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UNESCO

Management Reforms Since the United States Withdrawal

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Mr. Chairmen and Members of the Subcommittees:

We are pleased to be here to discuss our report, being released today, on the status of management reforms at the United Nations Educational, Scientific and Cultural Organization (UNESCO).¹ At your request and UNESCO's invitation, we evaluated UNESCO's progress in correcting the management problems we identified in 1984.²

The United States withdrew from UNESCO in 1984, in part, because the organization was mismanaged and its budget growth was out of control. UNESCO did little to reform its management until after November 1987, when the member states elected a new Director General. The new Director General set about to institute various management reforms, and fairly early issued several new policy directives. However, I think it is fair to say that a comprehensive reform process did not get underway until after 1988. Since then, UNESCO has made management reform a priority and has made good progress in some areas. Other reform measures have been introduced too recently to evaluate, and in still other areas, UNESCO needs to do more. Attached to this testimony is a summary table that provides a quick reference to the types of reforms UNESCO has undertaken, and the year in which the particular reform began.

¹UNESCO: Status of Improvements in Management, Personnel, Financial, and Budgeting Practices (GAO/NSIAD-92-172, June 9, 1992).

²Improvements Needed in UNESCO's Management, Personnel, Financial, and Budgeting Practices (GAO/NSIAD-85-32, Nov. 30, 1984).

Our report discusses in considerable detail UNESCO's progress and what still needs to be done in the way of management improvements. Today I will highlight reform efforts in four key areas: (1) oversight, accountability, and responsiveness; (2) program management; (3) personnel management; and (4) budgeting.

OVERSIGHT, ACCOUNTABILITY, AND RESPONSIVENESS

UNESCO has taken significant steps towards improving its overall management in the areas of oversight, accountability, and responsiveness; however, as I mentioned, some of UNESCO's reforms in these areas are fairly recent. Over the past few years, UNESCO's governing bodies, particularly the Executive Board, have taken a much more active role in overseeing operations, and the Board's recent reviews have led to reforms in personnel management, financial regulations, and the budget process. As a result, the recruitment of women for UNESCO's professional occupations has improved, financial regulations have been strengthened, and field offices have been given increased authority.

The Executive Board now scrutinizes proposed budgets more carefully than before. For example, in its 1991 budget meetings, the Board criticized the large amount budgeted for staff costs, the presentation of budget information, and the small amount budgeted for the evaluation unit. As a result, the budget was revised. Further, in 1991, UNESCO's governing bodies formed a small group of financial and administrative experts to review all budgets in depth. This more critical review is in marked contrast to 1984, when the Executive Board basically accepted the

budget without effective review. In addition to strengthening its budget review, the Executive Board now follows up to make sure the recommendations of UNESCO's External Auditor, the Belgian Court of Audit, are implemented. Previously the Board had little interest in the Auditor's recommendations.

To match the increased oversight, accountability within UNESCO has been strengthened. The role of UNESCO's Inspector General has been enhanced, and the administrative officers have had their authority and independence strengthened. We followed up on 14 reports by the Inspector General and found that the main recommendations in 12 reports were implemented. The actions taken show that UNESCO is willing to hold individual employees accountable for their actions.

UNESCO has taken steps to make its management more responsive. In 1984, decision-making was so concentrated in the hands of the Director General that managers could not make routine decisions. Today, that situation no longer exists. The Director General has delegated authority to managers to make decisions such as amending programs, transferring personnel, and within limits, making funding adjustments. We reviewed 104 such actions and found that managers with delegated authority made 102 of the decisions.

UNESCO has been criticized for having too many of its activities and resources centered in Paris. We found this is still the case. UNESCO has not increased the proportion of staff or funding to field offices. However, UNESCO is developing plans to decentralize and is

strengthening field offices to prepare them for added responsibility. We recommended that UNESCO develop specific criteria in deciding what resources and activities to move to the field.

PROGRAM MANAGEMENT

Now let me turn to UNESCO's reforms in program management. UNESCO has been criticized for spreading its resources over too many activities and lacking a focus. Although UNESCO said it had reduced the number of activities in which it was engaged, there continued to be skepticism about whether this had happened. The problem is that UNESCO changes activity descriptions and identification codes from one budget period to the next making it extremely difficult to determine what activities have actually been cut, merged or enhanced. To determine whether activities were actually cut or buried elsewhere in the budget, we analyzed by computer all activities for the 1988-1989 and 1990-1991 bienniums, reviewed several thousand line item expenditures, and reviewed a sample of activities in depth. This analysis showed that UNESCO had reduced the number of activities from 2,041 during the 1988-1989 biennium to 1,354 during the 1990-1991 biennium--a 34-percent reduction. We recommended that UNESCO develop a tracking system so that member states could more easily monitor activities.

