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U.S. Participation in the U.N. Development Program





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**National Security and
International Affairs Division**

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The Honorable Dante Fascell
Chairman, Committee on Foreign Affairs
House of Representatives

The Honorable Gus Yatron
Chairman, Subcommittee on Human Rights
and International Organizations
Committee on Foreign Affairs
House of Representatives

The Honorable Gerald Solomon
House of Representatives

This report responds to your joint letter requesting that we examine selected aspects of the United Nations Development Program.

We are sending copies of this report to the Secretary of State, the Agency for International Development, and appropriate congressional committees, and will make copies available to interested parties upon request.

The report was prepared under the direction of Nancy R. Kingsbury, Director, Foreign Economic Assistance Issues. Other major contributors are listed in appendix II.

A handwritten signature in cursive script that reads 'Frank C. Conahan'.

Frank C. Conahan
Assistant Comptroller General

Executive Summary

Purpose

The United Nations (U.N.) Development Program spends about \$1 billion a year and is the world's single largest program for providing technical assistance to developing countries. Over the years, the United States has contributed about \$3 billion to the Program and its predecessor agencies. The Chairman of the House Committee on Foreign Affairs; the Chairman of the Subcommittee on Human Rights and International Organizations; and Congressman Gerald Solomon asked GAO to review selected issues concerning the Program. Specifically, GAO was asked to assess (1) the Program's efficiency and effectiveness, (2) other major donors' views of the Program, (3) the level of U.S. influence, and (4) the Program's accounting practices and financial status.

Background

The U.N. General Assembly established the Development Program in 1966 and assigned it the central funding and coordinating role in technical assistance within the U.N. system. Technical assistance includes the provision of advisory services, training, and equipment to developing countries. The Program channels money through about 30 other U.N. agencies which implement about 6,000 projects in 152 developing countries in such diverse fields as agriculture, industry, and communications.

Using five-year country plans, Program officials are supposed to work with the recipient governments and the U.N. system agencies to ensure that U.N. technical assistance projects are designed and implemented to support the recipient government's development priorities. The Program is headed by an Administrator, governed by a 48-member Governing Council, and funded by voluntary contributions.

Results in Brief

The Program is not fulfilling its designated role as the central funding channel and coordinating body for U.N. technical assistance. It only finances about 30 percent of U.N. system technical assistance, and primarily coordinates the projects it funds. For the most part, other U.N. projects are not coordinated or integrated into an overall country plan.

Member nations believe that the Program performs a number of useful functions. However, U.S. and other donor officials have expressed concern about the overall impact of the large number of small, diverse projects. U.S. officials also believe that more evaluation of project results is needed and that a greater percentage of Program funds should be used to meet the priority needs of the least developed countries and should be concentrated on activities where the Program offers advantages over other funding sources.

The United States has played a major role in the Program since it was established. The Administrator of the Program has always been an American, and the United States is a member of the Program's Governing Council.

The Program's reported fund balance of over \$1 billion as of December 31, 1988, was high compared to previous years, but Program officials expected it to decrease rapidly as planned projects are implemented. The U.N. Board of Auditors issued qualified audit opinions on the Program's last two annual financial statements because a substantial portion of the expenditures reported by U.N. implementing agencies had not been independently audited each year.

Principal Findings

The Program Does Not Coordinate All U.N. Technical Assistance

Under a U.N. General Assembly resolution, a five-year country program should be used to help plan all U.N. technical assistance. GAO found that the Program funded and coordinated only about 30 percent of U.N. technical assistance activities. The Program generally does not coordinate the technical assistance funded by other U.N. agencies from their regular budgets and special contributions for specific projects or activities. Other U.N. agencies operate independently and have their own mandates, programs, and procedures. The Program primarily coordinates the projects it funds in its country programs.

Problems With Program-Funded Projects

About 4,700 Program-funded projects have budgets under \$400,000. The projects cover a broad spectrum of activities. In general, U.S. and other donor officials believe that, because the projects are small and scattered, they have limited impact on the priority development needs of recipient countries. Moreover, they place an administrative burden on the recipients, Program field offices, and U.N. implementing agencies. U.S. officials believe that more evaluative information on the impact of Program-funded projects is needed.

Other Nations' Views

Major donor representatives believe the Program performs a number of useful functions. Some, however, have concerns about the impact of Program-funded projects. Also, member nations, through U.N. General

Assembly resolutions, have expressed their belief that increased coordination through the Program would improve the effectiveness of U.N. technical assistance activities by ensuring that they meet the priority needs of the recipient country and by simplifying the diverse project management procedures of the various U.N. agencies.

Major U.S. Role

The United States has played a major role in the program since it was established and is the largest donor. However, its contributions have decreased from 24 percent of total contributions in 1985 to about 12 percent in 1988.

The Program makes extensive use of U.S. expertise, training facilities, and equipment. A relatively high number of the Program's professional employees, especially those in key positions, are U.S. citizens. Also, the Program's development policies coincide with U.S. priorities in such areas as protecting the environment, increasing agricultural production, and promoting private initiative.

Unaudited Expenditures

The U.N. Board of Auditors, which audits the Program annually, issued qualified opinions on the Program's 1986 and 1987 financial statements, primarily because it felt it could not comment on the unaudited expenditures of Program funds reported by some U.N. implementing agencies with biennial audit cycles. To resolve this problem, the Program's Budgetary and Finance Committee recommended that the Program's financial statements also be audited biennially to coincide with the audit cycles of the major U.N. implementing agencies.

High Fund Balances

The accounts that fund the Program's projects and operating costs had a balance of about \$1 billion on December 31, 1988. Of this amount, \$581 million was for general resources (compared to \$184 million in 1985), \$225 million was for required financial reserves, and \$196 million was contributed for specific activities and cannot be used for other purposes. The Program also administered 57 separate trust funds which account for an additional \$257 million, of which \$46 million was for operational reserves. Exchange rate gains, required financial reserves, and the Program's requirement that some types of activities be funded a year in advance help account for the high fund balances. Program officials said that total commitments, with respect to unspent budgets of approved projects, exceeded \$1 billion and that the balance is expected to sharply decline in 1989 and 1990 because of increased program expenditures.

Recommendations

GAO recommends that the Secretary of State seek the support of other major donor countries to (1) strengthen the Program representatives' role in coordinating all U.N. system technical assistance activities at the country level, (2) increase the evaluation of project results to determine their impact on the priority needs of the recipient countries, and (3) ensure that the Program concentrates on the priority needs of the least developed countries and on activities where the Program offers advantages compared to other funding sources.

Agency Comments

The Department of State agreed with GAO's findings and recommendations.

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Abbreviations

GAO	U.S. General Accounting Office
U.N.	United Nations
UNDP	United Nations Development Program

Introduction

The United Nations Development Program (UNDP) is the world's largest multilateral program for providing technical assistance to developing countries. It is responsible for planning, funding, and coordinating projects that cover a broad spectrum of activities, which are usually implemented by other U.N. system agencies.

Organization and Structure

The U.N. General Assembly established UNDP in 1966¹ to be the principal U.N. mechanism for financing technical assistance, which includes the provision of advisory services, training, and equipment. The U.N. system also uses the terms development assistance, technical cooperation, and operational activities for development to include the type of assistance UNDP provides. We use the term technical assistance throughout this report.

UNDP is a semiautonomous agency within the U.N. system which is financed by voluntary contributions. It provides grant aid to developing countries for projects in fields essential to technical, economic, and social development such as agriculture, health, industrial production, and transportation. The projects are normally implemented by one of over 20 agencies of the U.N. system, such as the Food and Agriculture Organization, the World Health Organization, the U.N. Industrial Development Organization, and the International Civil Aviation Organization. UNDP, itself, and recipient governments also implement projects.

UNDP has its own governing body—a 48-member Governing Council that meets in regular session once a year to establish policy, review programs, and approve budgets. A brief organizational meeting is also held once a year. Twenty-seven seats on the Governing Council are filled by the developing countries and 21 by economically more advanced countries. The Governing Council reports to the U.N. General Assembly through its Economic and Social Council, which also elects states to the Governing Council for 3-year terms. The United States has been a member since 1966.

UNDP has its headquarters in New York, and field offices in 112 developing countries. There are about 6,000 UNDP employees, of which about 1,000 are professionals.

Management of UNDP is the responsibility of the Administrator—a position traditionally held by a U.S. citizen—who is appointed by the U.N.

¹General Assembly resolution 2029 (XX).

Secretary-General, in consultation with the Governing Council. The Administrator is also responsible for trust funds administered by UNDP such as the U.N. Capital Development Fund and the U.N. Development Fund for Women, and for a number of other programs and activities such as the U.N. Volunteers Program.

Each of the UNDP field offices is headed by a resident representative appointed by the Administrator. Resident representatives are responsible for projects funded by UNDP and by UNDP-administered trust funds. These representatives advise recipient governments on development planning and U.N. assistance, and also act for and support other U.N. agencies, including the U.N. Fund for Population Activities, the World Food Program, the Office of the U.N. Disaster Relief Coordinator, and the U.N. High Commissioner for Refugees. In most countries, the U.N. Secretary General has designated the UNDP resident representative as resident coordinator, who serves as the team leader of the U.N. organizations in the country to which he or she is accredited. UNDP resident representatives are supported by a small number of internationally recruited staff, usually a deputy, a program officer, and an administrative officer, and a much larger number of locally recruited staff. The resident representative is authorized to approve UNDP projects up to \$700,000.

