

June 1992

# UNESCO

## Status of Improvements in Management, Personnel, Financial, and Budgeting Practices



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**United States  
General Accounting Office  
Washington, D.C. 20548**

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**National Security and  
International Affairs Division**

B-247804

June 9, 1992

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

The Honorable James H. Scheuer  
Chairman, Subcommittee on Environment  
Committee on Science, Space, and Technology  
House of Representatives

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

This report responds to your request that we conduct a follow-up management review of the United Nations Education, Scientific, and Cultural Organization (UNESCO).

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies of this report to the Director General of UNESCO, the Secretary of State, and appropriate congressional committees. We will also make copies available to other interested parties upon request.

The report was prepared under the direction of Harold J. Johnson, Director, Foreign Economic Assistance Issues. He can be reached at (202) 275-5790, if you or your staff have questions. Other major contributors are listed in appendix V.

Frank C. Conahan  
Assistant Comptroller General

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# Executive Summary

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## Purpose

On December 31, 1984, the United States withdrew from the United Nations Educational, Scientific and Cultural Organization (UNESCO), stating that the organization was mismanaged, budget growth was out of control, and programs were politically biased. In 1990, the Department of State reviewed UNESCO, found that sufficient management reform had not occurred, and concluded that the United States should not rejoin. In 1991, at the invitation of UNESCO and at the request of three congressional committee or subcommittee chairmen, GAO evaluated whether UNESCO had improved its management and controlled budget growth since GAO reported on these issues in 1984.<sup>1</sup> GAO did not evaluate the subject matter of UNESCO's programs or whether they were politically biased.

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## Background

UNESCO's day-to-day operations are administered by the Secretariat, which is headed by the Director General, UNESCO's chief administrative officer. As of July 1991, UNESCO had 2,697 regular staff working at its headquarters in Paris and at 41 overseas field offices. UNESCO has 163 dues-paying member countries, and representatives of these countries constitute the General Conference, which sets UNESCO's overall policy, and the Executive Board, which oversees UNESCO's operations and budget. UNESCO's 1992-1993 biennial budget is \$720 million—\$445 million funded by assessed dues from member countries and \$275 million funded by voluntary contributions.

Two management reviews of UNESCO have been conducted since 1984—GAO's 1984 report and a 1989 report by an independent commission chaired by Knut Hammarskjold. These two reports set the baseline conditions against which GAO measured the progress of UNESCO's reforms. These reports identified the following weaknesses in UNESCO's management: (1) the governing bodies provided ineffective oversight of the Secretariat, (2) the Director General delegated so little authority that operations were impeded, (3) UNESCO's services were too centralized at headquarters, (4) the program was unfocused with too many activities, (5) activities were not adequately planned or evaluated, (6) staff appraisals were not credible, (7) the use of consultants was not adequately controlled, and (8) budget growth was excessive.

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## Results in Brief

Very little management reform occurred at UNESCO until after a new Director General was elected in November 1987. Since then, UNESCO has

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<sup>1</sup>Improvements Needed in UNESCO's Management, Personnel, Financial, and Budgeting Practices (GAO/NSIAD-85-32, Nov. 30, 1984).

introduced management reforms and begun addressing the problems identified by GAO and the Hammarskjold commission.

Member states and UNESCO officials have improved the organization's general management. Since 1987, the Executive Board has provided oversight that has led to management reforms. The Director General began delegating authority in 1987, and directors now make decisions for their units. UNESCO has not shifted a greater proportion of resources to the field, but is developing plans to decentralize services. The Director General has improved UNESCO's accountability by expanding the Inspector General's role and filling vacant positions in that office.

UNESCO has concentrated on fewer activities, reducing the number of activities from 2,041 in 1988 to 1,354 in 1991. Program planning documents now specify the programs' objectives, but not their expected impacts. UNESCO has evaluated the impact of only 8 percent of its activities since 1986.

In 1990, UNESCO introduced a new staff appraisal system based on actual job performance. A related promotion system based on competition and merit is under internal review but has not been implemented. New controls over the use of consultants and other supplementary staff have been introduced, but notable gaps exist in their implementation.

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## Principal Findings

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### Progress in General Management

Since 1987, the Executive Board has strengthened its oversight by conducting studies of UNESCO's personnel management, financial regulations, and options for decentralization. Beginning in 1990, the Board also began tracking recommendations made by the External Auditor, who is appointed by the General Conference from the auditors general or equivalent officer of the member states. Of the Auditor's 18 recommended actions, the Secretariat has implemented 10, has carried out 3 alternatives, is working on 3, and has rejected 2.

Within the Secretariat, the Director General delegated authority for hiring staff to other officials. GAO examined 104 personnel decisions and found that 102 were made by the delegated officials. With respect to decentralizing resources, the proportion of UNESCO staff located at headquarters (about 73 percent) has changed very little since 1984.

However, in 1988, the Secretariat formed the Bureau for the Coordination of Field Units to plan for decentralization.

In 1989, the Director General expanded the Inspector General's role to include independent appraisals of management efficiency and compliance with regulations. Since 1984, the Inspector's staff has increased from 6 to 10 professionals. GAO's examination of 14 Inspector General's reports indicated that UNESCO has carried out the main recommendations in 12 of these reports.

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**Progress in Program Focus and Planning, but Evaluation Is Weak**

GAO's analysis of expenditures shows that program focus has improved. UNESCO funded 2,041 activities during the 1988-1989 biennium, compared with 1,354 during the 1990-1991 biennium. An activity, such as a book publication, is the smallest unit of work that UNESCO undertakes.

In 1984, GAO found that UNESCO's subprogram plans were weak because they did not specify objectives and priorities. GAO's analysis of 15 randomly selected subprograms for 1992-1993 showed that UNESCO specified objectives and priorities for the subprograms; however, the plans did not identify the programs' expected impacts.

Although UNESCO has increased its internal evaluation capability and monitors activities, it has not systematically evaluated the impact of its activities. UNESCO had conducted only 15 impact evaluations since 1986, covering 8 percent of its activities.

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**Personnel Reforms Promising, but Gaps Remain**

In 1990, UNESCO introduced a new appraisal system based on actual job performance. The appraisal system uses standard ratings "A" through "E" and specifies the consequences, including dismissal for an "E." As of October 1991, UNESCO had rated 631 of 2,697 employees under the new system and terminated three individuals who received "E" ratings. UNESCO is reviewing a new promotion system based on merit and competition.

In 1990, UNESCO placed time limits on the duration of contracts for consultants and other temporary personnel, and assigned the Bureau of Personnel to monitor these time limits. GAO compared Personnel's roster of consultant contracts with a listing of all consultant contracts and found that 42 percent were not on Personnel's roster. GAO also identified 28 consultant contracts that exceeded the time limit on the length of employment.

**Budget Growth Reduced**

Large budgetary growth was one of the reasons the United States withdrew from UNESCO. Table 1 shows UNESCO's real growth from 1977 to 1993 (using a constant exchange rate and a constant 1990-1991 dollar).

**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's regular budgets grew since 1987 because increases in employee wages and benefits exceeded inflation. An agreement between UNESCO and the United Nations obliges UNESCO to ensure as much uniformity as possible in the conditions of employment of personnel.

**Recommendations**

At the Secretariat's invitation to suggest management improvements, GAO makes a number of recommendations to the Director General in chapters 3 through 7, designed to (1) improve the process of decentralization, (2) strengthen program planning and evaluation, (3) improve the implementation of reforms for supplementary staff, and (4) improve budgeting.

**Agency Comments**

UNESCO generally concurred with GAO's findings, but provided elaboration on some points. For example, UNESCO indicated that in addition to the progress GAO noted in the area of program evaluation, it had increased the funding for the Central Program Evaluation Unit by \$90,000 in the 1992-1993 budget, planned to evaluate all natural science programs, and had conducted external evaluations of UNESCO projects funded by extrabudgetary sources. GAO acknowledges that such steps further improve program evaluation; however, GAO remains concerned about the limited coverage of impact evaluations and the need to improve the quality of evaluations. (See chs. 3, 4, 5, 6, and 7 and appendix III for UNESCO comments and GAO evaluation.)

The Department of State said that GAO's report provided a useful assessment of UNESCO's management, personnel, and budgetary practices, and that GAO's recommendations are consistent with the goals sought by State for several years. (See app. IV.)

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**Abbreviations**

UNESCO	United Nations Educational, Scientific, and Cultural Organization
GAO	General Accounting Office
GNP	Gross National Product
ICSC	International Civil Service Commission
U.N.	United Nations

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# Introduction

In 1946, during the aftermath of World War II, the United States and its allies founded the United Nations Educational, Scientific, and Cultural Organization (UNESCO). After 38 years of membership, the United States withdrew from the organization, citing its mismanagement, excessive budget growth, and political bias. In withdrawing, the Secretary of State said that the United States still believed in the founding ideals of UNESCO—that education, science, culture, and communication were essential in building a peaceful world. He further indicated that sufficient reform in the future could lead the United States to rejoin. In 1990, the State Department reviewed UNESCO, found that management reform was particularly disappointing, and concluded the United States should not rejoin. Interested in reviewing U.S. policy towards UNESCO, three congressional committee or subcommittee chairmen asked GAO to review whether UNESCO had improved its management.

## UNESCO's Mission and Budget

UNESCO's mission is to further world peace and security by promoting cooperation in the fields of education, science, and culture. To achieve these goals, UNESCO sponsors activities such as the restoration of the world's cultural monuments, international research on environmental change, and projects to achieve universal literacy. Although UNESCO has its own constitution, budget, and programs, it is part of the United Nations system and follows U.N. standards in areas such as personnel policy.<sup>1</sup>

As of November 1991, 163 countries were members of UNESCO and they are assessed dues, which fund UNESCO's regular budget. Although the regular budget assessment rate varies from 16 percent to .015 percent, each country has a single vote in budgetary and other matters. Table 1.1 shows the member states with the largest assessments and the percentage of the 1990-1991 regular budget they funded.<sup>2</sup> UNESCO also receives extrabudgetary funds, primarily voluntary contributions provided by the United Nations Development Program and other countries. The United States, for example, contributed about \$4 million to UNESCO in 1990-1991, primarily to support science programs. UNESCO budgets on a biennial basis; the 1992-1993 budget is \$720 million—regular budget funds of \$445 million and extrabudgetary funds of \$275 million. UNESCO's headquarters

<sup>1</sup>The International Civil Service Commission (ICSC) sets personnel policies and standards for the United Nations in such areas as salary and uniform personnel classifications.

<sup>2</sup>While Japan's regular budget assessment rate is currently the largest at 16 percent, the United States' assessment was 25 percent at the time it withdrew from UNESCO.

are in Paris, and it has 41 field offices around the world. As of July 1991, it had a regular staff of 2,697 personnel.

**Table 1.1: Assessment Rate of Member States (1990-1991)**

Dollars in millions

Country	Assessment rate	Amount
Japan	16.0	\$58.6
U.S.S.R. <sup>a</sup>	14.1	51.4
Germany	13.2	48.1
France	8.8	32.2
Italy	5.6	20.5
Canada	4.4	15.9
Spain	2.8	10.0
Netherlands	2.3	8.5
Australia	2.2	8.0
Brazil	2.0	7.4
Subtotal	71.4	260.8
68 countries <sup>b</sup>	27.4	100.2
84 countries <sup>c</sup>	1.2	4.4
<b>Total</b>	<b>100.0</b>	<b>\$365.2<sup>d</sup></b>

<sup>a</sup>UNESCO is considering issues related to the obligations of the former Union of Soviet Socialist Republics (U.S.S.R.).

<sup>b</sup>Countries in this category had assessment rates ranging from 1.75 percent to .03 percent.

<sup>c</sup>Countries in this category had assessment rates of .015 percent.

<sup>d</sup>UNESCO's regular budget for 1990-1991 was higher than this total because it received additional income from various operations.

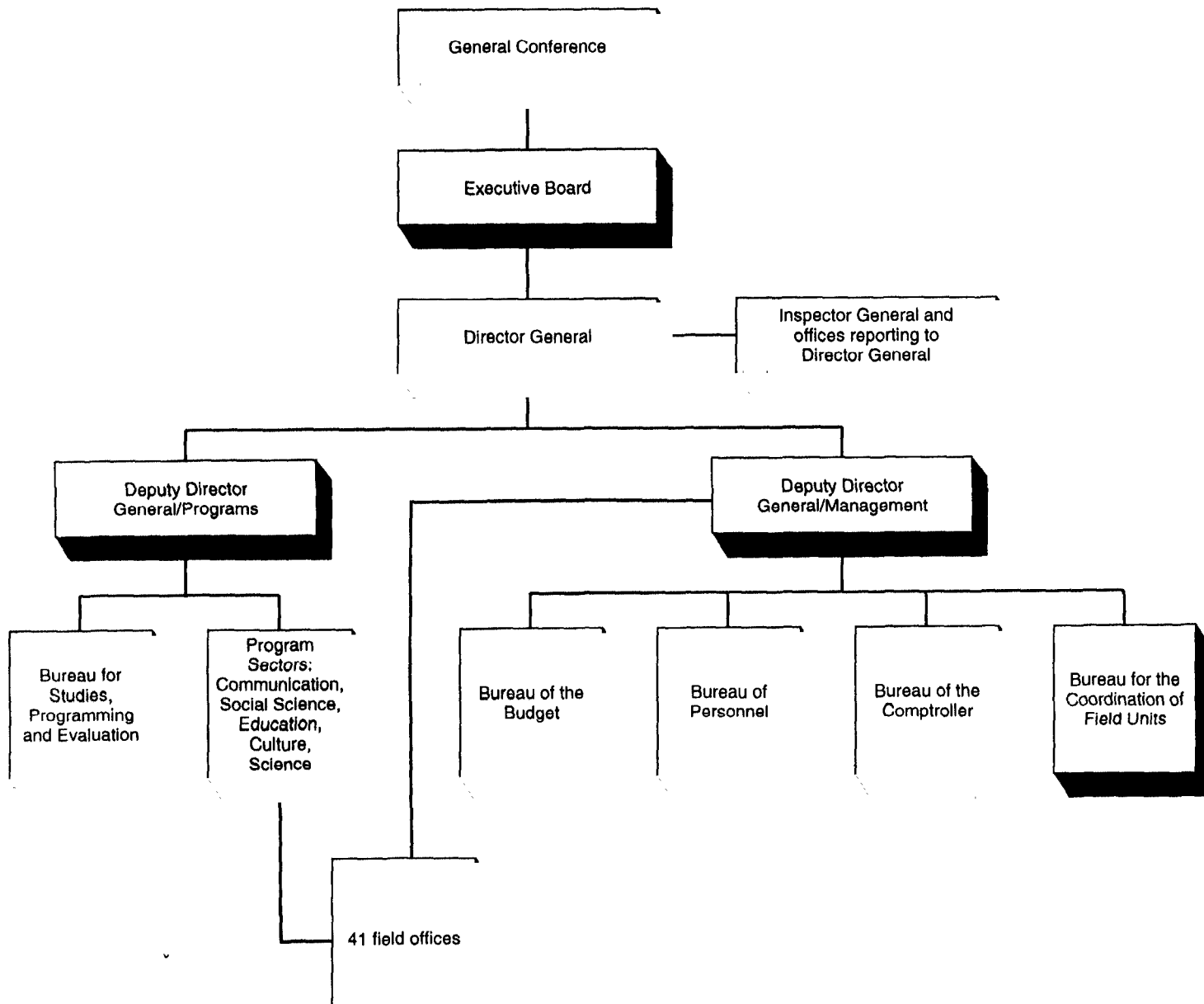
## Organization of UNESCO

UNESCO's constitution provides for two governing bodies—the General Conference and the Executive Board. Representatives of the member states comprise the General Conference, which meets biennially and provides UNESCO with overall policy guidance. The Executive Board, currently composed of 51 representatives of member nations elected by the General Conference, meets twice a year, plus once after the meeting of the General Conference, to oversee UNESCO's operations and review the budget.