To improve its program planning, UNESCO now requires planners to follow U.N. criteria, which include specifying program objectives and priorities. UNESCO's plans now identify objectives, priorities, and the

steps needed to attain the objectives. By contrast, UNESCO did not precisely identify even program objectives in 1984.

In planning its activities, UNESCO still does not specify what impact individual programs are expected to have, nor does it systematically evaluate program impact. UNESCO has conducted only 15 impact evaluations since 1986, covering about 8 percent of its activities. To improve the coverage of evaluations, we recommended that UNESCO develop an evaluation plan specifying the schedule of evaluations, the source of funding, and the evaluators. I should add that UNESCO's governing bodies have recently approved a larger budget for evaluation.

PERSONNEL MANAGEMENT

UNESCO has made progress in several areas of personnel management. In November 1990, UNESCO introduced a new appraisal system for regular employees that is based on merit. This system requires supervisors to evaluate job performance on specific assignments, and to rate employees with standard grades, ranging from "A" (outstanding) to "E" (unsatisfactory). Prior to this, appraisals centered on personal characteristics rather than an assessment of work performed. Even the Director General said that the former "performance appraisal had lost all credibility: indulgence had become the rule and truth the exception." By October 1991, about one quarter of the regular staff had been rated under the new appraisal system and 28 percent received ratings of "C" or lower. UNESCO dismissed three individuals who received "E" ratings. Building on the new appraisal system, UNESCO has proposed a new

promotion system based on merit and competition; however, this system had not been approved at the time we completed our work in Paris.

Although UNESCO has made improvements in the way it manages regular staff, its control of consultants and other temporary staff remains a problem. For example, UNESCO's Bureau of Personnel is supposed to approve consultant contracts and monitor compliance with the regulations controlling them. However, we found that 42 percent of the consultant contracts signed between December 1990 and September 1991 were missing from Personnel's data file. We also found discrepancies between Personnel's files and Bureau of the Budget files in contract beginning and ending dates, total work days, and obligation numbers. To address these problems, we recommended that UNESCO develop a unified personnel data base that is accurate, complete, and includes all staff.

BUDGETING

The United States withdrew from UNESCO, partly because UNESCO's budget growth was out of control. The real growth in UNESCO's budget at the time the U.S. withdrew was 7.9 percent. This is shown in table 1, which we calculated using a constant exchange rate and a constant 1990-1991 dollar. The table also shows modest real growth rates of 2.3 and 1.8 percent for the 1990-1991 and 1992-1993 bienniums. Our analysis shows this growth occurred because pay increases granted by UNESCO, consistent with International Civil Service Commission pay schedules, exceeded the rate of inflation.

Table 1: Annual Real Growth Rates of UNESCO's Regular Budgets
(Figures in percentages)

Biennium	1977-1978	1979-1980	1981-1983	1984-1985	1986-1987	1988-1989	1990-1991	1992-1993
Real growth rate	7.5	-1.0	1.0	7.9	-14.3	-2.2	2.3	1.8

UNESCO has improved its budget presentation. For example, in 1984 UNESCO placed the costs for mandated program increases in the currency fluctuation section of the budget, thus effectively hiding the increases from scrutiny. In every budget since 1984, UNESCO has displayed such program increases on a separate line or built them into the program budget. UNESCO has also used a constant exchange rate in calculating its budgets, thus allowing the current budget to be compared with previous ones.

In summary, UNESCO has taken steps in the right direction. However, the organization needs to continue its reform efforts and make further improvements in certain areas. Our report and its recommendations are intended to help UNESCO in this effort.

Mr. Chairmen, this concludes my prepared remarks. We would be pleased to respond to any questions you and the other Members of the Subcommittees may have.

Summary of UNESCO's Management Reforms

Area of reform	Reform action	Date
Oversight	Executive Board begins in-depth studies on UNESCO operations.	1987
	Board follows up External Auditor's recommendations.	1990
	Board forms expert group to examine finance and administrative issues.	1991
Accountability	Role of Inspector General strengthened.	1989
	Administrative officers report to Deputy Director General for Management.	1990
Responsiveness	Budget and personnel authority delegated.	1987
	Deputy Directors General for Management and Program created.	1988
	Bureau created to assist in planning decentralization.	1988
Program	New planning criteria adopted.	1986
	Impact evaluations begun.	1986
	Directives to reduce activities and concentrate resources on priorities.	1988
Personnel	Merit-based performance appraisal introduced for regular staff.	1990
	Classification review of all job positions begun for consistency with International Civil Service Commission standards.	1990
	Recruitment committee established.	1990
	New administrative circular regulating supplementary staff issued.	1990
Budgeting	Clearer presentation of inflation and other budget data.	1986
	Constant exchange rate adopted to calculate budgets.	1986
	Assessments made in combination of French francs and U.S. dollars.	1989