Project Expenditures

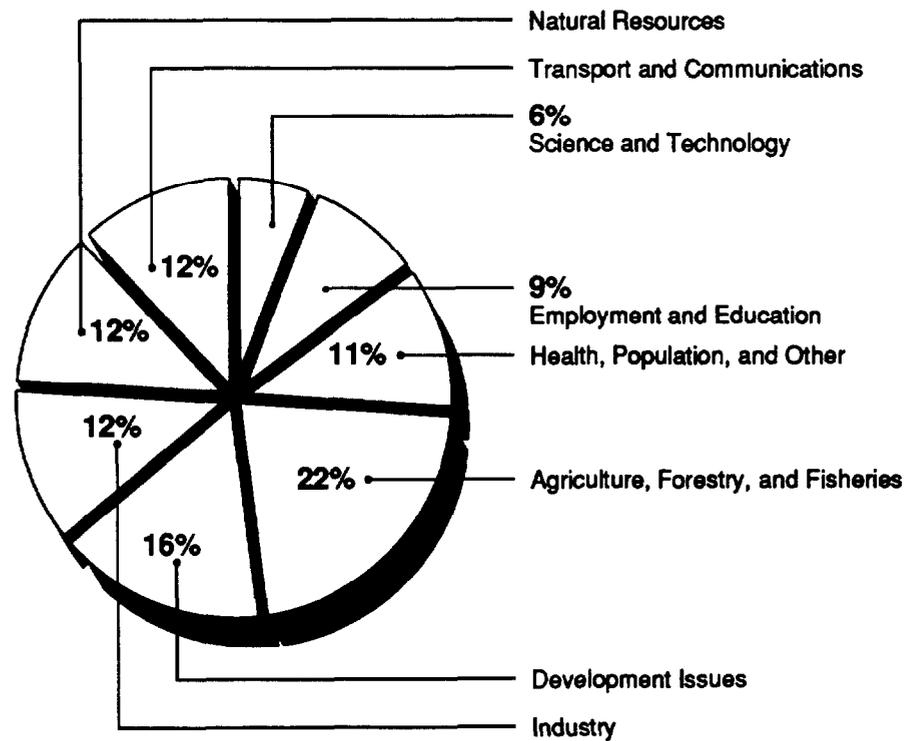
UNDP coordinates the projects it funds, at the country level, with both the U.N. implementing agencies and the recipient government through five-year plans known as country programs. The recipient government, UNDP, and the implementing agencies prepare the country program based on what projects the government would like UNDP to fund in line with its national development objectives and the amount of funds UNDP estimates will be available over the 5-year period for projects in that country. UNDP projects last from a few months to several years.

The technical assistance projects funded by UNDP typically provide advisory services to governments and training for experts and technicians. A standard project includes some equipment and one or more foreign technical advisers, who work with and train counterpart national officers. About 47 percent of UNDP's project expenditures are spent on personnel, 23 percent on equipment, 12 percent on training, and 18 percent on miscellaneous project costs such as supplies and maintenance of equipment.

In 1988, UNDP funded about 6,000 projects in 152 countries and spent about \$1 billion. UNDP estimated that, of this amount, project expenditures were about \$800 million. Figures 1.1 and 1.2 show the percentage

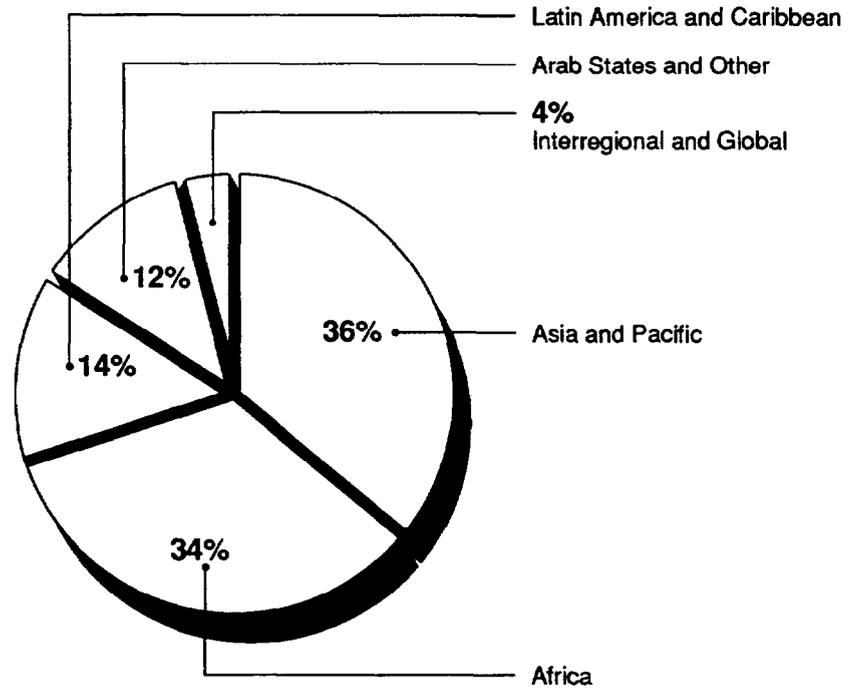
of estimated project expenditures by type of activity and by region. Figure 1.3 shows expenditures by the 10 implementing agencies that spent over \$20 million of UNDP funds in 1988 and the total amount spent by recipient governments that implemented projects themselves.

Figure 1.1: 1988 Project Expenditures by Type of Activity



Source: UNDP

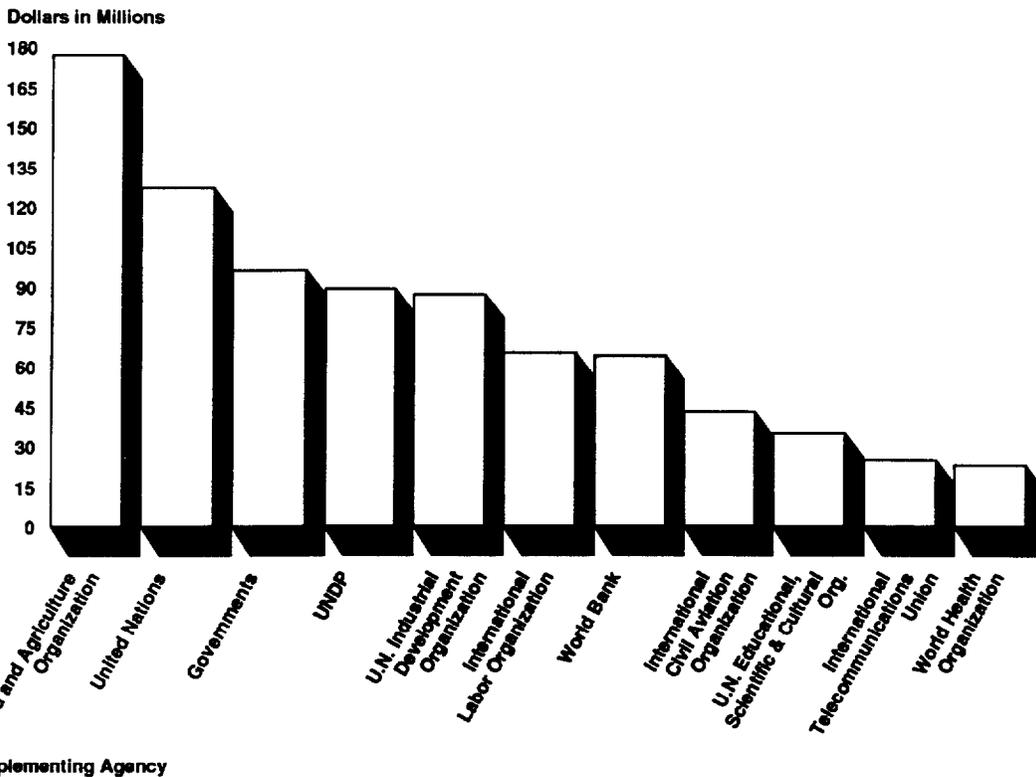
Figure 1.2: 1988 Project Expenditures by Region



Based on UNDP's initial estimate of total project expenditures of \$810 million.

Source: UNDP

Figure 1.3: 1988 Project Expenditures by Implementing Agency



Agencies that spent over \$20 million of UNDP funds in 1988.

Source: UNDP

In addition to funding projects, UNDP also provides administrative support services for other U.N. organizations at the country level, and, in 1988, managed 57 special purpose trust funds and 46 subtrust funds, which are referred to as UNDP-administered trust funds. These funds have been established to support a specific project or type of activity and many are financed by earmarked contributions from a single donor. They are not part of UNDP's general resources.

In 1988, UNDP received total income of \$1.3 billion, of which \$1 billion was for general resources used to pay for UNDP projects and operating costs. About 74 percent of general resources was spent on projects or programs, 16 percent on operating costs, and 10 percent on support costs, the amount paid to implementing agencies to help cover the costs of administering UNDP-funded projects.

Objectives, Scope, and Methodology

The Chairman of the Committee on Foreign Affairs, House of Representatives; the Chairman of the Subcommittee on Human Rights and International Organizations; and Congressman Gerald Solomon requested that we review UNDP. We were asked to examine (1) UNDP's efficiency and effectiveness, (2) other major donors' views of UNDP, (3) the level of U.S. influence, and (4) UNDP's accounting practices and status of fund balances, financial reserves, and trust funds.

Our review was conducted primarily at UNDP headquarters and the U.S. Mission to the U.N. in New York City, and at the Department of State and the U.S. Agency for International Development in Washington, D.C. We also visited selected UNDP field offices and projects in Ghana, Kenya, Tanzania, and Mozambique and interviewed UNDP, U.S. government, and other donor and recipient government officials.

