

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

FOR RELEASE ON DELIVERY
Expected at 10:00 a.m. EST
Thursday, March 5, 1970

STATEMENT OF
ELMER B. STAATS
COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL ORGANIZATIONS AND MOVEMENTS
HOUSE COMMITTEE ON FOREIGN AFFAIRS
ON
[U.S., FINANCIAL PARTICIPATION IN THE UNITED NATIONS
DEVELOPMENT ASSISTANCE ACTIVITIES]

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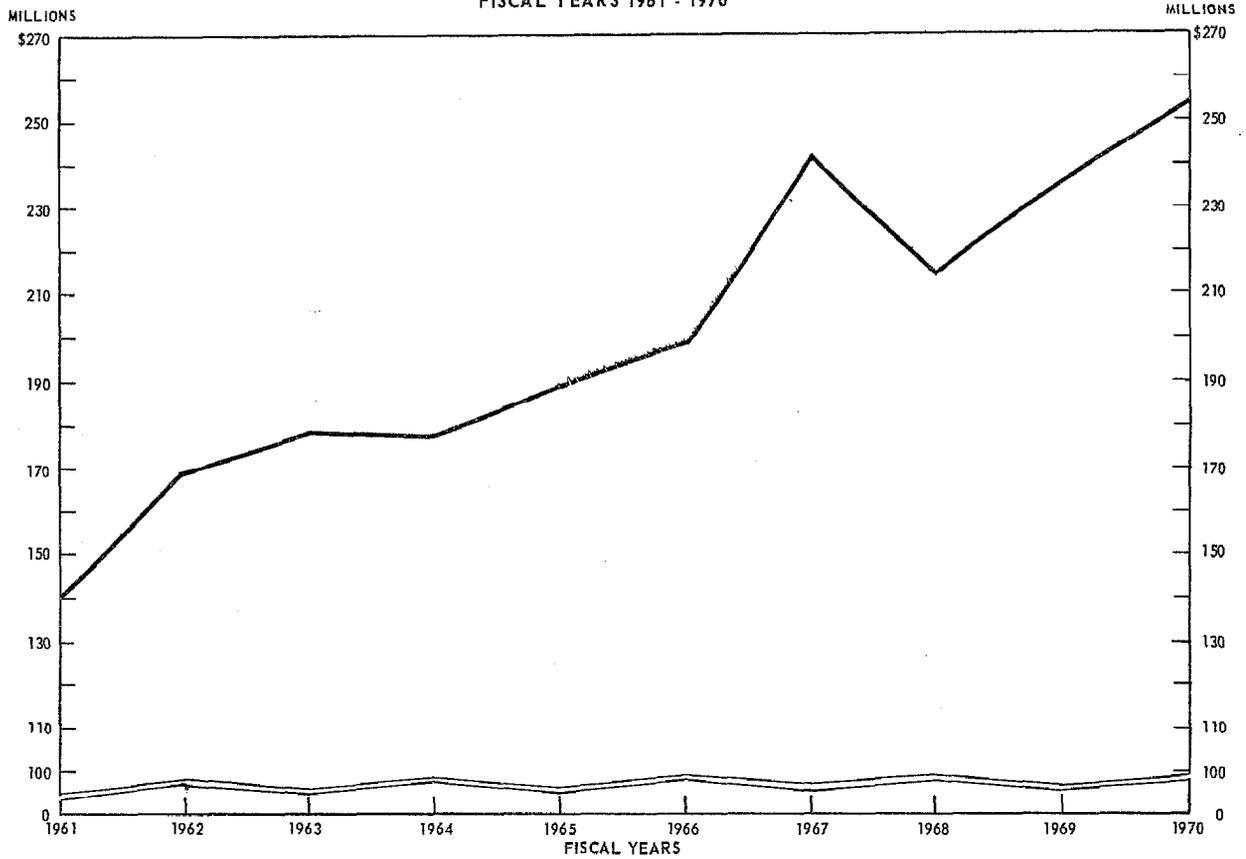
Mr. Chairman and members of the Subcommittee:

U. S. contributions to United Nations organizations for other than peace-keeping activities increased from \$141.6 million in fiscal year 1961 to an estimated \$263.7 million in fiscal year 1970, an increase of over 85 percent. The funds were used, in the main, for economic cooperation and development and the promotion of social progress. In contrast, funds made available in the annual Foreign Assistance Appropriations Acts for U. S. bilateral economic assistance ranged from \$1.8 billion for fiscal year 1961, to \$1.3 billion for fiscal year 1970, a decrease of almost 30 percent. These trends are illustrated in the following graphs.