UNESCO's constitution also provides for the Secretariat, or administrative unit, which is headed by the Director General, UNESCO's chief administrative officer. The Secretariat has a program and a management division, each headed by a deputy director general.

Figure 1.1 illustrates UNESCO's organization and the offices responsible for the management areas we evaluated.

Figure 1.1: UNESCO Organizational Chart



The bureaus and offices responsible for the management areas discussed in this report are the

- Bureau for Studies, Programming, and Evaluation, responsible for preparing the biennial program and ensuring activities are evaluated adequately;
- Bureau of Personnel, responsible for implementing overall staff policy, mainly through recruiting, training, classifying, and overseeing personnel administration;
- Bureau of the Budget, responsible for preparing the biennial budget and exercising budgetary control through assignment of budget codes and allotments of funds;
- Bureau of the Comptroller, responsible for ensuring that obligations and expenditures comply with UNESCO's financial rules;
- five program sectors, responsible for carrying out UNESCO's projects and program activities;
- Inspector General, responsible for independent management and financial audits to ensure UNESCO spends its funds effectively and complies with policies and regulations; and
- Bureau for the Coordination of Field Units, responsible for centralizing information on field offices and planning for decentralization.

As required by UNESCO's financial regulations, an external auditor is appointed by the General Conference from the auditors general, or equivalent officer, of the member states. The External Auditor audits UNESCO's accounts and offers an opinion on whether the organization's financial statement fairly reflects its accounts.

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## Management Reviews Identify Weaknesses

A 1984 GAO review, completed just prior to the U.S. withdrawal, concluded that UNESCO needed to improve its management. We noted that (1) member states provided little or no oversight of the Secretariat's operations; (2) the Director General did not delegate authority to others and made most substantive and many routine decisions; (3) UNESCO did not adequately plan and evaluate its programs or concentrate its resources; (4) the organization did not adequately control its use of supplementary personnel, such as consultants; and (5) UNESCO's budgets had increased in real terms and the budget presentation was unclear.

Another management review was completed in 1989 by an independent commission of management experts, chaired by Knut Hammarskjold. The independent commission's report, known as the Hammarskjold report,

recommended that UNESCO (1) develop concrete plans to decentralize services to the field to better serve member states and (2) reform the personnel system to make merit the basis for appraisals and promotions.

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## Framework for Management Reform

After the United States withdrew from UNESCO, the United Kingdom and Singapore also withdrew in 1985. At that time, UNESCO's Director General, Amadou-Mahtar M'Bow, was in the middle of his second term, which ended in 1987. Mr. M'Bow was not reelected to a third term, and little management reform occurred until after his departure from office. The United States Reform Observation Panel for UNESCO<sup>3</sup> reported that "it had become clear that significant change would not be effected under the leadership of Director General M'Bow."

In November 1987, the General Conference elected a new director general. The new Director General stated his commitment to management reform and, beginning in 1987, issued a series of Green Notes, or policy directives, on management. Some of the policy directives included the following:

- Green Note 88/39 (1988) established the posts of deputy directors general, including one for management, who was delegated authority to establish a "management system."
- Green Note 90/2 (1990) announced that management reform would be UNESCO's top priority and proposed 13 high-level appointments. The Executive Board later criticized the Director General for proposing these appointments without going through regular hiring procedures.
- Green Note 90/3 (1990) set the broad outlines for a new personnel policy, including appraisal and promotion based on competitive merit.
- Green Note 90/4 (1990) set strategic management objectives to increase the efficiency and effectiveness of the organization.

The Green Notes were implemented through administrative circulars that provided guidance and assigned responsibility for action. These documents established a framework for management reform.

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<sup>3</sup>The United States Reform Observation Panel was formed by the State Department to monitor management and program reform at UNESCO to determine whether sufficient change had occurred to consider rejoining the organization. The panel disbanded in 1988.



## Objectives, Scope, and Methodology

We do not have audit authority over UNESCO. However, at UNESCO's invitation and at the request of the Chairmen of the House Committee on Foreign Affairs; Subcommittee on Human Rights and International Organizations, House Committee on Foreign Affairs; and Subcommittee on the Environment, House Committee on Science, Space, and Technology, we reviewed what progress UNESCO had made in improving its management and controlling budget growth. In conducting our work, we had access to UNESCO's files, records, and documents. The Secretariat and UNESCO staff were open and forthcoming in interviews and provided us with all information requested.

Our objectives in this review were to determine whether UNESCO had made improvements in: (1) general management, (2) program management, (3) personnel management, and (4) budget restraint. We did not examine the content or quality of UNESCO's programs or whether they were politically biased.

Our work was conducted mainly at UNESCO headquarters in Paris, France, because most operations, employees, and resources are located there. In Paris, we examined files and reviewed UNESCO policy documents, administrative circulars, manuals, budget and financial documents, internal reports, UNESCO Inspector General reports, External Auditor reports, Executive Board studies, and literature on UNESCO (such as books by former employees). We interviewed

- about 200 UNESCO employees at all levels of the organization ranging from the Director General to the support staff that file the documents to the field office representatives who were at UNESCO during the General Conference;
- delegates or staff from 22 member states, including at least one delegate from each geographic region;
- the UNESCO Inspector General, the current External Auditor from Belgium, the former External Auditor from the United Kingdom; and
- U.S. State Department officials in New York, Paris, and Washington, D.C., and British Foreign and Commonwealth Office officials in London and Paris.

In addition, we conducted numerous empirical tests and analyses to determine how well UNESCO's management systems were operating. Table 1.2 shows the major methods we used to test and analyze each management area we examined.

**Table 1.2: Methods Used in Review**

<b>Management area reviewed</b>	<b>Major methods</b>
Governing body oversight	Reviewed Executive Board resolutions, reports, and actions (1984-1991).
Delegation of authority	Examined 85 personnel actions and 19 program amendments to determine who made decisions.
Accountability	Reviewed Inspector General's role; examined 20 Inspector's reports; and examined reporting chain of administrative officers.
Decentralization	Reviewed plans and analyzed data on decentralization.
Program planning	Analyzed 15 of 62 subprogram plans.
Evaluation	Analyzed all impact evaluations (15).
Focus on priorities	Computer analyzed expenditures from 1988 to 1991 to determine if activities decreased and funds were more concentrated; reviewed all activity descriptions and line items; and examined activities in-depth to see if eliminated activities were still funded.
Staff appraisal and promotions	Reviewed 37 old and 9 new appraisal forms and data on new system and checked on the reasons for staff separations between 1973 and 1991.
Recruiting	Reviewed procedures and analyzed 11 recent appointments and 8 new classification forms.
Control of supplementary staff	Reviewed new procedures and compared consultant and supernumerary rosters with a list of contracts let.
Budget growth	Analyzed UNESCO's method for calculating budget and used constant dollar method to determine real growth of UNESCO's budget and two other U.N. organizations' (see app. I).
Budget transparency and techniques	Analyzed and compared budget documents, techniques, and procedures (1984-1992).
Financial management	Reviewed financial rules, regulations, and procedures; observed voucher checking; and interviewed UNESCO financial staff.
Internal procedures	Tested 30 vouchers—travel, participation program, and other purchases.

We held several hours of interviews with UNESCO's Inspector General and his staff, discussed specific audits with them, reviewed some of their working papers, and read 20 of their reports. We also interviewed the staff of UNESCO's External Auditor and discussed topics such as the standards they use, their work plans, and their findings.

We performed our review from August 1991 to February 1992 in accordance with generally accepted government auditing standards. We obtained UNESCO's and the Department of State's comments on a draft of this report. The comments are discussed throughout the report and are presented in their entirety in appendixes III and IV.

# Governing Bodies Strengthen Oversight

Since 1987, the governing bodies have become much more forceful in overseeing the Secretariat. The General Conference, which makes policy for UNESCO, has adopted resolutions for management reform based on recommendations made by the Executive Board. The Executive Board has examined the Secretariat's operations through committees and working groups, which have reviewed (1) the Secretariat's management, (2) proposed budgets, and (3) the External Auditor's recommendations. These actions represent improvements since our 1984 review. At that time, we reported that the governing bodies did not examine the Secretariat's operations or the proposed program and budget in depth and had only limited interest in the recommendations of the External Auditor.

## Executive Board Provides Oversight and General Conference Acts on Recommendations

As provided for in UNESCO's constitution, the Executive Board is responsible for ensuring that UNESCO's program is effectively carried out.<sup>1</sup> The Board oversees the Secretariat's operations through working groups and permanent commissions such as the Finance and Administrative Commission, Program and External Relations Commission, and the Special Committee. The Finance and Administration Commission is responsible for overseeing management reform and also conducts a technical examination of each biennial budget. Based on the findings of its working groups and committees, the Executive Board recommends that the General Conference pass resolutions to improve UNESCO's operations.

In setting recent policy, the General Conference has adopted specific resolutions, based on the Executive Board's work. For example, the General Conference has directed the Director General to increase the numbers of women and professionals from underrepresented countries on UNESCO's staff, strengthen the evaluation of program activities, focus work on specific priority activities, and add more detailed information to budget documents.

<sup>1</sup>At its most recent session in November 1991, the General Conference amended UNESCO's constitution to provide that, as of 1993, the Executive Board will consist of 51 member states, rather than 51 members, elected by the General Conference.

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## Executive Board's In-Depth Reviews

Several working groups formed by the Executive Board have conducted detailed studies of Secretariat activities in recent years. These studies have resulted in some management reforms. For example, at the end of 1987, the Executive Board formed a working group to prepare a comprehensive report on personnel policy for UNESCO. When the report was submitted in mid-1989, the Board responded that this was "the first time in the history of UNESCO that the Executive Board had taken a decision to carry out an action of this magnitude." Based on this study, the General Conference instructed the Director General to (1) improve recruitment procedures, especially regarding women and underrepresented countries, and (2) establish a promotion policy based on merit. Working groups of the Executive Board have conducted other reviews resulting in Secretariat reforms. Two important ones were the following:

- a comprehensive study of financial regulations in 1988 that led to new requirements for reporting on investments, extraordinary expenses, and voluntary contributions and
- a study of decentralization policies in 1990 that led to increasing personnel and budget authority to the field offices.

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## Budget Review Strengthened

Since 1988, the Executive Board's Finance and Administrative Commission has reviewed the Secretariat's proposed budgets more carefully than it had previously and requested more complete information. As a result, the Secretariat now (1) provides detailed budget summary information to the Board, including charts, tables on program implementation, and expenditures on personnel and other items and (2) distributes the draft budgets to member states well in advance of budget meetings. According to an Assistant Auditor General of Canada, a participant in recent meetings of the Finance and Administration Commission, deliberations on the 1992-1993 program and budget were more effective and critical than in the past. He said that the Commission expressed dissatisfaction with the presentation of data on regular and extrabudgetary staff, the high proportion of staff to total costs, and the small amount budgeted for the evaluation unit. This compares favorably to our 1984 finding that the Executive Board appeared to accept the program and budget of the Secretariat without effective oversight.

In late 1991, the Executive Board passed a resolution establishing, on an experimental basis, an expert group on financial and administrative matters consisting of 12 members. We suggested the need for such a committee in 1984, and the Board had rejected similar proposals on three

separate occasions since 1984. According to the newly elected Chairperson of the Executive Board, the new expert group is intended to scrutinize the budget and examine technical budgeting issues beginning with the 1994-1995 budget. The Executive Board was scheduled to designate the expert group members and develop rules for the group's operations in May 1992.

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## **External Auditor's Recommendations Reviewed**

The Executive Board began to follow up the External Auditor's recommendations in 1990. After the release of the Auditor's report for 1988-1989, the Finance and Administrative Commission established a working group to review the Secretariat's response to the report's 18 recommended actions. The working group reported its results in mid-1991 and recommended that the Secretariat take further action. Our analysis showed that concrete changes resulted from this oversight. We found that the Secretariat has implemented 10 of the 18 recommended actions, has carried out 3 alternatives, is working on 3, and has rejected 2. Several recommendations implemented by the Secretariat were initially made as early as 1983 or 1985. Some of the recommendations made in the 1988-1989 audit report and implemented by the Secretariat include the following:

- improving financial management in field offices by clarifying financial rules, training field office staff in financial reporting, and providing computer linkages between headquarters and the field;
- making the self-financing accounts<sup>2</sup> more transparent by adding an appendix to the budget document; and
- rejecting overtime payment to employees prior to a 3-month period when they can be reimbursed with compensatory leave.

The two recommendations rejected by the Secretariat were to end noncompetitive personnel promotions for employees with over 20 years of continuous service to UNESCO and to add more positions to the Bureau of the Comptroller.

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<sup>2</sup>Self-financing accounts include operations such as the cafeteria and commissary at headquarters, which generate additional revenue.