To assess UNDP's activities, we reviewed its role as the central funding channel for U.N. technical assistance; its role as a coordinating body for U.N. technical assistance; how it helps governments determine and meet their technical cooperation needs; and the management of the programs and projects it funds. We reviewed documents, studies and reports, and focused on some recurrent issues, supported by our field work. In particular, we reviewed three reports conducted by independent experts. First, the U.N.'s Director-General for Development and International Economic Cooperation reported, in 1987, the findings of seven country case studies on operational activities of the U.N. system.² The report is known as the Jansson report, after the senior consultant engaged to conduct the studies. Second, the U.N. Board of Auditors visited 13 UNDP field offices and noted findings related to program management in its 1987 audit report.³ And third, in 1985, Denmark, Finland, Norway, and Sweden conducted a joint study of UNDP field activities in 11 countries in Africa and Asia, which is referred to as the Nordic study.⁴

To analyze U.S. influence and participation in UNDP, we reviewed UNDP documents to determine how funds are spent in the United States; the extent that UNDP uses U.S. expertise, training facilities and equipment;

²General Assembly document A/42/326/Add 1., Operational Activities of the United Nations System, Oct. 23, 1987.

³General Assembly document A/43/5/Add.1 Supplement No. 5A, United Nations Development Program. Financial Report and Audited Financial Statements for the year ended 31 December 1987. Report of the Board of Auditors.

⁴UNDP in Action: A Study on UNDP Field Offices in Selected Countries in Africa and Asia. Hans Ahlberg, Ministry of Foreign Affairs, Stockholm, 1985.

and the number of U.S. citizens in professional positions in UNDP. We reviewed U.S. documents reflecting U.S. objectives and concerns and interviewed U.S. and foreign officials to determine their views on the level of U.S. influence in UNDP and the extent that UNDP's development policies coincide with U.S. objectives.

To obtain the views of major donors regarding UNDP, we interviewed representatives of several countries at their missions to the United Nations in New York City, and in the African countries we visited. We also reviewed trends in donor contributions over the years, using UNDP data.

To review UNDP's accounting practices and the current status of its fund balances, financial reserves, and trust funds, we examined the audited financial statements for 1987, noted the issues identified by the U.N. Board of Auditors and those of particular concern to the U.S. government. We also interviewed UNDP officials regarding budget, treasury, and audit functions.

We conducted our review from April 1988 to September 1989, in accordance with generally accepted government auditing standards. Because the U.N. organizations are outside our audit authority, our review of UNDP documents and reports was limited to those that are generally available to member states. As a result, we did not test internal controls or verify data provided by UNDP.

Observations on UNDP Activities

UNDP has a broad mandate. According to UNDP, its primary objective is "to support the efforts of the developing countries to accelerate their economic and social development by providing systematic and sustained technical assistance meaningfully related to their national development plans and priorities." The U.N. General Assembly has assigned UNDP the central funding and coordinating role in technical assistance within the U.N. system.¹

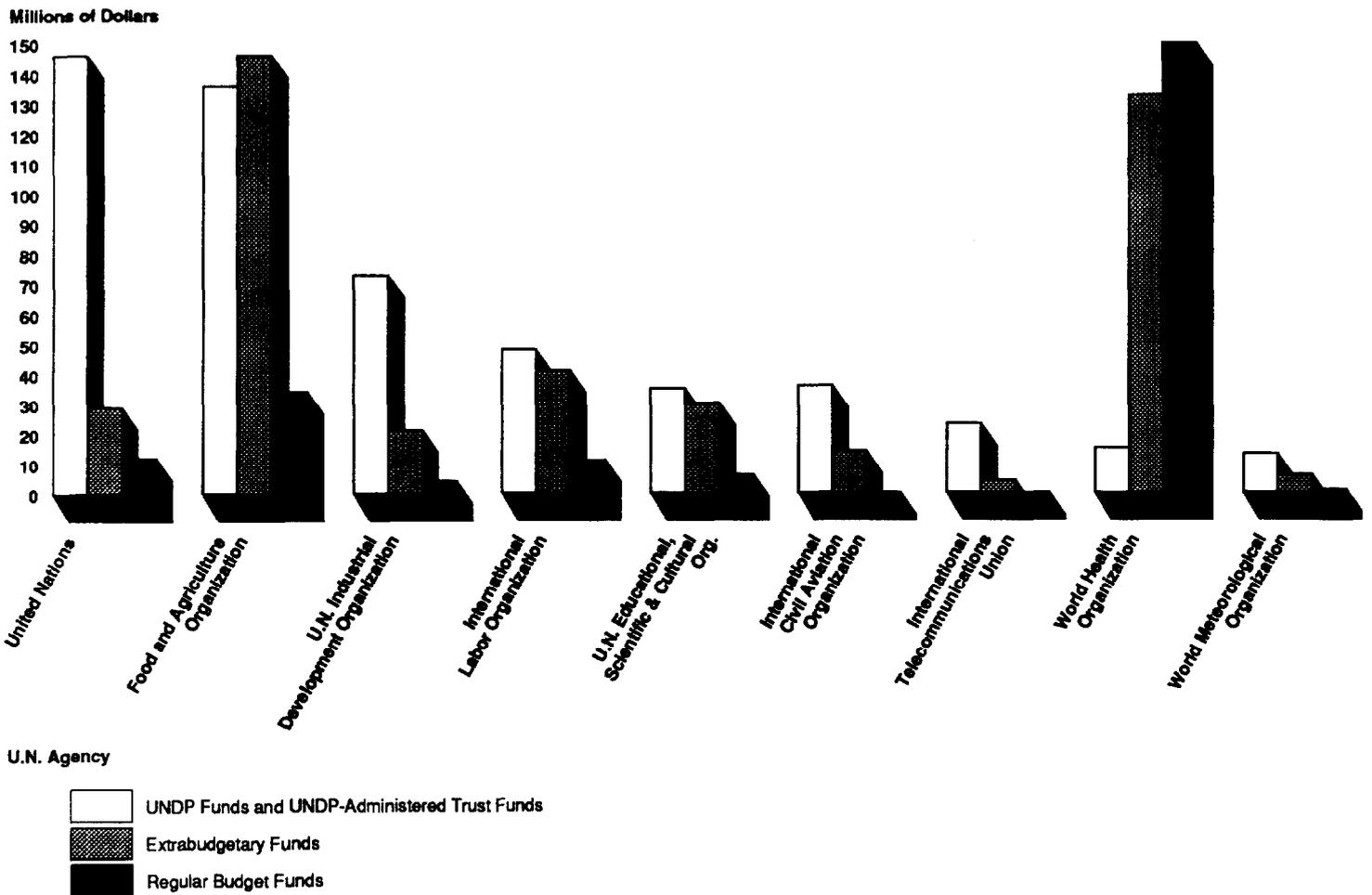
Recipient governments often value UNDP assistance for its nonpolitical character, its flexibility in adjusting to governments' policies and priorities, and because it is provided as grant aid. However, U.S. and other donor government officials believe that UNDP funds too many small projects that have limited impact on the priority development needs of the recipient countries.

UNDP Funds About 30 Percent of U.N. Technical Assistance

U.N. statistical data on its technical assistance shows that, in 1986, the U.N. agencies spent \$2.6 billion on this type of aid, including \$682 million provided by UNDP and \$94 million by UNDP-administered funds. Thus, UNDP funding represented about 30 percent of the total. Other major U.N. funding sources for this type of assistance include the World Food Program, the U.N. Children's Fund, and the U.N. Fund for Population Activities. In addition, other U.N. system agencies fund technical assistance through their regular budgets and extrabudgetary special purpose contributions. Figure 2.1 shows nine U.N. agencies and the amounts they spent on grant-financed technical assistance activities in 1986, as funded by UNDP and UNDP-administered trust funds, extrabudgetary contributions, and their regular budgets.

¹General Assembly resolutions 2688 (XXV), annex and 42/196.

Figure 2.1: Technical Assistance Expenditures by U.N. Agency



Based on 1986 expenditures.

Source: United Nations

Even though UNDP is not the only funding channel for U.N. technical assistance, it is the largest source of funds. Moreover, UNDP has also helped mobilize other resources for technical assistance activities. For example, UNDP reported that, in 1987, it delivered an additional \$87 million in project assistance by providing certain management services, on a reimbursable basis, to bilateral donors and multilateral agencies and that projects it funded also received \$133.5 million in external financing from other donors. UNDP also reported that public and private follow-up

investment commitments, related to UNDP-supported projects, amounted to over \$9 billion in 1987.

UNDP Does Not Coordinate All U.N. Technical Assistance

UNDP has had limited success in using country programs to coordinate technical assistance funded by other U.N. sources. For example, in one year, 1987, UNDP funded \$5.6 million and other U.N. agencies funded \$5.3 million in technical assistance projects in Ghana, one of the countries we visited. Most of the technical assistance funded by other U.N. agencies was not coordinated by UNDP through the country program. UNDP projected an estimated 5-year total of only \$1.5 million from other U.N. agencies firmly committed as a result of the country programming exercise.

In 1977, the General Assembly² stated that UNDP country programs should be used as a “frame of reference” for all U.N. technical assistance activities carried out and financed by the organizations of the U.N. system from their own resources. The 1988 UNDP analysis of 131 country programs showed that only 42 included some planned technical assistance activities from other U.N. sources. The Jansson report noted that governments tend to view the country program only as a plan for using UNDP resources, and concluded that country programs had not had any appreciable value in coordinating and programming within the U.N. system.

