areas where the actions by the Secretariat had not been completed. It could be noted in this context that the report states that "Unesco's financial rules,

regulations and detailed procedures include a variety of internal controls which generally appear to provide a reasonable framework for Unesco's financial control system" and that "Unesco's financial regulations provide appropriate arrangements for external audit and the Terms of Reference governing the auditors' responsibilities allow them freedom to make needed recommendations". It would seem that these conditions fully meet any preoccupations that could arise on this account.

Congress of the United States
House of Representatives
Washington, D.C. 20515

February 29, 1984

The Honorable Charles A. Bowsher
Comptroller General
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Bowsher:

We are writing to request that you conduct an analysis of United States' participation in the United Nations Educational, Scientific and Cultural Organization (UNESCO).

Over the course of the past year, there has been increasing criticism of programs and program management within UNESCO. As you know the Department of State announced on December 29, 1983 that the United States would withdraw from UNESCO effective December 31, 1984. Members and staff of both the Committee on Foreign Affairs and the Committee on Science and Technology have met with U.S. and UNESCO officials to discuss this issue. Indeed, each Committee is planning to hold hearings in the near future to examine both the allegations of mismanagement within UNESCO and the implications for our foreign policy of U.S. withdrawal.

To aid the Committees in their ongoing oversight of international organizations and educational, cultural, and scientific affairs, we would request that you review all allegations pertaining to mismanagement within UNESCO, particularly those pertaining to personnel, program administration, budgeting, and finance.

We would hope, in view of up-coming hearings before our respective Committees, the foreign policy significance of the decision and the short time before US withdrawal becomes effective, that GAO would move expeditiously on this request. We have every reason to believe, based on the representations contained in the attached letter from Director General M'Bow to Congressman Scheuer, that UNESCO officials will be fully cooperative with your review.

The Honorable Charles A. Bowsher
February 29, 1984

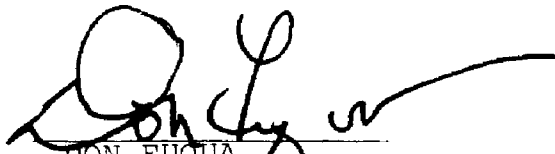
Page Two

If you have any questions regarding this request, please contact Margaret Galey of the staff of the Committee on Foreign Affairs (225-5021) or George Kopp of the staff of the Committee on Science and Technology (226-6980).

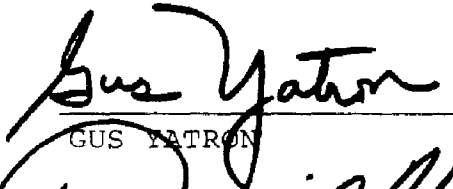
Sincerely,



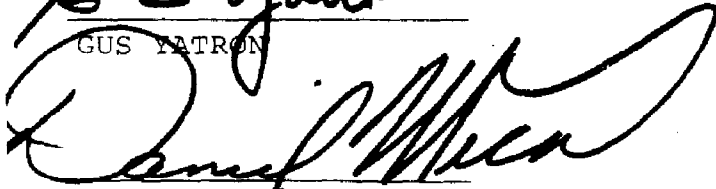
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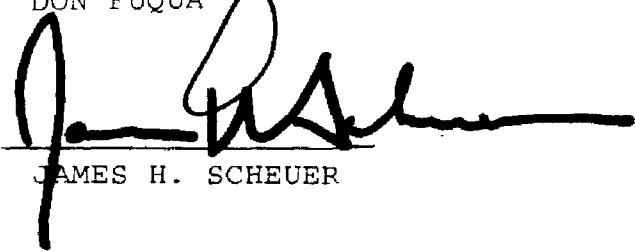
DON FUQUA



GUS YATRON



DANIEL MICA



JAMES H. SCHEUER

DBF:PGdmh

Congress of the United States
House of Representatives
Washington, D.C. 20515

March 23, 1984

The Honorable Charles A. Bowsher
Comptroller General
U. S. General Accounting Office
441 G Street, N.W.
Washington, D. C. 20548

Dear Mr. Bowsher:

In our February 29, 1984 letter, we requested that you conduct an analysis of the United States' participation in the United Nations Educational, Scientific and Cultural Organization (UNESCO). As we explained in our earlier letter, the Committee on Foreign Affairs and the Committee on Science and Technology each has interest in the implications of potential U.S. withdrawal from UNESCO.

This letter provides additional guidance on the type of information the Committees need from GAO to assist them in their oversight responsibilities. The Committees would like GAO to address five broad management areas in its review.

1. General Management - What is the overall management structure of UNESCO and how does it operate?
2. Program Management - How are programs authorized, developed, managed on a day-to-day basis, and evaluated for effectiveness?
3. Financial Management - What mechanisms exist for evaluating the UNESCO budget and how are expenditures controlled?
4. Personnel Management - How are vacancies in UNESCO filled and what controls exist to assure qualified candidates are hired?
5. Contract Management - What are UNESCO's contracting procedures and how are contracts managed?

The Honorable Charles A. Bowsher
Page 2
March 23, 1984

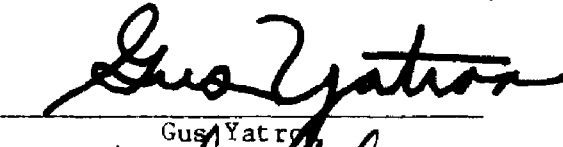
The detailed questions provided earlier by the Committees' staffs to members of your staff are covered by these broad management areas. As a result of discussions with your staff, it was agreed that the specific questions would be considered to be extent feasible in providing information on the management areas.

It was also agreed that the allegations pertaining to the activities of the Director General would be considered in the context of the management areas, rather than as individual allegations.

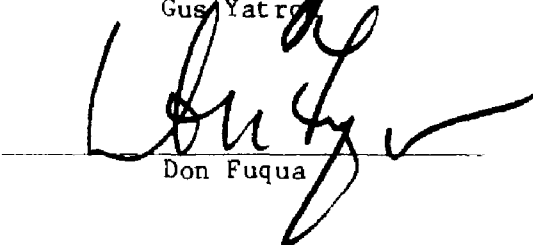
The Committees' recognize that as work progresses, your office may need to make some modifications to the scope of the review.

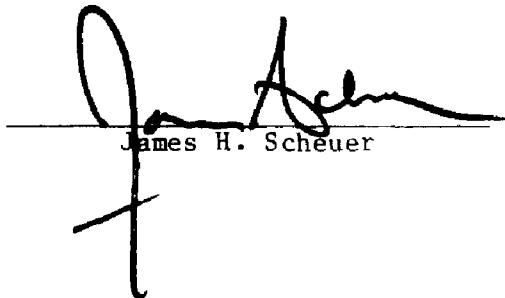
Sincerely yours,


Dante B. Fascell


Gus Yatron


Dan Mica


Don Fuqua


James H. Scheuer

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