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## **Conclusions**

UNESCO's governing bodies have become more active in overseeing the Secretariat's activities. The General Conference has adopted resolutions to improve the Secretariat's management, based on the Executive Board's oversight. The Executive Board has become more thorough and critical in examining UNESCO's budgeting and other operations. Its decision to form an expert group for financial and administrative matters may lead to better scrutiny of UNESCO's budgeting process. Finally, the Executive Board now follows up on the External Auditor's recommendations.

# Progress in Developing More Responsive and Accountable Management

The Director General began delegating significant authority to other UNESCO officials in 1987. In contrast, decision-making in the past was so concentrated in the hands of the Director General that initiative was stifled and routine decisions, such as hiring administrative staff, were delayed when he was not available, thus impeding responsiveness to the organization's needs. During our current review, we found that the Deputy Director General for Management and other directors were exercising their delegated authorities concerning personnel and funding.

UNESCO has not increased the proportion of resources in the field, although the Hammarskjold report observed it could more effectively serve the needs of member states, and it has not developed specific criteria to determine which resources to decentralize. However, UNESCO has taken steps towards decentralization by collecting information on the needs and resources of field offices and strengthening their management by providing them with financial training and delegating authority to them.

To ensure accountability as UNESCO becomes more decentralized, the Director General has (1) expanded the Inspector General's role and increased his staff and (2) made administrative officers in the field and at headquarters report to the Deputy Director General for Management.

## Personnel and Budget Authority Delegated

From 1988 through 1991, the Director General delegated authority for some personnel decisions to the Deputy Director General for Management, the Director of Personnel, assistant directors general, and bureau directors. The Deputy Director General for Management was given authority to appoint and terminate professional-level employees, and the Director of Personnel was delegated similar authority over general service staff.<sup>1</sup> Assistant directors general and bureau directors were authorized to transfer employees within their units.

Our review of 35 professional and 50 general service appointments made from January through October 1991 and 19 personnel transfers made from January through June 1991 showed that the Deputy Director General for Management and the directors were making almost all of these decisions. Of the 104 cases we examined, officials with delegated authority made 102 decisions.

<sup>1</sup>Professional-level employees are scientists, education specialists, and other program specialists. General service staff are administrative support staff.

Beginning in 1987, the Director General gave assistant directors general and bureau directors increased power to amend budget expenditures in their program work plans. Prior to this delegation, budget amendments to the plans required approval from the Bureau of the Budget for changes within or between subprograms and approval by the Director General for changes between programs. The Hammarskjold report pointed out that delegating financial authority was essential to give managers the flexibility needed to administer their programs. Our examination of 19 program amendments made during July 1991 showed that the assistant directors general or bureau directors independently amended their budgets. The amendments involved sums ranging from \$600 to \$37,600. According to the assistant directors general and UNESCO staff at lower levels, they now have the authority necessary to manage their programs.

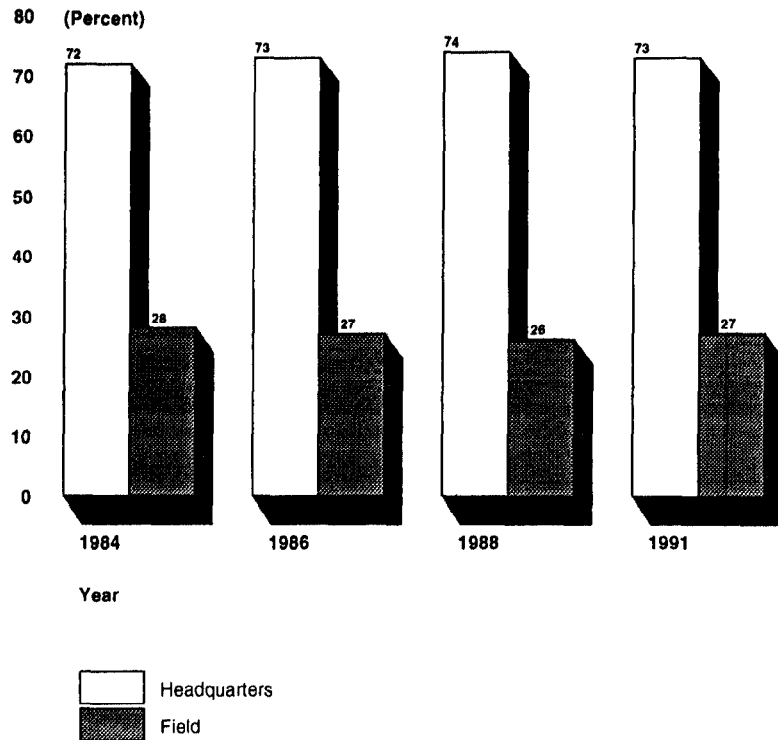
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### **Little Change in Resource Allocation Between Headquarters and the Field**

Since 1984, there has been little change in the proportion of staff located at headquarters and in the field. As of July 1991, 73 percent of UNESCO's 2,697 total staff were located in Paris. As figure 3.1 shows, the ratio of UNESCO's headquarters to field staff has changed very little since 1984.



**Figure 3.1: Ratio of Headquarters to  
Field Staff**



Note: Figures do not include supplementary staff, such as consultants. All regular budget and extra budgetary staff are included.

UNESCO spends a higher proportion of its funds in the field than would be expected by its distribution of staff. For the 1990-1991 biennium as of October 31, 1991, UNESCO spent 44 percent of its total budget (regular and extrabudgetary) in the field and 56 percent at headquarters. This proportion has not changed from the 1988-1989 biennium. According to the acting director of the Bureau for the Coordination of Field Units, the relatively high amount UNESCO spends in the field is due to costs such as travel, relocation expenses, and a heavy use of short-term consultants to implement field projects. In addition, headquarters has self-financing units that pay for their own personnel, yet these personnel are included in the figures for headquarters staff. Some of these units, such as the food services and commissary, had positive balances for 1990-1991, thus reducing the amount that had to be expended at headquarters.

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## **UNESCO's Unclear Role in the Field**

Although the governing bodies and the Director General have advocated that UNESCO decentralize, specific criteria for determining what activities to decentralize, how many people or how much money to put into the field, and where to locate these resources has not been developed. According to UNESCO delegates, lack of clearer overall policy on the appropriate role of field activities in carrying out the organization's mission hinders the development of specific criteria.

UNESCO will soon need to clarify its role in the field because in 1992 the United Nations Development Program, which provided 40 percent of UNESCO's extrabudgetary funding for programs in 1991 (\$33 million of \$84 million), began allocating funds on a more competitive basis. Previously, the U.N. Development Program gave U.N. agencies "first consideration" when deciding who would receive funds to implement projects. However, in 1989, a U.N. resolution emphasized that the Development Program should encourage the use of national organizations for implementing programs in their countries. According to UNESCO officials, this change means that funding for UNESCO's field projects could be reduced. UNESCO officials also acknowledged that they will have to focus on overall policy planning while leaving field implementation to local entities.

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## **UNESCO Takes Steps to Decentralize**

Although recommending that UNESCO decentralize to better serve the needs of its member states, the Hammarskjold report cautioned that decentralization should proceed on the basis of operational plans that considered country and regional needs, staffing needs, and field office capability. UNESCO has not developed operational plans for decentralizing, but has taken initial steps towards developing a systematic approach for decentralizing. This includes (1) identifying the resources and capabilities that exist in the field and (2) strengthening field office authority and accountability.

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## **Data Collection Begun, but Still Incomplete**

In November 1988, the Director General created the Bureau for the Coordination of Field Units to provide logistical support and coordinate initial data collection for planning decentralization. In November 1989, the bureau compiled information on the field offices, including their subject matter strengths, relationships with partners in the region, personnel by grade, and program budget and implementation rates. The bureau also compiled information on 182 field personnel that had not previously been recorded at headquarters and compiled directories of field office

addresses, telephone and fax numbers, and the countries each office serves.

In 1991, the Bureau began developing data bases on each country that UNESCO serves to provide information needed to develop specific operational plans for decentralizing. Our examination showed that data on most countries was not yet complete. However, the initial information provided key planning information, such as (1) the country's total foreign assistance, listed by donor and category of aid; (2) all UNESCO activities in the country, listed by type of assistance; (3) key social data such as literacy rate and number of teachers; and (4) partner organizations that UNESCO might cooperate with in the country.

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## **Strengthening Field Management**

UNESCO has implemented several measures to improve field office capabilities. For example, in 1990, field offices were given authority to obligate funds for expenses such as travel, contractual services, fellowships, and supplies. This step responded to criticisms in the Hammarskjold report that the field offices' lack of authority and autonomy was an impediment to effectively decentralizing services. According to some field office directors, however, they still have limited authority and cannot easily correct basic logistical problems such as purchasing needed equipment.

Beginning with the 1992-1993 biennium, UNESCO created a consolidated administrative budget for each field office to reduce their dependence on a single program sector, another weakness identified in the Hammarskjold report. Each program sector must now determine how much it will contribute to each field office's operating budget at the beginning of the biennium. These funds will be combined and given to each field office as a single budget. According to the deputy director for the Bureau for the Coordination of Field Units, this new procedure is an initial step towards strengthening the field offices' autonomy and reducing their reliance on particular program sectors at headquarters. Further, the unified operating budget will reduce their administrative burden.

UNESCO has also taken several steps to increase field office accountability. Three of the most significant measures are the following:

- Linking 14 field offices, which account for 61 percent of total regular budget in the field, by satellite or modem to the mainframe computer at

headquarters. Twelve of these offices can now obligate funds and record expenditures.

- Providing field training workshops to three regions (26 offices) since 1990. The training covers areas such as complying with financial and administrative requirements and the steps in U.N. Development Program project formulation and implementation.
- Developing a semiannual field reporting system that requires field offices to furnish information on constraints, proposals for improvement, and personnel and budget issues. Three cycles of reporting have been completed.

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## **Accountability Strengthened**

The Hammarskjold report noted that decentralizing and delegating authority down through the organization had to be linked to accountability. To improve its accountability, UNESCO has strengthened the Inspector General's office and changed the reporting chain of administrative officers, who now report to the Deputy Director General for Management.

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## **Inspector General's Role Expanded**

In 1989, the Director General reassessed the Office of the Inspector General, noted the office's importance as authority was delegated, and provided new policy guidance that expanded the Inspector General's role. The new guidance directed the Inspector General to provide independent appraisals on the efficiency of units at headquarters and in the field. Previously, the Inspector General's office conducted relatively few management reviews and field office inspections. The guidance also reemphasized the importance of conducting internal audits of financial irregularities and compliance with rules and regulations.

UNESCO also increased the Inspector General's staff, filling previously vacant positions in his office. As of December 1991, 10 professional employees were working for the Inspector General, compared with 6 in 1984, and UNESCO increased the number of administrative service positions from 4 to 6. The Inspector General also increased the number of field office inspections. From 1988 to 1991, 12 field offices were reviewed, compared to 6 in the previous 4 years.

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**Inspector General Appears to  
Have More Impact**

The Inspector General now appears to be having more impact at UNESCO.<sup>2</sup> Between January 1988 and September 1991, the Inspector completed 61 reports. We reviewed 20 of these reports, including a review of hospitality expenditures, a review of supplementary staff, and several allegations of fraud. In 12 of 14 reports that we could track, the UNESCO units involved had taken action on the report's main recommendations. Several examples are described below.

In a report on hospitality expenditures, the Inspector General recommended that amounts for hospitality be clearly shown in the program plans and that whenever directors had to exceed the plans, they obtain an amendment approved in advance by the Deputy Director General for Management. These recommendations were fully implemented.

Two staff members were fired for cause as a result of a report on the falsification of accounting documents, and another employee was fired as a result of a report involving inflated medical claims.

In a report on shortcomings in managing personnel, the Inspector General recommended that clear policies be established for recruiting, training, evaluating, and promoting staff. The recommendations were implemented.

According to the Inspector General's staff, more of their recommendations should be implemented, but they acknowledged that directors are more responsive to their work than previously. The Inspector General also told us that the units to which recommendations are made are more responsive in implementing them.

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**Administrative Officers  
Report to Deputy Director  
General for Management**

Administrative officers are located in each program sector or field office and they (1) review requests for consultants, fee contracts, travel, and other UNESCO resources and (2) certify that such requests adhere to UNESCO rules and regulations. Prior to 1990, the administrative officers were responsible to the bureaus and program sectors. In 1990, the Director General placed all administrative units, at headquarters and in the field, under the overall authority of the Deputy Director General for Management. According to the Inspector General and the Deputy Director General for Management, in the past, the sector heads could pressure the administrative officers into a more lenient application of the rules and

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<sup>2</sup>In 1984, we did not have complete access to the Inspector General's reports, so we could not determine the impact of his reports.

regulations. Under the new reporting chain, the Deputy Director General for Management provides guidance for the administrative officers and reviews and approves their performance appraisals. According to several administrative officers, this reform has strengthened their authority and independence to enforce regulations. They said they can now deny a funding request or report suspicions of wrongdoing to higher levels without fear of being downgraded.

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## **Conclusions**

Authority for personnel and budget decisions has been delegated to the level of bureau director, thus allowing UNESCO to more responsively manage tasks on a day-to-day basis. Although UNESCO has not increased resources to the field, it has completed an analysis of its current field resources and has taken steps to increase field offices' authority. UNESCO, however, does not have clear criteria for determining what activities and level of resources to decentralize to the field or operational plans for decentralizing. UNESCO is collecting country planning data that might help it develop precise plans. Finally, steps have been taken to increase accountability. The Inspector General's office now assesses the effectiveness of units at headquarters and in the field, and administrative officers report administratively to the Deputy Director General for Management, giving them greater independence to enforce UNESCO regulations.

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## **Recommendations**

To further the process of decentralization, we recommend that the Director General

- develop criteria laying out the factors and conditions under which activities and resources should be decentralized;
- complete the country data bases that would be necessary to develop operational plans for decentralizing; and
- develop operational plans that would lay out specifics for decentralization, including what activities and resources to decentralize, where to locate these resources, and what time frames to follow.

Carrying out each of these recommendations will require working closely with and obtaining the concurrence of the governing bodies at each step.

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**UNESCO Comments**

UNESCO stated that our recommendations are useful and will be taken into consideration in the next phase of decentralization.

# Progress in Program Focus and Planning, but Evaluation Is Weak

UNESCO has begun to narrow the focus of its work and to plan its activities more effectively. Since 1989, the governing bodies have specified program priorities, and the Secretariat has cut marginal activities while concentrating funds on fewer programs. The Hammarskjold commission had earlier reported that UNESCO's programs should be well conceived, few in number, and concentrated on future priorities. Also, UNESCO's planning documents now contain objectives and identify program beneficiaries, thus facilitating evaluation. However, weaknesses remain in UNESCO's system for program evaluation. Program plans rarely specify the expected impact of programs or include quantitative indicators for measuring success. Although UNESCO has developed a system for internal evaluation and reporting results, it does not have an overall evaluation plan, and the coverage and quality of impact evaluations are inadequate.