General Assembly resolutions³ also state that the overall responsibility for, and coordination of, U.N. operational activities for development (a U.N. term that includes technical assistance), carried out at the country level would be entrusted to a single official, and that the UNDP representative would normally be designated the resident coordinator with respect to these matters. The Nordic study and the Jansson report concluded that resident coordinators have no more authority or staff support than resident representatives, they do not play a substantive role in coordinating U.N. programs, and the designation is largely cosmetic.

Several factors work against the coordination of U.N. technical assistance, including the reluctance of the agencies to be coordinated and donor and recipient government actions supporting the agencies' independence. The agencies have their own mandates, policies, procedures,

²General Assembly resolution 32/197.

³General Assembly resolutions 32/197 and 34/213.

and governing bodies to which they are accountable. Donors support the agencies' independence by making special purpose, extrabudgetary contributions to them and authorizing technical assistance funded through the agencies' regular budgets. Although recipient governments have the ultimate responsibility for coordinating the external aid they receive, some are unwilling or unable to coordinate U.N. assistance and continue to deal separately with the various U.N. agencies.

Although U.N. technical assistance has increased and evolved over the years, member states' concerns about the administration of U.N. assistance remain basically the same. In the General Assembly resolution⁴ creating UNDP, members noted their belief that UNDP would help streamline activities; simplify organizational arrangements and procedures; facilitate overall planning; and increase the effectiveness of U.N. technical assistance activities. Twenty-two years later, in a 1987 General Assembly resolution, members again stressed the urgent need for harmonized, flexible, and simplified procedures; requested effective leadership and coordination within the system; and urged new measures to improve the quality of technical assistance activities.

Even though it does not coordinate all U.N. technical assistance projects, UNDP does provide administrative, personnel, and financial services to some U.N. organizations at the country level. UNDP reported that, in 1987, it provided substantial support for 842 U.N. projects that received no UNDP funding, with estimated expenditures of \$149.2 million. This support included such things as clearing technical advisers and equipment with the recipient government, recruiting individuals for fellowships, and making local payments for project activities on behalf of the U.N. funding agency. UNDP also handles the rental and maintenance of common office space, telex and mail services, and other administrative tasks for most of the resident U.N. agencies. UNDP resident representatives hold periodic meetings with the heads of other U.N. organizations resident in a country regarding common administrative and security issues.

⁴General Assembly resolution 2029 (XX).

UNDP Helps Governments Manage Technical Assistance Needs

By General Assembly resolution,⁵ UNDP is charged with helping governments, at their request, to determine and meet their technical assistance needs. UNDP funds projects related to general development issues, policy and planning; helps some governments to organize meetings with donors and to conduct assessments of their national needs for technical assistance; prepares annual reports on the externally financed assistance each country received during the previous year; and plays a special role in certain situations, such as helping the government of Mozambique coordinate emergency assistance.

Round Table Meetings

UNDP organizes meetings of recipient government representatives and donors known as round table meetings. As of June 1988, round table meetings had been held as the aid coordination mechanism for 21, mainly least developed, countries. The World Bank assists UNDP in preparing for these meetings and participates in them. The main objectives are to communicate the development policies and assistance needs of a country and to enlist donor support. Depending on the recipient country, UNDP may help the government analyze development data, prepare the country presentation, and schedule and carry out the meeting.

For 23 other countries, the World Bank has organized similar meetings of recipient government and donor representatives, known as consultative group meetings. UNDP serves as the lead agency on technical assistance in these meetings. A U.S. official said UNDP plays a useful role in donor coordination in some countries where the World Bank has no presence, or where governments are unwilling to work with the World Bank for political reasons or because of the conditions it places on its loans.

Country Assessments of Technical Assistance Needs and Programs

Since 1985, UNDP has helped 10 African countries plan comprehensive assessments of their needs for technical assistance. UNDP has assigned some economists to field offices to help with these assessments. A 1987 UNDP evaluation of this initiative listed some of the problems that the assessments are intended to address. It noted that the provision of technical assistance is often donor-driven and that recipient governments tend to accept this as a price for obtaining capital resources and as a means of augmenting their budgets with personnel, operating funds, and equipment. Most often technical assistance has been provided on an ad

⁵General Assembly resolution 42/196.

hoc, project-by-project basis, without an assessment of national priorities, relative cost-effectiveness, long-term impact, or sustainability. The report identified lessons learned from three country assessments, noted that it was an ambitious undertaking, and that the methodology was still evolving.

UNDP is helping two of the countries we visited, Mozambique and Ghana, conduct national assessments of their technical assistance needs. The Minister of Cooperation in Mozambique told us that he believes it is the most important assistance UNDP is providing that government. On the other hand, a Ghanaian official with the Aid Coordination Office, Ministry of Finance and Economic Planning, said that the studies and data collection effort were far more detailed and complex than anticipated, and that some Ghanaian officials questioned the need for the exercise.

Annual Development Cooperation Reports

UNDP field offices prepare a development cooperation report annually, which summarizes the assistance the host country received during the previous year. It includes a list of externally financed development assistance to the country, and a list of projects by type of activity. It requires a significant investment of time by both UNDP officials and donor representatives, who are asked to provide data on the projects they fund. Both the Nordic study and the Jansson report concluded that methodological problems limited the usefulness of the development cooperation reports and made it difficult for donors to provide the needed information. In 1988, UNDP reported that it was taking steps to improve and standardize the methodology and format for development cooperation reports.

UNDP's Role in Helping Coordinate Emergency Assistance in Mozambique

We visited Mozambique to review UNDP's role in an emergency situation. An armed insurgency, known as RENAMO, has carried out hit-and-run raids on government installations, economic targets, and civilians. By 1987 about three million people had been affected. There was a critical food deficit, all other sectors of the economy were crippled, and there was a widespread and constant threat to security. Unsuccessful economic policies, a prolonged drought, and other natural disasters also contributed to the rapid decline of the economy.

In February 1987, following an urgent request from the President of Mozambique, the Secretary-General of the United Nations launched an emergency appeal to the international community to provide assistance. Donors pledged about \$678 million in assistance in response to this and

a subsequent appeal. The Secretary-General also appointed the UNDP resident representative in Mozambique as the U.N. Special Coordinator for Emergency Relief Operations.

The Office of the U.N. Special Coordinator for Emergency Relief Operations is jointly supported by UNDP and the U.N. Disaster Relief Organization. In 1988, four of its five permanent staff were UNDP officers. The Office supports the government's coordination of international relief operations and helps strengthen its capacity to plan, implement, and monitor emergency activities in the country.

UNDP serves as the secretariat for weekly meetings of the government and over 40 representatives of donor agencies to exchange information and resolve bottlenecks. UNDP also organizes U.N. interagency and donor missions to various parts of the country to review and verify the emergency situation in the field; maintains contact with the media; produces regular situation reports and field trip reports; and helps monitor emergency needs and the assistance that has been pledged. UNDP has also tried to strengthen the linkage between emergency aid and longer term development needs. Both government and donor representatives expressed appreciation for UNDP's and other U.N. organizations' roles in this situation.

Many Small Projects Have Limited Impact

U.S. officials and other observers believe that UNDP projects are so many, so small, and cover such a broad spectrum of activities that they have limited impact on the priority development needs of the recipient countries, and that they create an administrative burden on the recipient government, the UNDP field office, and the implementing agency.

UNDP reported that, in 1988, about 4,700 out of a total of 5,350 country program projects had budgets under \$400,000. An Agency for International Development analysis of a 1989 survey of U.S. embassies' views on UNDP noted that "most posts' responses focused on the large size of UNDP's project portfolio relative to the management capacity of UNDP field staff. The proliferation of small projects was seen by practically all missions as UNDP's major weakness." In its 1987 audit report, the U.N. Board of Auditors also noted the large number of small projects and concluded that, although large-scale projects are not necessarily more effective than small ones, the situation strongly suggests that country programs are not sufficiently focused on key areas.

The amount UNDP spends in a country is generally small compared to the amounts provided by other sources of external funding. For example, in 1987, one UNDP report noted that Ghana received about \$563 million of externally financed development assistance, of which \$38 million was technical assistance and the remainder capital assistance. UNDP provided \$5.6 million of the technical assistance.

One factor that contributes to the large number of small projects in many fields is how recipient governments choose to use UNDP funds. Both the Jansson report and the Nordic study noted that recipient countries tend to use UNDP assistance to “fill the gaps” left by other aid sources, to fund pilot projects which could serve as a catalyst for attracting larger-scale bilateral aid, and to fund activities, such as development planning, for which the recipient government prefers assistance from a source that it feels is politically and commercially neutral.

U.S. officials said that the UNDP program in some countries is so small, compared to other sources of assistance, that UNDP’s influence on development policies and programs and its potential coordinating role are limited. They believe that UNDP funding is most needed and best utilized in the least developed countries that have a greater need for technical assistance and generally have less access to other sources of external assistance than the more developed countries.

With each 5-year UNDP funding cycle, a progressively larger share of UNDP country program resources was designated for the least developed countries—34 percent between 1977 and 1981, 42 percent between 1982 and 1986, and 64 percent during the 1987-1991 planning cycle. U.S. officials believe that an even larger percentage of UNDP funds should be designated for the least developed countries in the next funding cycle, which covers 1992-1996.

Project Problems and the Need for More Analyses of Project Impact

For each project, UNDP, the implementing agency, and the recipient government sign a project document that specifies their responsibilities and the project objectives, inputs, and outputs. Usually, the implementing agency is responsible for such things as providing foreign technical advisers and internationally procured equipment, and for organizing training. The recipient government usually provides national counterpart personnel, office accommodations, and some supplies that can be purchased locally. UNDP is responsible for ensuring that the assistance is delivered, well-used, and that it helps achieve the development objectives of the recipient countries.

With respect to the responsibilities of the implementing agencies, some common problems noted in various reports are the slow project approval process; long delays in the recruitment of experts and the provision of equipment; inadequate technical backstopping by the agencies in both the design and implementation phases; the provision of experts who fail to meet expectations; and inadequate reporting. With respect to the responsibilities of the recipient government, some commonly reported problems are the lack of national counterpart personnel; delays in clearing foreign technical experts and equipment; delays in selecting and processing candidates for fellowships; and delays in disbursing government funds for local procurement of project equipment and supplies.

UNDP has taken steps to improve the design, monitoring, and evaluation of the projects it funds. In 1985, it established a project design unit and a project review process. In 1987, it introduced new procedures for monitoring, evaluating, and reporting on projects.

A UNDP official said that each year about 2,000 self-evaluation reports by project managers are submitted to UNDP and that about 250 project evaluations are conducted by experts who are not directly involved in the project. About 150 terminal reports, which identify the principal results of a completed project and the lessons learned, are also done annually.

Despite recent improvements in UNDP's efforts to plan, manage, and evaluate its projects, U.S. officials and representatives of other donor governments that we interviewed in the field believe that UNDP projects generally have limited impact on the priority development needs of the recipient countries. U.S. officials have encouraged UNDP to conduct more evaluations of project results to help determine how UNDP funds can be spent most effectively.

The Future Role of UNDP and U.S. Objectives

The 1989 Governing Council considered what role UNDP should play in the future, in particular during the next planning cycle, which will cover 1992 to 1996. The United States advocated (1) a stronger role for UNDP as the coordinator of U.N. technical assistance in the field, (2) increased stress on program results as opposed to expenditures, (3) more help to governments in developing their capacity to manage their development programs, (4) greater concentration of activities in fewer sectors, (5) more attention to global issues like environmental protection, and (6) more funding designated for the least developed countries.

Although members held a wide variety of views on what UNDP's role should be, the Governing Council adopted a compromise decision, which represents a first step towards defining the future policy and program objectives of UNDP. The decision encourages UNDP to focus on helping countries develop the capacity to plan and manage their own development programs.

The Governing Council will continue consideration of UNDP's role in 1990, when it expects to know the results of several U.N. studies, including one on support costs, and the results of the debate on central funding and other U.N. system issues at the 1989 meeting of the U.N.'s Economic and Social Council and in the General Assembly.

Conclusions

Our review indicated that (1) U.N. system technical assistance activities at the country level are not sufficiently coordinated, (2) the actual impact of UNDP-funded projects in terms of meeting the priority development needs of recipient countries is not adequately evaluated, and (3) U.S. officials continue to believe that a greater percentage of UNDP funds should be used to meet the priority needs of the least developed countries and should be concentrated on activities where UNDP offers advantages compared to other funding sources.

Recommendation

We recommend that the Secretary of State seek the support of other major donor nations to (1) strengthen the UNDP resident representative/ U.N. resident coordinator role in coordinating all U.N. technical assistance activities at the country level, (2) increase the evaluation of project results to determine their impact on the priority needs of the recipient countries, and (3) ensure that UNDP concentrates on the priority needs of the least developed countries and on activities where UNDP offers advantages compared to other funding sources.

Major Donors' Views of UNDP

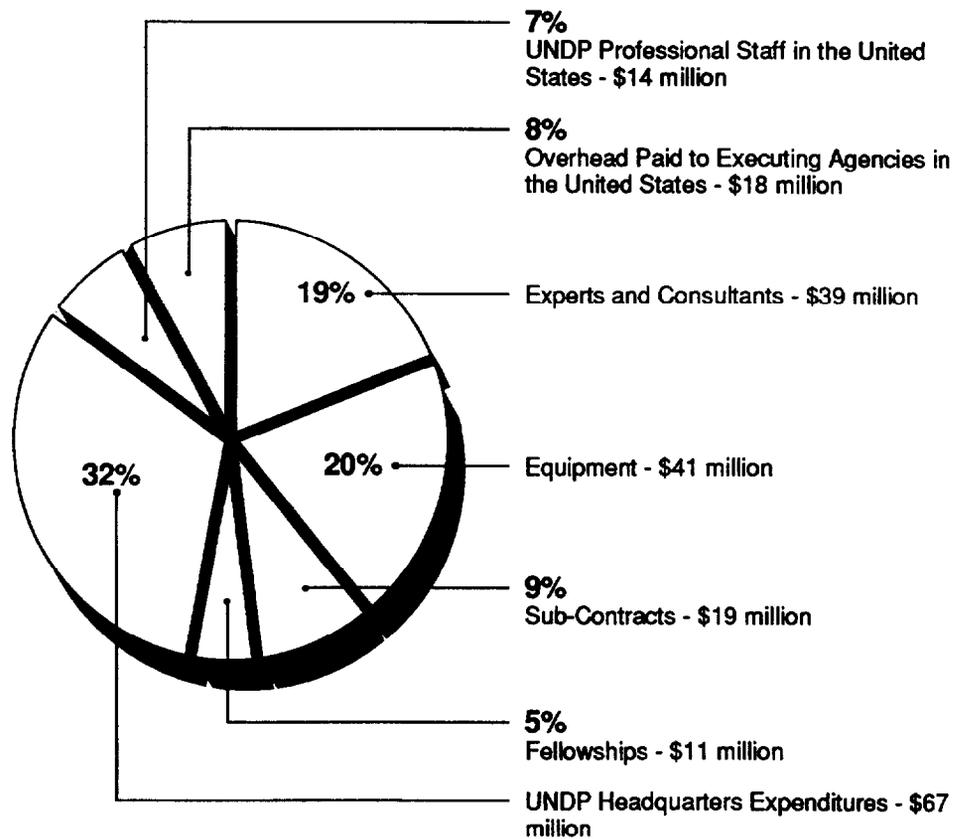
The United States plays a major role in UNDP, and U.S. officials stated that UNDP serves U.S. interests. Donor representatives we interviewed at their governments' missions to the United Nations in New York believed UNDP performed a number of useful functions. Donor representatives we interviewed in the four African countries we visited generally had little contact with UNDP and believed that the many, small UNDP projects had limited impact on the priority development needs of the country to which they were assigned. Major donors' contributions to UNDP have increased substantially since 1985, partly because of exchange rate gains.

U.S. Participation in UNDP

The United States has played a major role in UNDP since it was established. The Administrator has always been a U.S. citizen, the United States has always been on the Governing Council and is UNDP's largest contributor. UNDP reported that about 14 percent of its professional staff were U.S. citizens and that they filled about 15 percent of the senior positions in UNDP.

UNDP uses U.S. consultants and training facilities, and purchases some U.S. equipment. In 1988, UNDP reported that it spent \$209 million in the United States, hired 884 U.S. experts and consultants, and paid for 1,566 fellowships for people trained in the United States. Figure 3.1 shows UNDP expenditures in the United States in 1988.

Figure 3.1: How UNDP Funds Were Spent in the United States, 1988



Total - \$209 Million

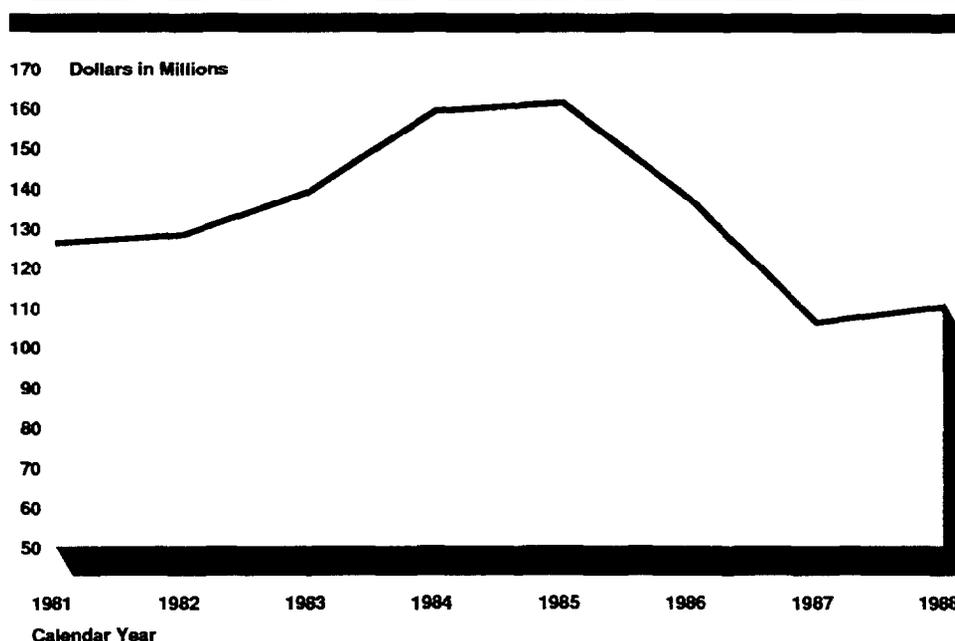
Source: UNDP

U.S. officials said that UNDP serves U.S. humanitarian, political, and economic interests and that U.S. support for UNDP is a visible indicator of the U.S. commitment to solving the problems of the developing countries. U.S. officials also said that UNDP's development policies coincide with U.S. objectives in such areas as protecting the environment, increasing agricultural production and rural development, and promoting private initiative.