## UNESCO Is Making Progress in Focusing Programs

We reported in 1984 that UNESCO continually added activities without eliminating those that were marginally effective. For every \$1 cut in activities, \$13 in new activities was added to the 1984-1985 budget. The governing bodies since 1986 recognized the need for UNESCO to focus its work and, in that year, directed the Secretariat to concentrate its resources on priority areas. The General Conference and Executive Board have specified priority areas. For example, at its 135th session in 1990, the Executive Board specified the following as priorities: basic education and literacy for all, the preservation of world heritage, and the institutional development of the social sciences. Within these general areas, specific projects were also emphasized as priorities. For example, in the education area, priority was given to combating illiteracy, educating girls and women, and providing education in rural areas.

## UNESCO Has Reduced Activities

According to the Director General, the Secretariat has reduced the number of activities it undertakes by cutting marginal ones. We analyzed all UNESCO activities on which program funds were spent and found that UNESCO funded 34 percent fewer activities in 1990-1991 than it did in 1988-1989 (see table 4.1).<sup>1</sup> Activities, such as an individual conference, a training seminar, or the production of a publication, are the smallest meaningful units of work UNESCO undertakes. Examples of activities that the

<sup>1</sup>We analyzed UNESCO's Program Execution Plans for 1988-1989 and 1990-1991, which provided detailed expenditure records for all regular budget programs. The Plans identify expenditures at the program level and then break spending down for (1) subprograms, (2) program actions, (3) activities, and (4) objects of expenditure. The Plans also describe each undertaking and specify the items funds were spent on.



**Chapter 4  
Progress in Program Focus and Planning, but  
Evaluation Is Weak**

Secretariat cut in 1990-1991 include the education of migrant workers and their families, the acquisition of communications equipment, and studies on arms control and disarmament. None of these were identified by the governing bodies as priorities and they received little funding in the previous biennium. For example, four activities on educating migrant workers received between \$4,651 and \$7,388 in 1988-1989 and were subsequently cut, and four activities on disarmament received \$2,946 or less but were cut. We could find no evidence after reviewing all line item expenditures and activity descriptions that any of the 687 eliminated activities were consolidated or otherwise hidden in the program budget.

**Table 4.1: Number of UNESCO's  
Undertakings (1988-1993)**

<b>Budget level</b>	<b>1988- 1989<sup>a</sup></b>	<b>1990- 1991<sup>a</sup></b>	<b>1992- 1993<sup>b</sup></b>
Program	47	27	35
Subprogram	130	64	62
Program action	361	170	143
Activity	2,041	1,354	<sup>c</sup>

<sup>a</sup>Based on program expenditures as recorded in the Program Execution Plans for 1988-1989 and 1990-1991.

<sup>b</sup>Based on the approved program and budget.

<sup>c</sup>Activity plans and expenditures were not available at the time of our review.

**Spending Is More  
Concentrated**

In addition to eliminating marginal activities, UNESCO has concentrated resources on priority activities. The proportion of funding going to the five largest subprograms in each sector increased between the 1988-1989 and 1990-1991 bienniums.<sup>2</sup> As table 4.2 shows, the share of the budget allocated to the top five subprograms in all sectors increased by at least 12 percent between bienniums.

<sup>2</sup>We used funding allocated to subprograms to measure concentration because subprograms are the smallest grouping of related activities to which funds can be directed.

**Table 4.2: Five Largest Subprograms'  
 Share of Sector's Budget**

<b>Sector</b>	<b>Percent of sector's 1988-1989 budget</b>	<b>Percent of sector's 1990-1991 budget</b>
Education	45	64
Science	39	67
Social and Human Science	51	63
Culture and Communication <sup>a</sup>	46	64

<sup>a</sup>The Culture and Communications sectors were one sector during the 1988-1989 and 1990-1991 bienniums.

To obtain an overall measure of whether money was being concentrated on fewer subprograms, we used the Gini index,<sup>3</sup> a commonly used measure of concentration, and found that all funds were slightly more concentrated in 1990-1991 than in 1988-1989 (.25 versus .15). The Gini ratios confirmed that funding concentration increased dramatically in science and education, but changed less so in the other sectors.

**Activities Are Numerous and  
 Cannot Be Systematically  
 Tracked**

Although program concentration has improved, the Director General and the governing bodies acknowledge that UNESCO needs to further reduce the number of its activities. Our count of 1,354 activities funded in the 1990-1991 biennium provides a baseline from which to monitor progress. A potential area of concern is the activities funded under the Participation Program, a \$15-million fund that pays primarily for special projects, fellowships, and grants on a cost-sharing basis with individual member states. Although this program is a separate line item within the regular budget and is approved by the member states, the fund can be used for special projects that are not identified as priorities by the governing bodies.

Another problem in program management is that the Secretariat cannot easily track program concentration because new budget codes are assigned to activities each biennium. Thus, it is not possible to precisely identify whether an activity has been eliminated or is continuing from one biennium to the next. Several delegates from member states also told us that they had difficulty tracking program activities they were interested in and could not always tell if the activities were discontinued or not. According to UNESCO officials, the current coding system was designed for budget control purposes during each budget period. However, they said they are

<sup>3</sup>The Gini index computes a single ratio of concentration. The ratio ranges from 1 to 0, with 1 being maximum concentration (where one program receives 100 percent of the funds) and 0 being no concentration, where all programs receive equal funds.

considering new methods to permit the tracking of activities from one biennium to another.

## **Program Planning Has Improved, but Key Elements Are Missing**

Beginning in 1986, UNESCO took steps to strengthen its program planning by making the guidance for its major planning document consistent with U.N. criteria for a complete planning and evaluation system. UNESCO's new guidance requires planners to precisely identify key elements for its subprograms, including objectives and outputs, indicators of success, program beneficiaries, termination date of activities, and expected impact. This is a first step to addressing our 1984 concerns that UNESCO's primary planning document did not contain these crucial elements.

UNESCO has begun meeting some of its new planning criteria. Our examination of 15 of the 62 subprogram planning descriptions for 1992-1993 showed that UNESCO clearly identified objectives, outputs, and other key elements in its planning document. As shown in table 4.3, however, certain elements critical for evaluating the impact of programs are still missing. None of the 15 plans identified expected program impact, and 11 contained vague references to their target groups. In one case, for example, the plans stated that the program was aimed at "those more difficult to reach."

**Table 4.3: Key Elements in UNESCO Plans**

<b>Planning element</b>	<b>Yes</b>	<b>No</b>
Clear objectives	15	0
Objectives listed in priority	15	0
Steps UNESCO will take to attain objectives	14	1
Specific outputs	13	2
Program impact	0	15
Quantitative measures	4	11
Clear target group	4	11

## **UNESCO's Evaluation System Still Has Shortcomings**

UNESCO has taken initial steps to strengthen its evaluation system, such as increasing its evaluation staff, implementing a system for monitoring activities, and reporting the results of its evaluations. Despite these steps, the evaluation system still does not evaluate program effectiveness—the impact and relevancy of a program in light of its objectives.

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## UNESCO Takes Positive Steps

The Secretariat has increased the number of professionals in the Central Evaluation Unit from two in 1984 to three in 1990. In 1989, the evaluation unit developed a methodology for conducting internal evaluations, which asks UNESCO participants to judge the quality and impact of the activity. UNESCO has conducted nearly 100 of these internal assessments since 1988. The evaluation unit also began training program specialists in evaluation techniques.

In 1991, the evaluation unit introduced a monitoring system for activities that requires program specialists to report on progress and problems every 6 months. This is a step forward, but the system still does not ask for specific implementation rates for each activity. By contrast, UNESCO's education sector has developed a more precise system that links budget and program information from UNESCO-wide data bases. This provides a more systematic management tool for monitoring the implementation of each activity.

In 1990, the Secretariat began reporting the results of its program evaluations in both the Report of the Director General and the Synoptic Evaluation Document, a summary of how well programs are doing. Our review of the Synoptic Evaluation Document, however, showed that critical information was missing. For example, of the document's 185 paragraphs on evaluations, only 5 paragraphs explicitly reported on UNESCO's impact evaluations by outside experts. These five paragraphs portrayed completely positive results and did not mention criticisms of the programs found in the full evaluation reports. Also, these paragraphs did not explain the limits of the impact studies or the reservations noted in the studies about generalizing the results.

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## Impact Evaluations Are Few

Progress in assessing program impact, the major objective of evaluation, has been limited. Although UNESCO reported that it had conducted 16 impact evaluations from 1986 through 1991, one was a review of equipment used in field projects and should not be considered an impact evaluation. The remaining 15 evaluations covered approximately 175 activities, which represent 8 percent of the total activities for the 1988-1989 biennium—the base biennium for which we counted the number of activities UNESCO funds.

UNESCO's impact evaluations also covered a limited portion of the program budget. As table 4.4 shows, the programs that UNESCO has evaluated since 1986 account for about 2.7 percent of the total program budget during this

time. In part, the number of impact evaluations is limited because outside experts conduct these evaluations and the program sectors must pay for much of the evaluation cost. According to the director of the evaluation unit, the sectors generally place a higher priority on using their budget funds to execute programs rather than evaluate them.

**Table 4.4: Coverage of UNESCO's Evaluations from 1986 to 1991**

Dollars in thousands

Biennium	Number of evaluations	Budget of programs evaluated <sup>a</sup>	Total program budget <sup>a</sup>	Percent of program budget
1986-1987	7	\$3,850	\$190,813	2.0
1988-1989	5	10,451	187,022	5.6
1990-1991	3	717	177,595	0.4
<b>Total</b>	<b>15</b>	<b>\$15,018</b>	<b>\$555,430</b>	<b>2.7</b>

<sup>a</sup>Budget amounts include all costs associated with the program, including salary, direct program costs, and overhead.

**UNESCO Lacks an Evaluation Plan**

UNESCO does not have a systemwide evaluation plan that would ensure a representative selection of undertakings would be evaluated for impact. Currently, UNESCO's draft guidelines suggest that impact evaluations be conducted on programs that (1) member states and others request to be evaluated, (2) are innovative and may be expanded or replicated, (3) have difficulties in implementation, and (4) do not clearly demonstrate their effectiveness. While the draft guidelines provide some direction, they do not

- specify a sampling frame that ensures all types of UNESCO undertakings are evaluated;
- identify the level of evaluation to be conducted for each program, such as internal evaluation, full impact, or something in between; or
- establish an evaluation schedule with proposed funding.

**Quality of Impact Evaluations Is Questionable**

We found that the 15 evaluations of program impact contracted by UNESCO have shortcomings. For example, one evaluation was a summary of results compiled by the organization carrying out the program, and the authors of another impact evaluation stated that they did not evaluate impact. Also, the time spent conducting the impact evaluations was relatively short. For example, the impact of a regional research center on educational innovation over the previous 12 years was evaluated in 2 weeks. Authors of

nine impact evaluations acknowledged that limitations of time and resources forced them to cut back on the approach they used, and six of the nine explicitly limited the accuracy and range of their findings.

The methodologies adopted for the impact evaluations were also limited. The primary methodology for 11 impact evaluations was a site visit or list of essay questions submitted to the regional office. Evaluators also relied heavily on the views of participants and observers to assess impact. For example, to evaluate a conference of education ministers, the evaluator relied entirely on a questionnaire sent to 44 member states asking them to assess project impact in their countries. Only 19 usable responses were received, and all were positive.

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## **Conclusions**

UNESCO has improved its program management, but should continue to strengthen all areas, particularly evaluation. The Secretariat has significantly reduced the number of activities it undertakes and has improved planning by specifying objectives and outputs for its programs. UNESCO has also taken initial steps to strengthen its evaluation system. However, UNESCO cannot systematically track individual activities between bienniums to monitor program concentration; its planning process does not identify the expected impact of its programs; and it does not have an overall evaluation plan to help ensure that the impact of a cross-section of all activities is evaluated.

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## **Recommendations**

To more effectively plan, execute, and monitor UNESCO's programs, we recommend that the Director General of UNESCO

- develop and implement a system of computer coding that allows activities to be tracked and monitored from biennium to biennium;
- ensure that work plans and other planning documents include expected impact, quantitative indicators for measuring success, and specific target groups; and
- develop an evaluation plan that ensures a representative selection of UNESCO's programs is evaluated and that specifies the scheduling of evaluations, funding source for the evaluations, and who will do the evaluation.

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## UNESCO Comments and Our Evaluation

UNESCO commented that, in contrast to 1984, its planning system now meets the U.N. Joint Inspection Unit's criteria for a complete planning and evaluation system. Our report acknowledges that UNESCO's written guidance is now consistent with U.N. criteria. However, our concern is that, based on a sample of subprogram planning documents, the actual planning being carried out did not conform with the written guidance.

UNESCO said that we understated the proportion of programs it evaluated for impact because the evaluations covered all years of a program's existence, but that we had only counted the budgets of evaluated programs for the biennium of the evaluation.

We included in our analysis the budgets of evaluated programs for the biennium of evaluation, but compared those budgets with the program budget for only that biennium. Whenever an evaluation covered an entire program, we credited UNESCO with having evaluated the entire program. In some cases, the evaluations stated that they covered only specific activities and could not be generalized to the entire program. To provide a balanced perspective, we performed a separate analysis of the number of activities evaluated for impact and found that they represent only 8 percent of program activities undertaken in a single biennium. Based on these two measures, we concluded that impact evaluations had covered a limited portion of the program.

# UNESCO Is Reforming Personnel System, but Implementation Is Incomplete

UNESCO is introducing fundamental reforms to its personnel system. In 1990, the Secretariat (1) introduced a staff appraisal system based on job performance and proposed a new promotion system based on merit, (2) made initial progress in reassessing all its job positions and salary grades to conform with International Civil Service Commission standards, and (3) began efforts to recruit a younger and more gender-balanced work force. These efforts respond to key weaknesses identified by the Hammarskjold commission.

In 1990, UNESCO also introduced new regulations to control and monitor the use of supplementary staff, such as consultants. However, in the one year since these regulations became effective, their implementation has been poor.