The U.S. contribution to UNDP's general resources has decreased from \$161 million in 1985 to \$110 million in 1988, according to UNDP records. Some U.S. and UNDP officials believe the decrease in U.S. contributions

may affect future prospects for U.S. leadership of the organization. Figure 3.2 shows the changing trend in U.S. contributions to UNDP's general resources from 1981 to 1988.

Figure 3.2: U.S. Contributions to UNDP's General Resources, 1981-1988



Source: UNDP

Other Donors' Views

Sweden, Denmark, Finland, and Norway are collectively known as the Nordic countries. Together, the Nordic countries provided about 28 percent of the contributions to UNDP's general resources in 1988. In 1985, they conducted a joint study of UNDP field activities in 11 countries in Africa and Asia. The study reported that the developing countries were favorable in their assessments of UNDP. It also concluded that coordination is essential in increasing the effectiveness of the U.N. system, of UNDP in particular; and that coordination by UNDP was difficult, partly because the U.N. organizations are independent and member governments have not given UNDP the moral and financial support needed to fulfill this function.

We met with representatives of the Nordic countries' missions to the United Nations in New York. They said that their governments continue to be concerned with the issues raised in 1985 and are starting a 3-year study, which will, in part, review the U.N. system's role in providing

technical assistance and the impact of that assistance from the developing countries' perspective.

These representatives also told us that they were satisfied with the budget and finance operations of UNDP, and felt that UNDP officials were responsive to donor concerns. They said that they support UNDP initiatives, such as those aimed at ensuring that women in recipient countries benefit from UNDP-funded projects and those aimed at assisting the private sector. However, they expressed concern that UNDP assistance to the private sector strengthen private enterprise in the developing countries rather than promote investments by multinational companies.

Some donors have bilateral development programs in a small number of countries and view UNDP as a channel for providing assistance to a much larger number of developing countries. For example, an Italian official told us that, in 1979, the Italian Parliament decided to significantly increase the amount of development assistance Italy provides. The Ministry of Foreign Affairs has channeled much of the assistance through multilateral organizations to avoid expanding its bureaucracy.

Italy doubled its contribution to UNDP's general resources between 1985 and 1988, from \$31 million to \$62 million. It is also a major contributor to UNDP-administered trust funds and, according to UNDP, Italy has contracted with UNDP to help manage certain bilateral aid activities with annual expenditure levels of \$50 million. The official said that his government contributes to special purpose UNDP trust funds because it can choose specific projects and countries, can provide assistance to countries where it has no embassy, and can utilize UNDP's network of field offices in each country.

A Japanese official told us that one reason his government makes special purpose contributions to UNDP and other international organizations is because of a shortage of Japanese advisers with the combination of technical and language skills needed for working in developing countries. According to UNDP, Japan plans to contract with UNDP to manage certain bilateral aid programs in Africa, with expected annual disbursements of \$30 million.

Donor Views at the Field Level

We interviewed officials representing eight donor countries on our field trip to Africa. Their perspectives on UNDP operations were different from those of the officials we interviewed in New York. The donor representatives in the field were working with their countries' bilateral aid

programs and their views were based on their knowledge of UNDP in the country to which they were currently assigned and, sometimes, on experiences during previous assignments. In general, their contact with UNDP was minimal and they saw no need to increase it.

Agency for International Development officials cited three examples of what UNDP is doing that they have particularly appreciated. In Ghana, UNDP has taken the lead in coordinating external assistance for the acquired-immune deficiency syndrome (AIDS) program. One U.S. representative in Ghana said such programs are very sensitive, can take on political overtones, and are best led by a neutral U.N. organization. In Tanzania, UNDP presented a paper to a meeting of donors, which was critical of many donor practices in the provision of technical assistance. U.S. and government officials in Tanzania said it was useful to have a neutral agent, UNDP, highlight the problems. In Mozambique, UNDP is helping the government coordinate emergency aid, which donors appreciate.

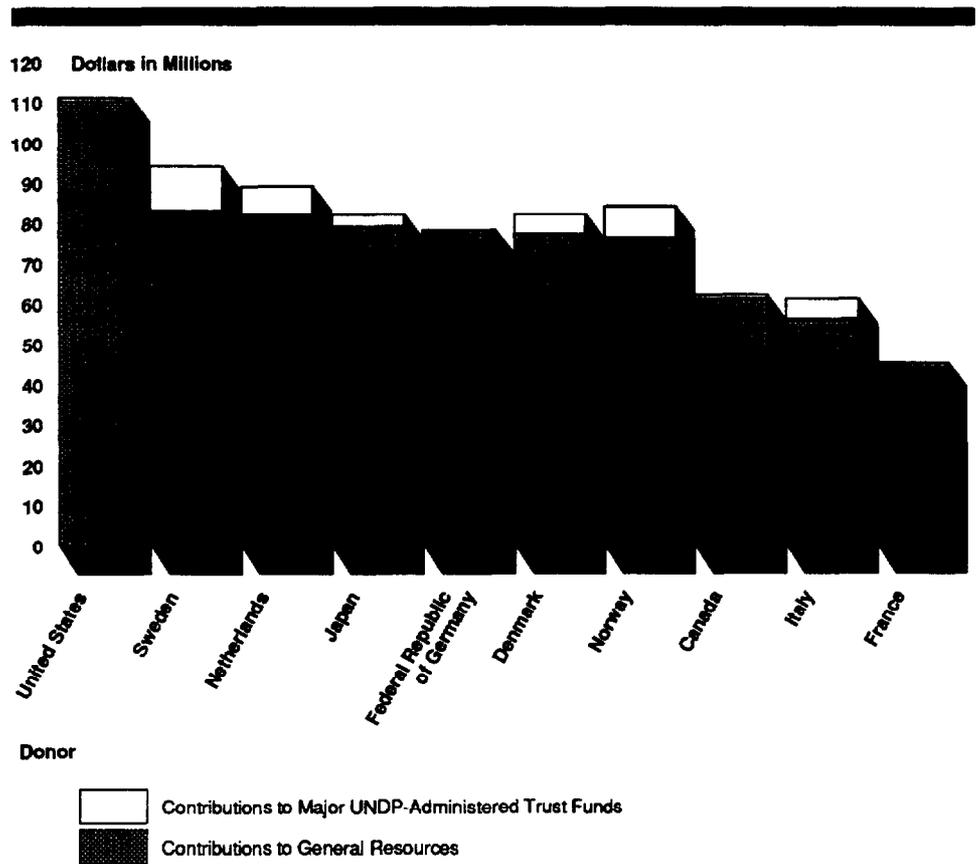
Donor officials' opinion of the UNDP resident representative seemed to be a major factor in their views of the UNDP program at the country level. In two countries we visited, donors spoke highly of the resident representatives and UNDP's relationship with the host governments. However, on the whole, donor representatives said they were not fully aware of what projects UNDP funds, partly because they are often implemented by and, therefore, identified with another U.N. agency—not UNDP. Some viewed the UNDP program as too small and scattered to have much impact on the major development needs of the country to which they were assigned, and said that UNDP did not play a significant role in the donor community. Some also expressed the view that UNDP and other U.N. assistance was being overly bureaucratic and expensive, compared to their bilateral aid programs.

Trends in Donor Financing

Total contributions to UNDP's general resources increased from \$674 million in 1985 to \$948 million in 1988. During that same period, the percentage of total contributions paid by the United States dropped from 24 percent to 11.6 percent of the total. Accordingly, some other donors paid a larger percentage of the total in 1988. For example, the following countries' contributions, as a percentage share of total contributions, increased by about 2 percentage points between 1985 and 1988—Denmark—2.6 percent; Finland—2.3 percent; the Federal Republic of Germany—2.2 percent; the Netherlands—2.1 percent; and Sweden—1.5 percent.

Despite the United States' decreasing share of total contributions, it is still the largest single donor. Figure 3.3 shows the amounts contributed by the ten major donors in 1988 to general resources and the major UNDP-administered trust funds, which include the U.N. Capital Development Fund and the U.N. Fund for Women.

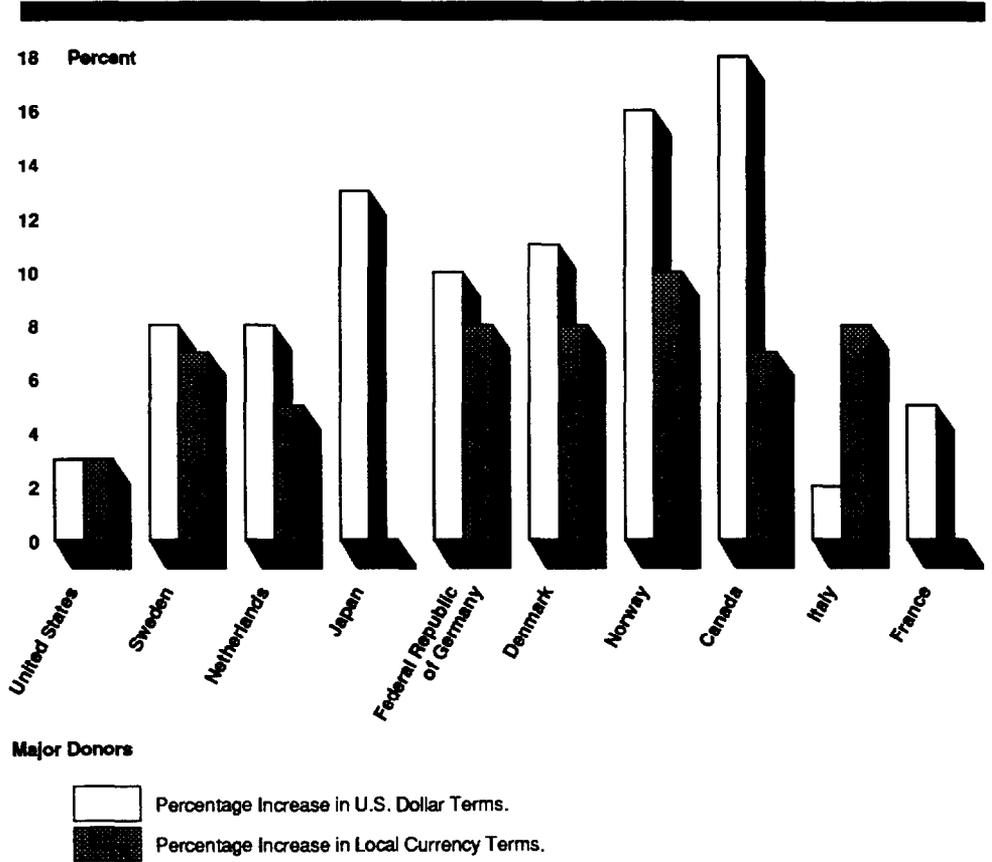
Figure 3.3: Contributions by the Ten Major Donors to UNDP, 1988