## UNESCO's Regular and Supplementary Staff

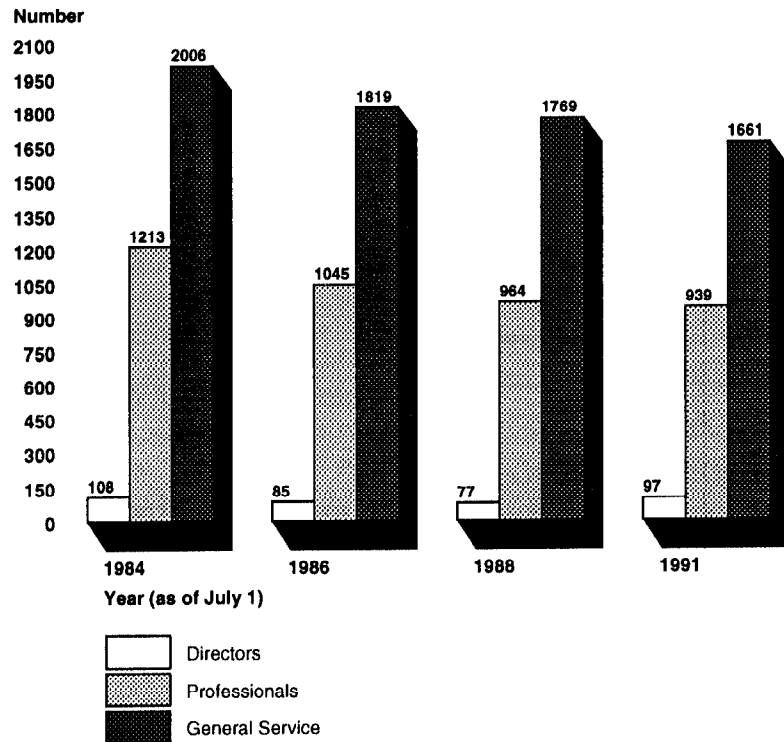
UNESCO has two categories of staff—regular and supplementary. Regular staff fill posts, or positions, with specific job descriptions and salary grades. They are subject to UNESCO's staff rules and regulations and established recruitment procedures. Supplementary staff provide short-term support services during peak work periods (supernumeraries) or short-term technical expertise for functions not normally performed by permanent staff (consultants). In addition to supplementary staff, UNESCO engages individuals and institutions to complete specific tasks for a fee (fee contracts).

As of July 1991, UNESCO had 2,697 regular staff. About 4 percent were directors (primarily division heads and bureau chiefs), 35 percent were professionals (mainly scientists, program specialists, and section heads), and 61 percent were general service (administrative support). There has been a 19-percent decline in total regular staff between 1984 and 1991. Figure 5.1 shows the changes in regular staffing patterns since 1984.



**Chapter 5  
UNESCO Is Reforming Personnel System, but  
Implementation Is Incomplete**

**Figure 5.1: UNESCO's Regular Staff**  
(Selected Years 1984 to 1991)



During 1990, UNESCO used the equivalent of 267 staff years of consultant and supernumerary services. As table 5.1 shows, the use of supplementary staff increased considerably in odd numbered years, when they were needed to assist the General Conference. Supplementary staff costs amounted to 9.6 percent of the regular budget staff and personnel costs during the 1990-1991 biennium (\$21.8 million of \$228 million). UNESCO also obligated \$47.9 million for 8,683 fee contracts, between January 1990 and October 1991.

**Table 5.1: Equivalent Staff Years Supplementary Assistance**

<b>Year</b>	<b>Supernumeraries</b>	<b>Consultants</b>	<b>Total</b>
1986	185	107	292
1987	259	100	359
1988	165	76	241
1989	289	109	398
1990	157	110	267
1991	unavailable	110	unavailable

Note: Based on a staff year of 240 working days.

## **New Performance Appraisal Provides Basis for More Realistic Assessment**

In November 1990, UNESCO introduced a new staff appraisal system that rates employees on their job performance. The Hammarskjold report had indicated that prior to the new system it had become impossible to reward employees or terminate them based on performance since appraisals centered on personal characteristics rather than a factual assessment of their work. The Director General also acknowledged the failure of the appraisal system, stating in Green Note 90/3 that “the present system of performance assessment has lost all credibility: indulgence has become the rule and truth the exception.”

The new appraisal system, as set forth in Administrative Circular 1743, requires immediate supervisors to identify the job assignments and expectations against which staff will be rated, at the beginning of the appraisal period. Supervisors rate staff performance on several factors, including linguistic ability, reliability, and performance on each assignment. They measure performance against specific standards and grade staff from “A” (outstanding) to “E” (unsatisfactory) on each factor. Staff are additionally given an overall rating with specified consequences, including termination for an “E” rating. Members of UNESCO’s employees union told us they fully support this new system, because it assesses employees on their work, thus reducing personal bias in their ratings.

## **Initial Results of New Appraisal**

As of October 1991, UNESCO had rated about 25 percent of its staff (631 of 2,697) under the new appraisal system and, for the first time, could systematically compare employee performance<sup>1</sup> (see table 5.2). UNESCO has also enforced the new system’s consequences. Of the four individuals

<sup>1</sup>Our analysis of 37 performance appraisals under the old system showed that all provided narrative ratings that could not be used to systematically compare employee performance.

receiving E ratings, UNESCO has terminated three and the fourth is appealing the rating.

**Table 5.2: Results of the New UNESCO Staff Appraisal**

<b>Rating</b>	<b>Consequences</b>	<b>Number</b>	<b>Percent</b>
A	Consideration for promotion, written recognition	71	11.3
B	Same as A, without written recognition	380	60.3
C	Continued employment, salary increment	172	27.2
D	Written warning, deferral of salary increment	4	0.6
E	Written warning, withhold salary increment, termination	4	0.6
<b>Total</b>		<b>631</b>	<b>100</b>

Although the new appraisal system is now used to evaluate all staff, UNESCO officials indicated that there are some inconsistencies in its application. An internal UNESCO monitoring report stated that “the current grading pattern remains inconsistent with the definition provided in Administrative Circular 1743, as a number of supervisors are still not complying with its standards.” According to the Deputy Director General for Management, supervisors were still grading too highly. Our review of nine appraisals also showed inconsistencies with Circular 1743. For example, in four out of nine cases, job expectations had not been set prior to the appraisal period, and in two cases no rating was given for a specific job element.

## **New Promotion System Is Being Reviewed**

UNESCO is reviewing a new promotion system based on merit and open competition. Currently, many of UNESCO's promotions are based on personal promotions and post reclassifications, as shown in table 5.3. Personal noncompetitive promotions can be given to staff members who have provided fully satisfactory service for 20 years, but who had been at their grade ceiling for at least 5 years. Noncompetitive reclassification promotions occur when a staff member has his or her post upgraded. In the past, when the employee whose position was upgraded left the organization, the post remained at the elevated grade, but in 1990, the Secretariat formed a recruitment committee to examine anticipated post vacancies and determine the appropriate grade level for such posts. The proposed promotion system would eliminate reclassification promotions and make merit the primary criterion for promotion. UNESCO had not approved this new system as of February 1992.

Table 5.3: UNESCO Promotions for 1991

Type of promotion	Number	Percent
Transfer (Competitive)	57	41
Reclassification	48	35
Personal	34	24
<b>Total</b>	<b>139</b>	<b>100</b>

## Progress in Reviewing Posts

In early 1990, the Director General hired two professional classifiers to review every Secretariat post to ensure that salary grades were consistent with ICSC standards.<sup>2</sup> The Hammarskjold report recommended that such a review be made to reverse the elevated grade structure caused either by originally classifying posts too high or by subsequently upgrading posts to promote staff. As of November 1991, the classifiers had reviewed 425 of 2,325 posts (18 percent). Our examination of eight newly classified posts, including that of an assistant director general for education, several bureau directors, and a translator, showed that the new classifications were consistent with ICSC requirements. For example, the post descriptions specified the education needed for the posts, described the job duties, and awarded points for each factor.

The classification review may result in some posts currently filled by staff members being upgraded or downgraded. According to the Deputy Director General for Management, specific guidelines for dealing with these staff are being developed, but will likely include the following: (1) staff who currently occupy posts that are upgraded will have to openly compete for the posts, (2) staff in posts that are downgraded will retain their current salary, but will have to compete for all higher graded posts, and (3) staff occupying posts for which they are unqualified will be moved to a more appropriate one.

## Initial Progress in Reforming Recruitment

The Hammarskjold report recommended that UNESCO advertise all vacancies and ensure that appointments were based on competitive merit. It also stated that UNESCO needed to hire a more geographically diverse and gender-balanced work force.

<sup>2</sup>ICSC standards require classifiers to examine six standard job factors, such as difficulty of job duties; supervisory duties; and skill level, experience, and education required for the job. The factors are then weighted and the post is given a pay grade according to common ICSC weighting standards.

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**Advertising Is Limited, but**  
**Selection Is Competitive**

Our review of the 11 professional-level appointments that UNESCO made in November 1990 and January and February 1991 showed that all job openings were advertised, but the advertising was limited to the U.N. system and to candidates recruited by member state delegates. Six of the position vacancies were open for 1 month. The remaining five vacancies were open for 3 months. One month openings are advertised within UNESCO and the U.N. system and 3 month openings are additionally given to member state delegates to advertise. Of the 11 appointments UNESCO made, 9 were affiliated with UNESCO in some capacity. To broaden the selection of qualified applicants, UNESCO has begun to advertise in international journals, but in 1991 it had advertised only three positions in such journals.

Although advertising for the 11 positions was limited, all selections were made competitively. At least 9 candidates applied for each opening, with a norm of 20 to 45 applicants for each position. In each case, the hiring unit evaluated all candidates, including the ones not selected. The Bureau of Personnel or UNESCO's personnel advisory board also evaluated the candidates and made independent assessments. All recommendations were sent to UNESCO hiring officials, who made all appointments from the list of recommended candidates.

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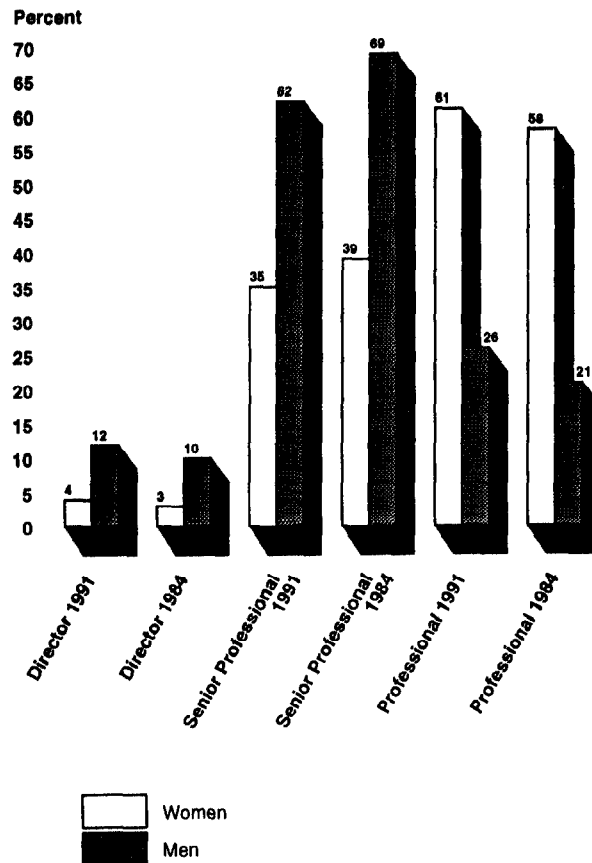
**Initial Steps to Create a More**  
**Balanced Work Force**

UNESCO reintroduced the Young Probationers Program in 1989 to help achieve a better geographic and age balance of its staff. At the time of our review, UNESCO had appointed 18 individuals under this program, all of whom were under 30 years of age and were from countries that had few or no citizens on UNESCO's staff.

In December 1990, UNESCO established a working group to improve equal opportunities for women at UNESCO, but the group has not yet established hiring goals or procedures to address women's career problems at UNESCO. The proportion of professionals who are women has increased steadily at UNESCO, rising from 20 percent in 1984, to 22.7 percent in 1988, to 26.6 percent in 1991.

The percentage of women at the director level has improved slightly, but remains well below that of men. As of July 1991, 4 percent of women professionals were directors, compared to 12 percent of male professionals. As figure 5.2 shows, the percentage of women at the senior professional level (P4 or P5) also remains below that of men.

**Figure 5.2: Grade Level Comparison of Men and Women (1984 and 1991)**



### Implementation of Reforms for Supplementary Staff Is Inadequate

Although introducing initial reforms, UNESCO still has not adequately addressed long-standing concerns that it uses too many supplementary staff and does not control their use. In November 1990, the Secretariat issued Administrative Circular 1722, which defines the legitimate uses of consultants, supernumeraries, and fee contracts; places time restrictions on the duration of consultant and supernumerary contracts; and assigns the Bureau of Personnel to monitor and enforce the time limits. However, since the end of 1990, when the circular went into effect, UNESCO has not adequately implemented it.

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**Lack of a Checklist for  
Validating Consultants**

Administrative Circular 1722 requires that the hiring unit's administrative officer and the Bureau of Personnel authorize consultant contracts, but according to UNESCO officials, there are no written instructions on the specific steps that should be taken to determine whether a consultant can be employed. Administrative officers from seven different units explained that they used different techniques to determine whether a consultant could be hired, and we found little uniformity among them in checking for compliance with the circular. Officials in the Bureau of Personnel, which is also responsible for enforcing regulations on consultants, said that a procedural checklist would help them in ensuring that various restrictions on a consultant's employment, such as duration of appointment, age limits, retirement status, and other restrictions, were uniformly reviewed prior to their employment. However, such a checklist had not been developed.

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**Restrictions Not Enforced**

Our review of 30 randomly selected consultant files showed that seven of the consultants had not been approved by the Bureau of Personnel, as required. According to UNESCO officials, six of these seven were engaged by field offices, which have authority to approve their contracts. During our review, we also identified 28 consultant contracts that exceeded the 180-day time limit on consultants. The length of time on these 28 contracts ranged from 195 to 720 days.

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**Supplementary Staff  
Computer Records Are  
Incomplete**

Effective December 1, 1990, the Bureau of Personnel was assigned responsibility for monitoring the duration of consultant and supernumerary contracts by computer. We compared Personnel's computer roster of consultant contracts with all consultant contracts obligated from December 1, 1990, through September 20, 1991, and found that 42 percent of the contracts (316 of 755) were not recorded on Personnel's computer roster. Of these contracts, we found that 27 were headquarters contracts. In comparing other information on Personnel's computer roster with contract information from the Bureau of the Budget, we found discrepancies in contract beginning and ending dates, total work days, and obligation numbers—information that is needed to enforce regulations.