Source: UNDP

Except for the United States, the dollar value of contributions to UNDP from other major donors have generally increased each year since 1985. The United States and Japan have made their pledges and paid their contributions in U.S. dollars. The other donors pledge and pay in their local currencies, which UNDP expresses in terms of U.S. dollars for record-keeping purposes. Figure 3.4 compares the percentage increase in 1988 contributions over 1987 contributions, for the 10 major donors, both in terms of U.S. dollars and in local currency.

Figure 3.4: Percentage Increase in 1988 Contributions in U.S. Dollars and in Local Currency, by Donor



The United States and Japan pay their contributions in U.S. Dollars. The percentage increase in local currency for France was zero percent.

Source: UNDP

UNDP's Accounting Practices and Fund Balances

The U.N. Board of Auditors audits UNDP annually. It issued qualified audit opinions on UNDP's 1986 and 1987 financial statements, primarily because it felt it could not comment on the unaudited UNDP-funded project expenditures reported by some U.N. implementing agencies, which are audited every 2 years instead of annually.

There are two major categories of UNDP funds: the UNDP account, which funds UNDP's projects and operating costs, and UNDP-administered trust funds, which were established for special purposes and are managed by UNDP. The balance in the UNDP account at the end of 1988 was about \$1 billion. Large exchange rate gains in 1986 and 1987, reserves, and the requirement that some activities be paid for in advance contributed to the high fund balance.

The balance for UNDP-administered trust funds was \$257 million. We reviewed the two trust funds to which the United States contributed in 1988 and found that the balance for the U.N. Capital Development Fund would cover about 2 years at the 1988 rate of expenditure; and the balance for the U.N. Fund for Women would cover about 1 year.

U.N. Board of Auditors' Reports

The external auditors for UNDP are the U.N. Board of Auditors. The General Assembly appoints this independent Board of three members, each of whom is the Auditor-General of a member state, for a 3-year term. After reviewing accounting procedures and testing accounting records at headquarters and in the field, the Board issues an audit opinion on UNDP's financial statements, makes recommendations, and reports findings on management and accounting practices. Its report is published as a General Assembly document.

The Board issued qualified audit opinions on UNDP's 1986 and 1987 financial statements, primarily because it felt that it could not comment on the unaudited UNDP-funded program expenditures reported by some U.N. implementing agencies with biennial audit cycles, and by some governments. The issue of UNDP's procedures for auditing agencies and governments that implement UNDP-funded projects first arose in the 1986 audit.

Most UNDP project funds are spent by the U.N. agencies that implement UNDP projects. For example, of the \$833 million of UNDP project funds expended in 1988, about \$660 million was spent by U.N. agencies, \$92 million by governments, and \$81 million by UNDP itself. These funds are subject to each agency's accounting and auditing procedures. The major U.N. implementing agencies have biennial budgets and their financial

statements are only audited every other year. Consequently, UNDP only received audit certificates or clearances relating to 66 percent of 1987 program expenditures from U.N. implementing agencies before the closing of the UNDP accounts for that year. Only 2 percent of the 1987 reports from governments were audited.

While acknowledging the uncertainties related to the fact that a substantial portion of reported expenditures are not audited, the UNDP Governing Council also recognized the practical difficulties involved in requiring all implementing agencies to provide annual audit certificates and the substantial additional costs this would involve. To resolve the problem, in June 1989, the UNDP Budgetary and Finance Committee recommended that UNDP adopt a biennial audit cycle to correspond to the audit cycle of the U.N. implementing agencies. The Committee's decision requests that the UNDP Administrator submit revisions to UNDP's financial regulations concerning the periodicity of audits of its central accounts to the 1990 Governing Council. If the Governing Council approves the revisions, UNDP will submit biennial audited financial statements to the Governing Council beginning with the 1990-1991 biennium. Similarly, beginning in 1990, the Board will submit reports on substantive matters, including management issues, during the first year of each biennium.

Another reason for qualifying their audit opinion was the Board's view that expenditures for equipment should be recorded in the year in which the equipment is delivered. UNDP treats orders for equipment as expenditures in the current year, even when delivery takes place in the following year. The UNDP Governing Council agreed that UNDP's existing procedures for recording unliquidated obligations should continue to be applied, pending further review of this issue.

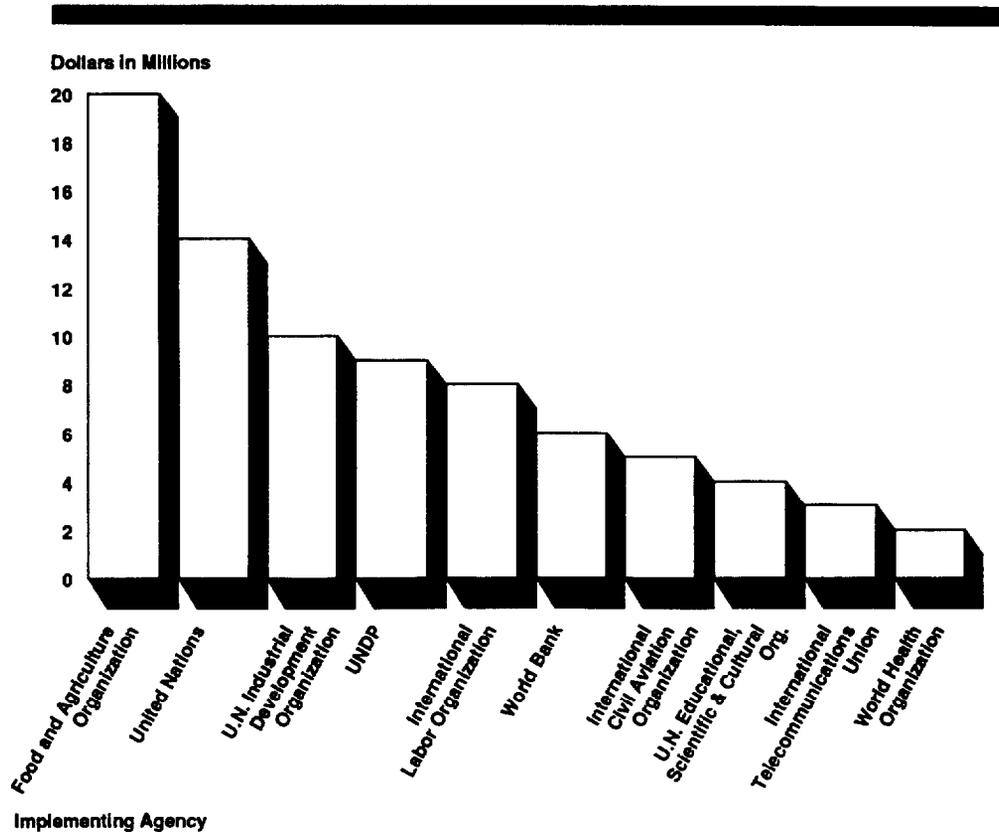
The Board Reported a Need for Improved Accounting Procedures

Two other accounting issues raised by the Board in its 1987 report were of particular concern to the United States. The first issue is the need to distinguish between project expenditures and UNDP operating costs. The Board reported that some UNDP field office expenditures were charged to program support projects; the cost of some headquarters positions were charged to project budgets; and some related costs, such as travel of UNDP staff members, may also have been charged to project budgets. The second U.S. concern related to the Board's finding that implementing agencies also charged certain expenditures to project budgets, rather than pay them from support cost earnings. UNDP generally pays implementing agencies program support costs, equal to 13 percent of project

expenditures, to help cover the administration of UNDP-funded projects. In 1987, UNDP authorized the implementing agencies to charge the costs of certain types of field visits to project budgets. UNDP said this was necessary because of the financial difficulties experienced by other U.N. organizations. The U.S. position has been that, it is inappropriate for UNDP to provide financial subsidies of this type to other agencies, to which UNDP already pays large amounts in support costs. Charging operating costs to individual projects is, according to the Board, misleading from an accounting point of view and results in additional overheads being improperly paid to implementing agencies.

In 1988, UNDP paid implementing agencies \$93 million for program support costs. Figure 4.1 shows the amount UNDP paid each of the major implementing agencies.

Figure 4.1: Program Support Costs by Implementing Agency, 1988



Total 1988 Program Support Costs - \$93 million.