Our review of 91 randomly selected supernumeraries engaged between January and September 1991 showed that 62 were not on Personnel's computer roster. These individuals held 110 contracts or extensions, but 81 of these contracts (74 percent) were also missing. According to UNESCO officials, Administrative Circular 1722 stated that time restrictions do not

apply to certain categories of supernumeraries, such as interpreters, who are used on a constant basis by UNESCO. We could not verify what positions the supernumeraries missing from Personnel's computer file held, but by not monitoring these positions, Personnel has no way of centrally tracking all supplementary staff UNESCO hires.

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### **Fee Contracts Questionable**

Our sample review of consultant files showed that 6 of 30 consultants had fee contracts during or at a different time from the consultancy. Three of the six consultants did work under their fee contracts that was similar to their consulting duties. The UNESCO Manual stipulates that fee contracts should not be awarded for the same work an individual performs as a consultant. We found additional problems with fee contracts. For example, an interim director told us that he awarded follow-on fee contracts as a way to make up for low consulting fees. Because the Bureau of Personnel does not keep information on fee contracts, it could not determine whether fee contracts were being awarded to consultants.

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### **Conclusions**

UNESCO has begun making fundamental changes to its staff appraisal system and is reviewing a new promotion system that also contains fundamental reforms. Progress thus far is promising, but the new promotion system should be adopted. Once implemented, the new systems will try to reverse years under a personalized noncompetitive system and thus will need to be monitored closely to ensure that progress continues. UNESCO has made progress in developing accurate job descriptions and salary grades for its posts. With regard to supplementary staff, procedural check lists are lacking to monitor and control their use. Indeed, gaps and inconsistencies in data on supplementary staff create doubt about whether UNESCO uses too many supplementary staff or validly employs them. Determining whether UNESCO uses too much supplementary staff would require a detailed audit of whether consultants and supernumeraries are doing the work of regular staff. Nonetheless, the conclusions of our 1984 report, the Hammarskjold report, and several Inspector General reports reinforce our concern that UNESCO does not adequately regulate the use of supplementary staff.



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## Recommendations

To ensure that personnel reform efforts continue and improve, we recommend that the Director General

- continue to monitor progress through periodic external reviews;
- develop a unified personnel data base that is accurate, complete, and includes regular and supplementary staff in all locations and from all sources of funding; and
- develop procedural checklists for the application of the rules on consultants, supernumeraries, and fee contracts to better control the contract authorization procedure and make it more transparent and uniform.

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## UNESCO and State Department Comments and Our Evaluation

UNESCO said that Administrative Circular 1722 was an attempt to institute controls over the use of supplementary personnel, but that the circular did not prohibit the extension of supplementary staff contracts and permitted certain exceptions.

Our report acknowledges that Administrative Circular 1722 was intended to control the use of supplementary staff, and we noted certain exceptions to the regulations. Although the issuance of the circular was clearly a step in the right direction, our concern was that the data base used to track supplementary staff had gaps and inconsistencies and did not provide adequate control over the use of supplementary staff. While there can be some exceptions, the circular places absolute time limits on consultative services provided to the Secretariat. However, we found that a number of consultants had exceeded the time limits.

The State Department commented that UNESCO should pay particular attention to our recommendations on the use of supplementary staff and fee contracts. State said our recommendations could help control the contract authorization process and make it more transparent and uniform.

# Progress in Improving Budget Policies and Practices

Since 1988, UNESCO has reduced the real growth rate (growth after accounting for inflation and exchange rate fluctuations) of its regular budgets.<sup>1</sup> We determined that between 1977 and 1983 UNESCO's regular budgets grew in real terms by an average of 2.5 percent annually. Between 1988 and 1993, UNESCO's regular budgets have averaged .6 percent real growth annually. Since 1988, UNESCO's budgets have generally been consistent with the State Department's standard calling for zero net program growth. However, mandatory personnel costs have exceeded inflation, causing real growth in the overall regular budget.

UNESCO's budget presentations have become clearer. UNESCO now (1) explains its budgeting techniques in greater detail in the draft budget, (2) uses a constant exchange rate to facilitate budget comparisons from period to period, (3) reduces the impact of exchange rate fluctuations by requiring member states to pay their assessments in both French francs and U.S. dollars, and (4) has taken initial steps to link budgeted and actual expenditures.

## UNESCO's Budgeting Process

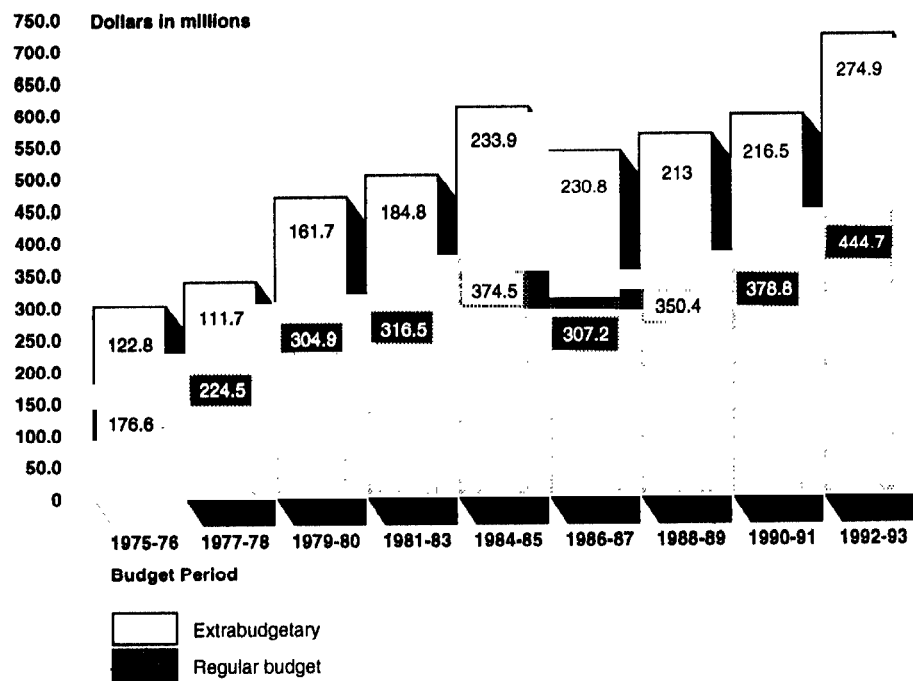
UNESCO's budget covers a 2-year period beginning January 1st of each even-numbered year. Early in the second year of the biennium, the Director General drafts a budget for the next biennium, based partly on directives from the General Conference, and submits the draft budget to the Executive Board for review. The Executive Board's Finance and Administrative Commission reviews the draft and recommends any changes. After the review, the Executive Board discusses the budget and votes on what it will recommend to the General Conference. The Board then submits the budget document, along with its analysis and recommendations, to the General Conference.

The General Conference reviews the Executive Board's submission, and member states meet both in formal commissions and within interest groups to discuss the budget and funding allocations. One such interest group, the Geneva Group is composed of the major U.N. donors, such as European countries, Australia, Canada, Japan, and the United States. Another group, the Group of 77, is composed of middle- and low-income countries, such as India, Kenya, and Venezuela. If agreement on the budget cannot be reached, a majority vote in the General Conference is taken, with each member state having one vote. According to several delegates, the budgets

<sup>1</sup>We examined only the regular budgets because UNESCO assesses dues for the regular budget, but cannot control the amount of voluntary extrabudgetary funds it receives.

have been approved by consensus in the four bienniums since 1986. Delegates of several major donor countries also said that, in general, their concerns have been resolved in the General Conference and Executive Board, especially since 1987. Figure 6.1 shows the changes in UNESCO's approved budgets from 1975 to 1993.

**Figure 6.1: UNESCO's Budgets**  
(Current dollars)



Note: UNESCO had a one-time triennial budget from 1981-1983 to make its budget cycle coincide with other U.N. agencies. To facilitate comparisons with other budget periods, data shown for 1981-1983 is two-thirds of the actual amount.

## Real Budget Growth Reduced

In 1984, we reported that UNESCO's budgets had grown considerably. This was one of the reasons the United States withdrew from the organization. Since the U.S. withdrawal, UNESCO's real budget growth has been reduced. Using a method that accounts for inflation and exchange rate fluctuations, we determined that between 1988 and 1993, UNESCO's regular budgets have averaged .6 percent real growth annually. Between 1977 and 1983, the budgets increased in real terms by 2.5 percent annually. Table 6.1 shows UNESCO's real budget growth from 1977 to 1993, and appendix I elaborates on our methodology.

**Table 6.1: Annual Real Growth Rates of UNESCO's Regular Budgets**

Biennium	1977- 1978	1979- 1980	1981- 1983 <sup>a</sup>	1984- 1985	1986- 1987	1988- 1989	1990- 1991	1992- 1993
Real growth rate <sup>b</sup>	7.5	-1.0	1.0	7.9	-14.3	-2.2	2.3	1.8
Average real growth		2.5		c			0.6	

<sup>a</sup>UNESCO had a one-time 3-year budget from 1981-1983.

<sup>b</sup>We calculated these growth rates using a constant exchange rate and a constant 1990-1991 dollar, derived from French and United States inflation indexes. Our methodology is based on a review of approaches used by international financial institutions and generally accepted economic concepts.

<sup>c</sup>To provide a valid comparison of UNESCO's average real growth before and after the U.S. withdrawal in 1984, we excluded from our calculations the 1984-1985 and 1986-1987 budgets. UNESCO had to amend the 1984-1985 budget after the U.S. withdrawal, and member states did not agree on a new base budget without the U.S. contribution until the 1986-1987 biennium.

## Personnel Cost Increases Exceed Inflation

Based on our calculations, UNESCO's staff and other personnel costs, which account for about 60 percent of the regular budget, exceeded inflation in the 1990-1991 and 1992-1993 budgets, and have accounted for real growth in the budget since 1990. The 1992-1993 regular budget for staff and other personnel services increased by 7.4 percent in nominal terms for each year of the 1992-1993 biennium and by about 2.7 percent in real terms. Table 6.2 illustrates some of the increases in costs for various categories of personnel in UNESCO's 1992-1993 budget.

**Table 6.2: Components of Personnel Cost Increases 1992-1993** (Current year dollars)

Category of personnel	1990-1991 budget	1992-1993 budget	Annual rate of increase <sup>a</sup>
Headquarters staff	\$168.6	\$195.3	7.6
Field staff	37.8	44.9	9.0
Temporary assistance	9.8	8.7	-5.8
Interpretation	5.7	5.4	-2.7
Consultants	4.9	7.4	22.9
Overtime differential	1.3	1.6	10.9
<b>Total</b>	<b>\$228.1</b>	<b>\$263.3</b>	<b>7.4</b>

<sup>a</sup>Calculated by using a standard formula for compound growth rates.

The increase in personnel costs in the 1992-1993 biennium was due to cost-of-living adjustments, increased payments to the medical benefits and pension funds, within-grade increases for professional and administrative personnel, and increases in base salary. The number of authorized posts on which the budgets were calculated declined from 2,341 in 1990-1991 to

2,297 in 1992-1993. We discussed the increases in personnel costs with the Deputy Director General for Management and other UNESCO officials. According to these officials, salaries and the post adjustment had been frozen from 1985 to 1990. In addition, they said that UNESCO is obligated to implement ICSC pay schedules and benefits, even if such increases exceed inflation. An agreement between UNESCO and the United Nations states that they should cooperate to ensure as much uniformity as possible in the conditions of employment of personnel in such areas as personnel classification and salary scales.

In contrast to the salary component of the budget, UNESCO's nonsalary portion of the budget has averaged less than zero real growth since 1988. UNESCO's own method for determining real growth also indicated that the budgets from 1988 to 1993 had no real program growth. This budgeting is consistent with the Department of State's policies of supporting assessed budgets of U.N. agencies that maintain zero net program growth and significant absorption of nondiscretionary cost increases.

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## **Budget Presentation Has Improved**

In 1984, we reported that UNESCO's budget presentation was unclear and a consistent exchange rate was not used. Since then, UNESCO has improved its budget presentation with clearer descriptions of its budgeting techniques and the use of a constant exchange rate, which makes comparisons between budgets much easier. In addition, UNESCO has (1) implemented a "split-level" assessment system and (2) taken initial steps in linking its budget presentation to its financial statements.

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## **Budgets More Clearly Present Costs and Increases**

UNESCO's budget presentation improved in the 1986-1987 budget, when the Secretariat separated the costs due to currency fluctuation from costs due to program increases mandated by the General Conference. In every draft budget since 1987, the Secretariat has shown mandated program increases on a separate line or built them into the program budget. This change addresses our 1984 concern that the Secretariat was hiding program increases in the currency fluctuation account. The Secretariat has also made its overview budget table more understandable by reducing the number of budget columns from 23 to 10, thus allowing an easier comparison of major costs.

The Secretariat now provides more complete information on inflation. For example, the 1992-1993 draft budget provides explanations of cost increases due to inflation, including staff salaries, allowances, goods, and

services. An additional section discusses inflation and negative growth and provides a table specifying the inflation rate. Although the 1984-1985 draft budget discussed inflation, it did not provide this level of detail.

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**Constant Exchange Rate  
Used in Budgeting**

During our current review, we found that UNESCO consistently has used an exchange rate of 6.45 francs per dollar to display all budgets since 1984. In 1984, the United States and other major contributors objected to UNESCO's departure from the constant currency exchange technique in formulating the 1984-1985 budget. In calculating its 1984-1985 budget, UNESCO used a different exchange rate (6.45 French francs per U.S. dollar) than the rate used in the prior budget (4.90 francs per dollar).<sup>3</sup> We discussed the use of a constant exchange rate with delegates from over 10 member states. According to several delegates, the use of a constant exchange rate improved the clarity of the presentation and allowed a comparison with previous budgets.

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**Exchange Rate Fluctuations  
Minimized**

Beginning with the 1988-1989 budget, UNESCO reduced the impact of changes in the exchange rate by assessing member states in a combination of French francs and U.S. dollars to match the proportion of UNESCO's expenditures in these currencies. Prior to the 1988-1989 biennium, member states' contributions were assessed in dollars, thus requiring UNESCO to change dollars into francs to pay for a large portion of its expenditures. Approximately 57 percent of UNESCO's expenditures in 1990-1991 were made in French francs.