Source: UNDP

UNDP Needs More Audit Information From Implementing Agencies

UNDP officials told us that they would like more detailed information on project expenditures from the implementing agencies. Some agencies only submit a brief financial statement. The Governing Council has requested that the agencies submit a long form narrative report, and that they ensure that some UNDP-funded projects are audited by the agencies' external auditors.

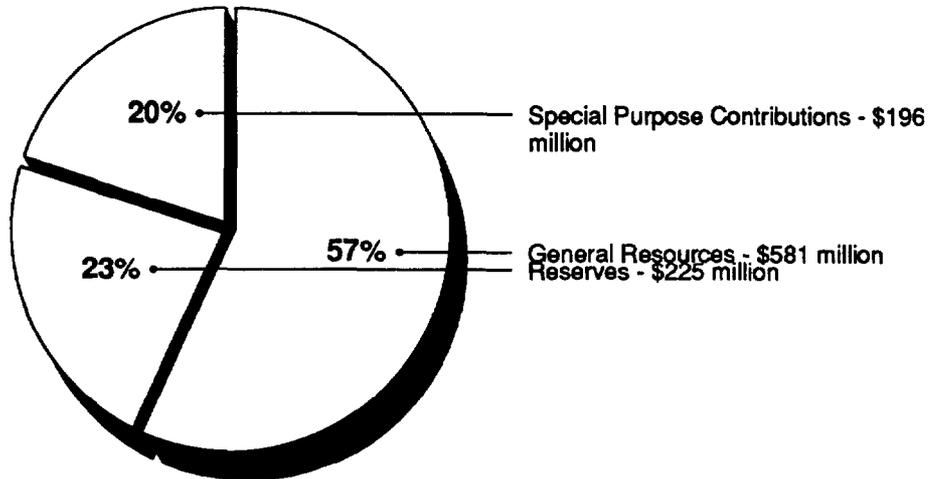
High Balance Partially Due to Exchange Rate Gains and Operational Reserves

As of December 31, 1988, the unexpended balance in the UNDP account, which funds UNDP's projects and operating costs, was about \$1 billion, of which \$581 million was for general resources, \$225 million was for required financial reserves, and \$196 million was for earmarked activities. UNDP reserves include an operational reserve of \$200 million and a reserve for construction loans to governments of \$25 million.

The \$196 million for earmarked activities includes, for example, the Special Measures Fund for the Least Developed Countries, cost-sharing contributions from donor and recipient governments for specific projects, cash counterpart contributions from recipient governments, and extrabudgetary income paid to UNDP to cover the cost of performing certain services. These programs operate on a fully funded basis; contributions must be received at least one year in advance of planned expenditures, and they cannot be used for other purposes.

Figure 4.2 shows the percentage of the balance in the UNDP account that can be attributed to general resources, reserves, and special purpose contributions.

Figure 4.2: Balance of the UNDP Account
 as of 12/31/88



Total - \$1 Billion

Source: UNDP

The end-of-year balance of general resources increased by almost \$400 million between 1985 and 1988. In 1985, the balance represented about 3 months expenditures at the 1985 average monthly rate of expenditure. In 1988, the balance represented about 7 months expenditures at the 1988 rate. Table 4.1 shows the year-end balance of general resources from 1985 to 1988.

Table 4.1: Year-End Balance of General
 Resources in 1985-88

Dollars in millions	
Year	Balance
1988	\$581
1987	531
1986	314
1985	\$184

Source: UNDP

UNDP reported that, in 1986 and 1987, the book value of its assets, in U.S. dollar terms, increased by about \$170 million as the result of exchange rate gains alone. During the same period, interest on UNDP's investments amounted to \$124 million, which, according to UNDP, also contributed to the excess of income over expenditures. Finally, contributions to UNDP's general resources, in U.S. dollar terms, increased by 15 percent in 1986, 12 percent in 1987, and 10 percent in 1988. Part of

these increases were due to the increased value, in U.S. dollar terms, of contributions from the major European donors.

UNDP noted that the balance of \$581 million in general resources should be considered in relation to the following points: (1) total short-term liabilities, including unliquidated obligations and accounts payable, were \$272 million as of December 31, 1988; (2) total commitments with respect to unspent budgets of approved projects exceeded \$1 billion; and (3) UNDP's 1988 program expenditures from general resources were \$135 million more than in 1987. UNDP also noted that the general resources balance is expected to sharply decline in 1989 and 1990 because of increased program expenditures.

High Trust Fund Balances

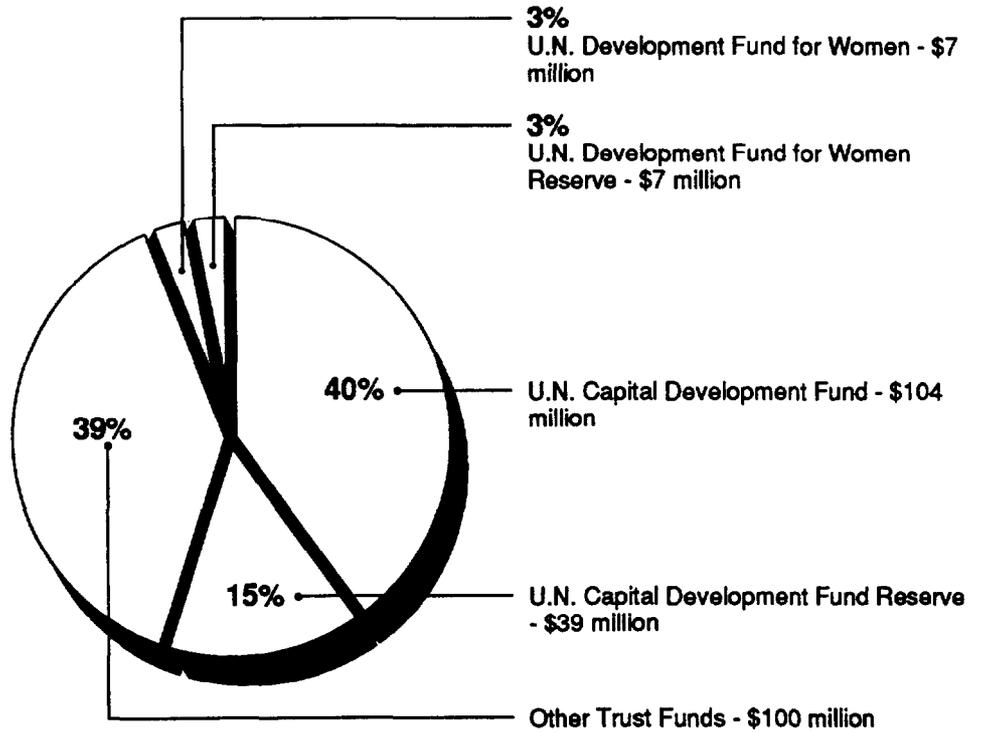
The balance of UNDP-administered trust funds at the end of 1988 was \$256.6 million. This is in addition to what is known as the UNDP account, and is separate from program funds available for UNDP's core program activities. UNDP managed 57 trust funds and 46 subtrust funds, most of which are funded by only one donor. In 1988, single donors provided funding for 24 of the trust funds and 45 of the subtrust funds. We reviewed the only two trust funds to which the United States contributed in 1988, the U.N. Capital Development Fund and the U.N. Development Fund for Women, known as UNIFEM.

The balance of the U.N. Capital Development Fund was \$103.5 million as of December 31, 1988. This would cover over 2 years at the 1988 rate of expenditure of \$44 million. In addition, the balance of the fund's operational reserve as of the same date was \$39.4 million. The United States contributed an estimated \$1.5 million to this fund in fiscal year 1989.

The balance of the U.N. Development Fund for Women was \$7.3 million as of December 31, 1988. This would cover about 1 year at the 1988 rate of expenditure of \$7.5 million. In addition, the balance of the fund's operational reserve as of the same date was \$6.7 million. The United States contributed an estimated \$800,000 to this fund in fiscal year 1989.

Figure 4.3 shows the percentage of the balance of UNDP-administered trust funds that can be attributed to the U.N. Capital Development Fund and its operational reserve, the U.N. Development Fund for Women and its operational reserve, and to other trust funds.

Figure 4.3: Balance of UNDP-
Administered Trust Funds, 1988



Total - \$257 Million

Source: UNDP

Chapter 4
UNDP's Accounting Practices and
Fund Balances

Comments From the Department of State



United States Department of State

Washington, D.C. 20520

JAN 16 1990

Frank
Dear Mr. Conahan:

This is in response to your letter of December 6, 1989 to the Secretary which forwarded the draft report entitled "United Nations: U.S. Participation in the U.N. Development Program" (Code 472168) for review and comment.

Enclosed are brief comments from the Bureau of International Organization Affairs.

We appreciate the opportunity to review and comment on the report.

Sincerely yours,

Jill
Jill E. Kent
Chief Financial Officer

Enclosure:
As stated.

Mr. Frank C. Conahan,
Assistant Comptroller General,
National Secretary and International
Affairs Division,
U.S. General Accounting Office,
Washington, D.C.

Appendix I
Comments From the Department of State

GAO DRAFT REPORT COMMENTS: UNITED NATIONS: U.S. PARTICIPATION
IN THE U.N. DEVELOPMENT PROGRAM (GAO CODE 472168)

Thank you for the opportunity to comment on the Draft Report prepared by the General Accounting Office on United States participation in the United Nations Development Program. We concur with the conclusions and recommendations made in the report.


John R. Bolton
Assistant Secretary
Bureau of International
Organization Affairs

Major Contributors to This Report

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