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**Financial Reporting to Be  
Improved**

The Comptroller has agreed to add a table to the financial statements for the biennium ending December 31, 1991, that shows spending by objective of expenditure, such as staff costs, travel, consultants, and contracts. Generally, UNESCO's budgets are presented in terms of both programs, such as education and science, and objects of expenditure. However, spending is reported only by programs. Adding the table of spending by object of expenditure will allow the Executive Board to more thoroughly compare budgets with expenditures. The Director of the Bureau of the Budget provided the Executive Board a table of this type during budget

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<sup>3</sup>For budgets where expenditures are in two currencies, a constant exchange rate is needed to make a valid comparison between budgets of different periods. A separate budget line is used to differentiate the budget costs attributable to changes in the exchange rate.

deliberations in October 1991; Board members commented that it was very useful to their deliberations.

## Explanation of Currency Adjustment Could Be Further Clarified

During our review, many member state delegates told us that the currency adjustment could be better explained in UNESCO's budget presentation. For example, some delegates we interviewed did not understand the rationale for the currency adjustment line item. Other delegates questioned why the amount for currency adjustment (\$36.9 million) published in early 1991 for the 1992-1993 draft budget differed from the amount (\$29.6 million) published in October 1991 for the 1992-1993 draft appropriation resolution submitted to the General Conference. Documents show that UNESCO used the appropriate exchange rates when both budgets were published—5.65 francs per dollar in early 1991 and 5.75 francs per dollar in October 1991. However, the explanation in the budget document was not entirely clear. A brief explanatory footnote in the budget summary table could alert member states about the change in exchange rates between revisions of the draft budget.

## Conclusions

UNESCO has reduced the real growth of its budget and contained program growth. However, UNESCO is obligated to implement increases in personnel costs set by the ICSC, and these increases caused real growth in UNESCO's overall budget. In addition to reducing budget growth, UNESCO has made its budgets more transparent by separating program costs from costs due to exchange rate changes. The risk of volatile swings in the exchange rate has also been reduced by assessing dues in both French francs and U.S. dollars. The Comptroller has agreed to include a table comparing planned to actual expenditures by object of expenditure in the financial statements; this table would also be useful to the governing bodies in their budget deliberations. In describing its currency adjustment, UNESCO does not fully explain that UNESCO uses a constant exchange rate to facilitate period-to-period comparisons, but that the actual rate of exchange when the budget is finalized may be different.

## Recommendations

We recommend that the Director General further improve UNESCO's budget presentation by

- ensuring that a table comparing budgeted to actual expenditures by object of expenditure be included in a draft of the budget presentation for the governing bodies and

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- elaborating on the difference between the constant rate of exchange and the actual rate in effect when the budget is published and adding a footnote in the summary budget table denoting the changes in exchange rate.

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## **UNESCO Comment**

UNESCO commented that our recommendations for further improvement to its budget presentation would be proposed for implementation in the Draft Program and Budget for 1994-1995.



# UNESCO's Financial Management

To obtain perspective on UNESCO's financial management, we examined the roles of UNESCO's Inspector General and the External Auditor and reviewed a limited number of travel and other vouchers. As discussed in chapter 3, the Inspector General's role has now been broadened to include independent financial and management audits. The current External Auditor is the Belgian Court of Audit. Our review of a limited number of travel vouchers, participation fund vouchers, and miscellaneous expenses indicated that UNESCO generally complied with its regulations. One shortcoming we noted in 1984 still continues. UNESCO does not have employees verify the actual hours they work and have a supervisor certify the time.

## The Inspector General

The Inspector General is responsible for performing internal audits to ensure (1) the effective and efficient use of UNESCO's resources, (2) the adequacy of procedures to safeguard and control the organization's resources, and (3) compliance with established policies and procedures. As discussed in chapter 3, the Inspector General has found individual cases of fraud and recommended that regulations for supplementary staff and hospitality expenditures be clarified or strengthened. In each of these areas, the Director General has acted on the recommendations, taking action against individuals and clarifying or strengthening regulations.

According to the Inspector General, the UNESCO Manual, which sets forth the Secretariat's administrative policies and procedures, should be clarified and updated. He told us that the layout or presentation of the manual also makes it difficult to use. To address these shortcomings, the Inspector General is revising and updating the manual.

## The External Auditor

UNESCO's financial regulations require that an external auditor be appointed from the auditors general, or equivalent organization, of the member states. In November 1987, the Belgian Court of Audit was appointed to be UNESCO's External Auditor. Previously, the United Kingdom's National Audit Office served as the External Auditor for over 30 consecutive years.

The External Auditor conducts an audit of UNESCO's accounts and issues a report, which provides an opinion on whether UNESCO's financial statement fairly presents the financial position of the organization. The External Auditor is completely independent and solely responsible for the conduct of the audit. For the audit of the 1988-1989 biennium (the most current

audit), the External Auditor reviewed UNESCO's accounts and internal financial controls and gave an unqualified opinion that UNESCO's financial statements fairly presented its financial position. As discussed in chapter 2, this audit report also contained 18 recommended actions on UNESCO's management. The Secretariat has implemented 10 of these recommendations, has carried out 3 alternatives, is working on 3, and has rejected 2.

In the 1988-1989 report, the External Auditor discussed the need to strengthen field office financial controls, particularly as resources and authority were decentralized to the field. The Auditor noted that (1) field office expenditures exceeded targets, (2) obligations were not made within valid time frames, and (3) contractors were paid late or not at all, implying nonperformance in many contracts. The Auditor recommended that UNESCO add positions to the Comptroller's office and follow up on financial control issues.

Additional positions were not provided to the Comptroller, but steps were taken to strengthen field office financial management by clarifying financial rules and training field office staff in financial reporting. To deal with nonperformance in contracts, the Deputy Director General for Management and the Comptroller sent out specific instructions to the field and headquarters emphasizing the control procedures for approving obligations and paying advances on contracts. Additionally, instructions were given to all units to recoup any advances paid out on nonperforming contracts. The Inspector General also began a review of uncompleted contracts to determine if financial rules on contract advances had been violated. The review was not completed at the time we completed our field work, but according to the Inspector General, his staff would examine each contract to make a determination if improper advances were made.

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### The External Auditor Believes Some Financial Rules Require Clarification

According to the External Auditor, some of UNESCO's financial rules are unclear. For example, the External Auditor told us that the rules pertaining to the appropriate financing sources for publications, such as the UNESCO Courier,<sup>1</sup> are unclear. By mid-1990, the UNESCO Courier's regular budget allotment for that year (\$700,000) was exhausted, whereupon production and dissemination costs for the next 6 months were charged to an extrabudgetary account. Although not contrary to UNESCO's financial rules

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<sup>1</sup>The UNESCO Courier is a monthly publication that examines educational, scientific, and cultural themes from a variety of perspectives.

for this fund, the External Auditor commented that the regulations did not clearly delineate what costs should be absorbed by the fund. The External Auditor is currently reviewing UNESCO's financial rules.

## Results of Limited Testing

We examined the regulations UNESCO uses to control funds for travel, the Participation Program,<sup>2</sup> and other expenses such as supplies. We reviewed 30 randomly selected vouchers, 10 from each of these three types of transactions, and found that in all 30 cases, the regulations were being adhered to. We found that

- the required travel orders, transportation ticket receipts, and travel advance authorizations were submitted, and other required certifications signed by the authorizing officials were in the files;
- member countries receiving Participation Program funds had submitted the required financial report to the Bureau of the Comptroller and the reports contained supporting documentation such as receipts and certifications; and
- vouchers were signed for other expenses and supporting documentation was on file.

## Procedures for Payroll Do Not Contain Positive Verification of Hours

Our 1984 report noted that UNESCO's payroll procedures did not include a positive method of verifying the number of hours worked by employees. That is, UNESCO was not using time and attendance forms or taking other measures to verify the number of hours worked before processing pay checks. Under the current system, the units' administrative officers complete a leave report twice a month, which must be certified correct by unit supervisors and employees. If leave or absence is not indicated on the form, it is assumed that the person worked all work hours during the pay period.

<sup>2</sup>The Participation Program, part of the regular budget, is reserved for special projects requested by member states. The program's budget for the 1990-1991 biennium was approximately \$14.7 million, and funding for individually approved items ranged from \$1,000 to \$170,000. Program payments, made directly to governments, national commissions, or intergovernmental organizations, are generally in the form of fellowships and grants.

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## Conclusions

The External Auditor and the Inspector General appear to be providing a reasonable review and examination of UNESCO's accounts and financial management. Their reports and our limited testing indicated that UNESCO has an established financial management system and that UNESCO employees generally follow the control procedures for travel, the Participation Program, and purchasing supplies. UNESCO, however, still does not have a system for positive verification of hours worked by employees. Without this positive verification, there is not a reasonable assurance that employees are working the hours for which they are paid.

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## Recommendation

We recommend that UNESCO's Deputy Director General for Management ensure that payroll controls contain a positive verification of hours worked, such as employees recording and signing a schedule of work hours and having a supervisor verify it as correct. When this is not possible, we recommend some alternative, such as determining reasonableness of work output for time spent, be used to provide reasonable assurance that employees are working when scheduled.

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## UNESCO Comments and Our Evaluation

In commenting on our report, UNESCO stated that the Deputy Director General for Management had recently approved the outline of a plan for introducing "flextime" at UNESCO. The plan is expected to provide a record of hours worked by each staff member on a time record form to be completed and signed by the employee and countersigned by the supervisor. It appears that once this system is in place, the concern that led to our recommendation will have been resolved.



# Calculating the Real Growth of UNESCO's Budget

Based on our method of calculating real growth, UNESCO's 1992-1993 budget grew in real terms by 1.8 percent, primarily because increases for personnel exceeded the cost of living. According to UNESCO, the 1992-1993 budget has negative real growth because all increases were caused by factors beyond its control, such as inflation and exchange rate changes. However, UNESCO removes increases in wages and benefits from real growth because these increases are set by the International Civil Service Commission. This appendix discusses similarities and differences between UNESCO's and our approach in determining real growth, describes the steps we used to calculate real growth, and compares UNESCO's growth to that of two other U.N. agencies.

## Our Approach and UNESCO's In Determining Real Growth

We define real budget growth from one period to the next as growth that exceeds the amount necessary to maintain constant purchasing power, or growth that exceeds inflation. For U.S. agencies, the calculation of real growth is straightforward. We take a series of budgets and remove any increases due to inflation by converting the budgets into constant dollars. We then determine the growth rate of the constant dollar budgets and this gives us real growth.

Calculating UNESCO's real budget growth was complicated by three factors. First, since UNESCO prepared its budgets in U.S. dollars but spent approximately 60 percent of the budget in French francs, an appropriate exchange rate was needed to convert the expected franc expenditures into dollars. UNESCO used a constant exchange rate to convert the francs into dollars (6.45 French francs to the U.S. dollar since 1984), and this constant exchange rate removed any budgetary increase or decrease due to exchange rate changes.<sup>1</sup> Neither we nor UNESCO considered budget increases due to exchange rate changes as real growth.

The second factor concerned how to determine the inflation rate. Economists use a generally accepted price index, such as the Gross National Product (GNP) deflator to account for inflation. We constructed two price indexes, one for expenditures in French francs and one for expenditures in U.S. dollars because UNESCO made expenditures in both francs and dollars. UNESCO's approach used an index based on a market basket of goods and services that it purchased, such as rent, heat,

<sup>1</sup>UNESCO separately calculates the budget impact accounted for by the difference between the constant exchange rate and the actual one in effect when the budget is prepared. This is shown on a separate budget line.

electricity, and communication services. UNESCO also used price data from the French National Institute of Statistics and Economic Studies and the ICSC to aid it in deriving the inflation rate.

A final area where our approach differed from UNESCO's concerned what we and UNESCO included as real growth. We considered all increases that exceeded the amount necessary to maintain constant purchasing power as real growth. Thus, in our calculation of real growth, we removed budgetary increases due to exchange rate effects and inflation. UNESCO, however, included wage and benefit increases set forth by the ICSC, such as increases in step increments, in constructing its inflation rate. UNESCO reasoned that since personnel cost increases were mandated by its agreements with the United Nations, they should be counted as part of inflation. In our approach, all personnel cost increases above inflation were counted as real growth.

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## **Steps in Measuring UNESCO's Real Growth**

We calculated the real growth of UNESCO's budget between 1977 and 1993. Our procedures were to:

1. Derive the portion of the budget spent in French francs, using the constant exchange rate for budgetary purposes (4.9 francs to the dollar from 1977 to 1983 and 6.45 francs to the dollar from 1984 to 1993). This procedure divided all budgets into a franc and a dollar portion, based on the proportions spent in each currency.
2. Construct a price index for the franc portion of the budget, based on the French consumer price index and gross domestic product deflator weighted by the approximate proportion of UNESCO's budgets spent on wages versus other goods and services.
3. Construct a similar price index for the dollar portion of UNESCO's budget, based on the United States consumer price index and gross domestic product deflator.
4. Convert the franc portion of each budget into 1990-1991 constant French francs, using our price index for francs.
5. Convert the 1990-1991 constant French francs into 1990-1991 constant dollars using the average 1990-1991 market exchange rate between the franc and the dollar.

**Appendix I  
Calculating the Real Growth of UNESCO's  
Budget**

6. Convert the dollar portion of each budget into constant 1990-1991 dollars, using the price index that we had constructed for the dollar.

7. Add the amounts in steps 5 and 6 so that the total budget for every period is expressed in constant 1990-1991 dollars.

8. Calculate the annual growth rate for each biennial budget.

As shown in table I.1, the real growth of UNESCO's budgets was 2.5 percent in the period before the U.S. withdrawal (1977-1983), but declined to 0.6 percent in the period following the U.S. withdrawal (1988-1993).

**Table I.1: Average Annual Growth Rates for UNESCO**

Time period	Real growth	Inflation	Exchange rate effect <sup>a</sup>	Nominal growth
1977-1978	7.5	8.4	-1.0	14.9
1979-1980	-1.0	11.3	5.9	16.2
1981-1983 <sup>b</sup>	1.0	9.4	3.2	13.6
Average 1977-1983	2.5	9.7	2.7	14.9
1984-1985	7.9 <sup>c</sup>	5.4	-20.1	-6.8
1986-1987	-14.3 <sup>c</sup>	3.1	-0.9	-12.1
1988-1989	-2.2	3.5	8.7	10.0
1990-1991	2.3	3.1	-1.8	4.0
1992-1993	1.8	3.1	3.5	8.4
Average 1988-1993	0.6	3.5	3.5	7.5

<sup>a</sup>A dollar appreciation results in a negative exchange rate effect. If the dollar appreciates, fewer dollars are needed for the French franc portion of the budget and this effect reduces the nominal growth of the budget. If the dollar depreciates, the reverse happens, resulting in higher nominal growth. The exchange rate effect was calculated as a residual.

<sup>b</sup>The percentage change for all the budgets was calculated as the average annual growth from the preceding budget. The 1981-1983 budget was a one-time triennial budget.

<sup>c</sup>Because of the impact that the U.S. withdrawal had on the 1984-1985 revised budget, the growth rates for 1984-1985 and 1986-1987 are not used to calculate the average real growth rates.

**UNESCO's Budget  
Growth Compared to  
Other U.N. Agencies**

We compared the real growth of UNESCO's budgets for the 1988 to 1993 period to those of the International Labor Organization and the Food and Agricultural Organization for the same period. As table I.2 shows, UNESCO's annual real growth rate was higher than the International Labor Organization's, but slightly lower than the Food and Agricultural Organization's.



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**Appendix I**  
**Calculating the Real Growth of UNESCO's**  
**Budget**

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**Table I.2: Average Annual Rate of Real Growth**

Rates in percent

	<b>UNESCO</b>	<b>Food and Agricultural Organization</b>	<b>International Labor Organization</b>
1988-1989	-2.2	-2.8	-3.8
1990-1991	2.3	1.3	-2.1
1992-1993	1.8	3.5	2.9
Average	0.6	0.7	-1.0

# Status of the 1981-1983 Budget Surplus

In 1984, just prior to the U.S. withdrawal, we reported that UNESCO had a budget surplus of \$79.6 million from the 1981-1983 period and that UNESCO officials stated it would be returned to member states in accordance with the financial regulations. We reported that, to liquidate outstanding obligations, UNESCO's financial regulations allowed the Secretariat to hold the budget surplus for 12 months following the end of the financial period.

In November 1991, UNESCO officials told us that a balance of \$60,000 was potentially due to the United States from the 1981-1983 budget period, after crediting the United States with \$9.2 million, but charging the United States for obligations incurred prior to its withdrawal. According to UNESCO, it has not returned the surplus from 1981-1983 because the United States and UNESCO have not settled the U.S. account balance.<sup>1</sup> Table II.1 lists the amounts that UNESCO's Comptroller provided us on the U.S. account, as of November 1991.

**Table II.1: U.S. Account Balance**

<b>Category</b>	<b>Amount</b>
Credit apportioned budget surplus from 1981-1983	\$4,201,661
Credit U.S. advance to working capital fund	5,000,000
Debit unpaid U.S. assessments from 1984	(7,828,692)
Debit reimbursement for U.S. taxpayers on UNESCO staff (1983-1991)	(1,313,115)
<b>Amount due to the United States</b>	<b>\$59,854</b>

According to the State Department, the United States does not recognize several of the charges in table II.1. The U.S. assessment for 1984 was not completely paid because the United States had a surplus owed to it from the 1981-1983 budget period that exceeded its assessment for 1984. Also,

<sup>1</sup>UNESCO has settled account balances with the United Kingdom and Singapore and returned the surplus owed to those countries from the 1981 to 1985 periods.

the United States changed its policy on U.S. taxpayers who work for international organizations in 1982, requiring the renegotiation of all tax agreements with these organizations. Although State subsequently renegotiated agreements with other U.N. organizations, it has not renegotiated an agreement with UNESCO because the United States is no longer a member.

# Comments From UNESCO



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The Deputy Director-General  
for Management

reference: DDG/M/92/229

23 April 1992

Dear Mr Johnson,

Thank you very much for your letter of 9 April 1992 and the GAO's Official Draft Report enclosed with it. We have noted your advice that the Report should not be distributed even to our Executive Board members until the Committees give their permission to this effect. Please find attached our comments for inclusion in the relevant appendix as well as some factual and textual corrections you may wish to integrate into the main body of the Report.

On behalf of the Director-General and all of us in the Secretariat who have been working with you on this very important exercise, I wish to convey our appreciation for the precision and objectivity of the Report.

Mr Miyabara and his colleagues worked long hours here at UNESCO, and on our part we tried to ensure that they should have full access to every document or any information that they considered relevant to their work, and I am glad that the Report acknowledges this fact.

I should also like to emphasize that we regard the GAO report as an extremely useful document and we intend to give the most careful consideration to the many valuable suggestions and recommendations which it contains.

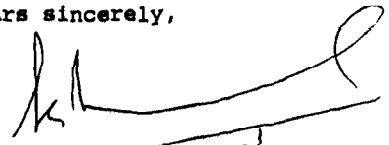
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Mr Harold J. Johnson  
Director  
Foreign Economic Assistance Issues  
National Security & International Affairs Division  
United States General Accounting Office  
Washington, D.C. 20548  
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Appendix III  
Comments From UNESCO

I look forward to meeting you and the team in Washington when my travels next bring me to your country. You are, of course, more than welcome to renew acquaintances here at UNESCO Headquarters should your work bring you to Paris in the near future.

Warmest Regards Yours sincerely,

  
C.L. Sharma

23/4

**UNESCO COMMENTS**

The Director-General, the Deputy Director-General for Management and UNESCO senior staff members concerned have studied the draft GAO Report with great interest. UNESCO recognizes that it has been prepared in a spirit of objectivity and rigor and adequately reflects the very considerable research carried out and the exhaustive work done at UNESCO Headquarters by the GAO team. Although UNESCO has no fundamental disagreements with the basic findings, the following brief comments are meant to clarify certain items discussed in the report.

**Decentralization**

In Chapter 3, the GAO notes that while 27 percent of staff are decentralized, 44 percent of the total budget (regular and extrabudgetary) is spent in the field. This is due in large measure to the implementation in developing countries of extrabudgetary technical assistance projects which are less labor intensive than Headquarters-based activities since they often contain large components of equipment, training, subcontracting and fellowships.

The GAO, although acknowledging progress in UNESCO's decentralization policy, noted shortcomings in developing criteria for decentralizing activities and in developing operational plans for decentralizing. Decentralization is carried out where the human and physical resources are available to implement the activities decentralized. This has not always been the case in the past, and activities have been decentralized without regard to the capabilities of the offices to which they were decentralized. To avoid a recurrence of this situation, one of the initial steps in decentralization has been to develop databases on the capacities of the field offices. The next step, the decentralization of additional activities, is now underway. This process is the subject of a Green Note entitled "Decentralization" issued by the Director-General on February 7, 1992.

Concerning delegation of authority, the Deputy Director-General for Management wrote to chiefs of all field offices asking whether the existing delegations are being properly exercised. The replies received indicate that the heads of the offices are satisfied with the current level of delegation and are able to exercise these powers without hindrance.

With regard to changes in the policies of the United Nations Development Programme (UNDP), it should be noted that the objectives of the new interagency agreements with UNDP include inter alia strengthening the technical focus and technical support of the agencies ; minimizing the resources for administrative and operational services ; providing incentives for national execution ; and encouraging greater openness and competitiveness in accessing services for project implementation. We expect the level of UNDP funding for extrabudgetary activities to remain at the level of \$33 million per year.

The recommendations at the end of Chapter 3 are useful and will be taken into consideration in the next phase of decentralization.

#### Evaluation

At the time of the 1984 GAO study, the Central Evaluation Unit consisted of two professionals and one general service post. The GAO commented then that, of the six levels of a complete evaluation system defined by the United Nations Joint Inspection Unit (JIU), UNESCO's efforts did not reach the first level. Today, the staff of the Central Evaluation Unit consists of a director, three professionals and four general service posts, and it is foreseen that another professional post will be added shortly. UNESCO's evaluation system now includes all six of the levels defined by the JIU.

In terms of impact evaluation, to say that only 2.7% of the program is evaluated understates the situation. Table 4.4, for example, indicates that in 1986-1987, 7 evaluations covered \$3.8

See comment 1.

million of program activities. In reality, the evaluations covered entire programs from their inception to their conclusion, and all of them continued for more than a single biennium. The numbers in the table apparently include only the expenditure for the biennium in which the evaluation was undertaken.

The report does not mention the evaluation of projects funded by extrabudgetary sources and carried out in accordance with their evaluation techniques. In 1990-1991 over 25 project evaluations were received and analyzed. A document was prepared and circulated housewide presenting the lessons learned.

For the 1992-1993 biennium, evaluation activities are given more prominence. In addition to the strengthening of its professional staff, the budget of the Central Programme Evaluation Unit has been increased by \$90,000 to be used for outside expertise. Moreover, the Education Sector has allocated over \$50,000 for its own evaluation activities. Finally, the General Conference has requested that beginning in 1992 the work of the entire Natural Sciences program, which accounts for 29 percent of total program execution cost, should be evaluated externally.

Techniques for implementing the recommendations in Chapter 5 are being studied.

#### Personnel

Regarding the implementation of the new performance appraisal system, the GAO notes that "job expectations" were not present in 9 out of 10 cases reviewed. It should be noted that the new appraisal system was implemented before the completion of new job descriptions, which include a list of assignments. It would have been unfair to judge staff for a two-year period based on a list of assignments made during the period, and the Administrative Circular introducing the new system specified that the item concerning this list of assignments should be left blank for appraisals performed in 1990.

See comment 2.



In its 1984 report the GAO found that UNESCO did not adequately control the use of supplementary staff. Administrative Circular 1722 in November 1990 was an attempt to institute such a control. The circular did not prohibit contracts beyond a certain duration because such a prohibition could be counterproductive and might hamper program implementation. The circular, however, set a limit of six months in a twelve-month period for individuals to serve as supplementary staff in the normal case. Requests for exceptions are decided on the merit of each case. The circular also specifically excluded certain categories of supplementary staff, including translators, interpreters and individuals working for token remuneration. It was decided from the beginning that field offices and the conference services would be subject to after-the-fact controls since in the first case there were many contracts of very short duration, and in the second case prior approval of Headquarters would create undue delays. As noted by the GAO, there have been problems in collecting and processing this after-the-fact data. While the majority of cases where supplementary staff were not found in Personnel's computer roster can be attributed to the factors described above, it is clear that improvements are needed in this area. A number of improvements have been made and a study is now underway to improve personnel databases in line with the recommendation of the GAO.

#### **Budget Techniques**

The recommendations made in Chapter 6 for further improvement to UNESCO's budget presentation will be proposed for implementation in the Draft Program and Budget for 1994-1995.

**Attendance Reporting**

Following a preliminary analysis by the Inspector-General, the Deputy Director-General for Management has recently approved the outline of a plan for introducing "flexitime" at UNESCO, and the modalities of implementation are now being developed. The plan is expected to provide for positive recording of hours for all staff on a Time Record Form to be completed and signed by the concerned staff member and countersigned by the responsible supervisor. This system should respond fully to the recommendation of the GAO in Chapter 7.

**Conclusion**

UNESCO is grateful to the United States Congress and to the General Accounting Office for this report. We are conscious of the tremendous amount of work which went into the report and of the professionalism displayed by the GAO staff. The report is useful for its independent analysis of UNESCO's management, for the assessment of progress made and for the recommendations for further improvement.

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The following are GAO's comments on UNESCO's letter dated April 23, 1992.

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**GAO Comments**

1. We amended the number of staff attributed to the Central Evaluation Unit.
  
2. We amended the number of appraisals that did not contain job assignments. All performance appraisals we reviewed were completed in 1991, and four of nine did not contain job assignments as required for appraisals completed after 1990. More importantly, the new appraisal system requires that supervisors identify the assignments to be carried out and any standards of performance at the outset of the rating period. The new job descriptions generally describe post duties, but do not contain specific assignment information or standards of performance. Therefore, using the new job descriptions to identify assignments does not provide staff with necessary information about the expectations against which they will be rated.

# Comments From the Department of State



United States Department of State

Washington, D.C. 20520


APR 28 1992

Dear Mr. Conahan:

Thank you for the opportunity to comment on your draft report, "UNESCO: Initial Progress has been Made in Implementing Management Reforms" (GAO Job Code 472266). Comments are enclosed.

If you have any questions on this issue, please call Raymond Wanner, IO/SR, on 647-8878.

Sincerely,

  
Larry J. Eisenhart  
Deputy Chief Financial Officer

Enclosure:  
As stated.

Mr. Frank C. Conahan,  
Assistant Comptroller General,  
National Security and International Affairs,  
U.S. General Accounting Office,  
441 G Street, N.W.,  
Washington, D. C. 20548

GAO DRAFT REPORT: "UNESCO: INITIAL PROGRESS HAS  
BEEN MADE IN IMPLEMENTING MANAGEMENT REFORMS"


We have reviewed the GAO draft Report on UNESCO and find it a useful assessment of UNESCO's management, personnel, and budgetary practices. We note that the Report's principal recommendations for management improvement address policies for decentralization of activities and resources, program evaluation, procedures for the use and control of supplementary staff, budget techniques, and payroll controls. The twelve formal recommendations for improvement in these areas and the other suggestions made throughout the text provide helpful guidelines for further progress.

Each of the recommendations is consistent with goals sought by the Department of State for several years. In this regard, we believe that our policy of insistence on real change at UNESCO has been a significant factor in motivating the Organization's Member States, Governing Bodies, and the Secretariat, itself, to achieve the initial progress noted in the Report.

Particular attention should be given to the recommendation on better application of the rules on the use of supplementary staff and fee contracts in order to control the contract authorization procedure more effectively and make it more transparent and uniform. Moreover, the need for significantly better program evaluation is clear, and we believe considerable improvement in this area is needed if further program concentration and focus is to be achieved.

We have worked constructively with the GAO during its review of UNESCO's management practices and have had occasion, on a regular basis, to provide our views on questions of fact and interpretation. We note in this regard that, in its calculation of real growth, the GAO used a formula different from that commonly used in the United Nations and its specialized agencies. We believe, however, that the GAO has adequately explained its methodology in Appendix I. As regards closing the account balance, as noted in Appendix II, this is a matter of continuing discussion with the Secretariat.

We will continue our policy of seeking far-reaching change at UNESCO and will work with its Member States, its Governing Bodies and the Director General to effect this change. The GAO Report will serve as a useful benchmark to measure future progress.

  
John R. Bolton  
International  
Organization Affairs

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