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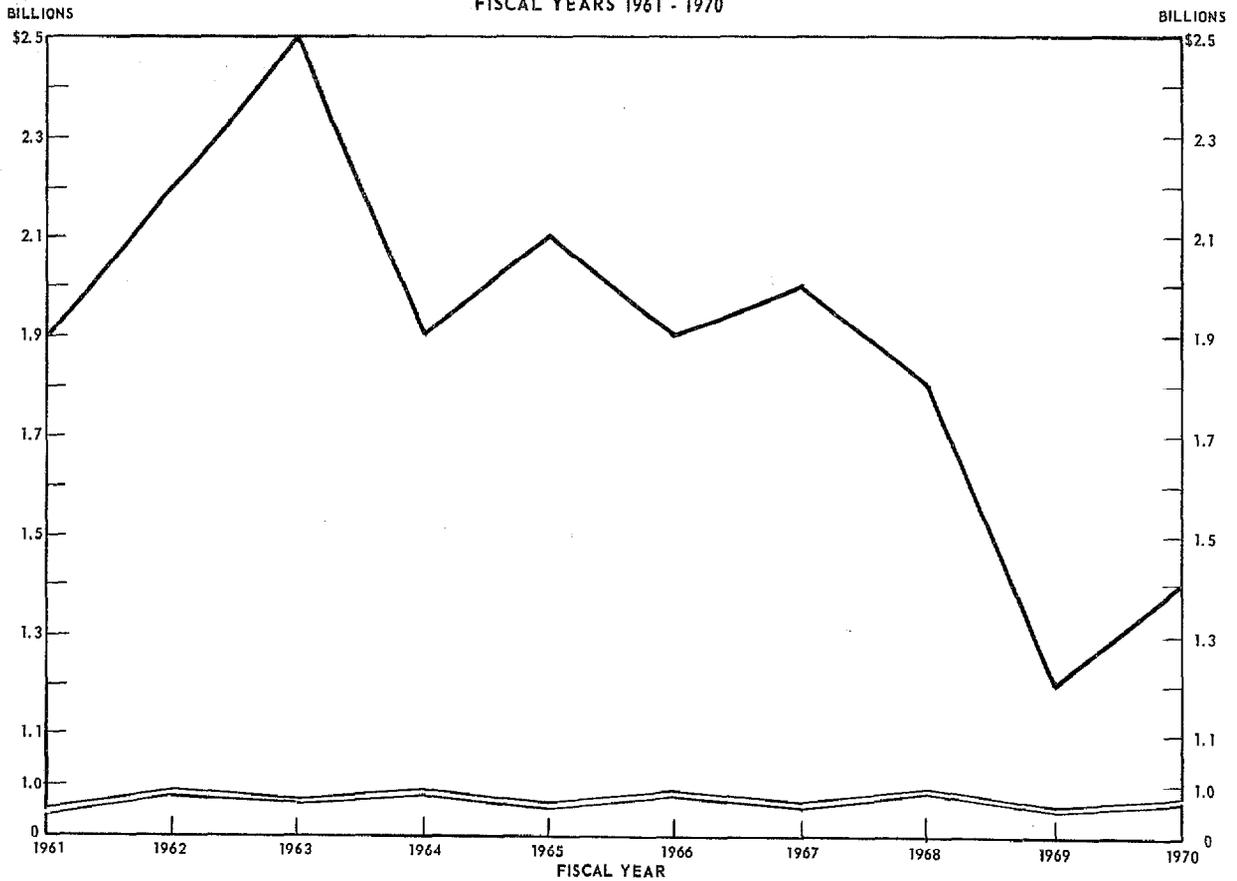
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U.S. CONTRIBUTIONS TO UNITED NATIONS ORGANIZATIONS*
FISCAL YEARS 1961 - 1970



* EXCLUDES CONTRIBUTIONS FOR PEACEKEEPING ACTIVITIES

**FUNDS APPROPRIATED IN ANNUAL FOREIGN ASSISTANCE APPROPRIATION ACTS
FOR U.S. BILATERAL ECONOMIC ASSISTANCE**
FISCAL YEARS 1961 - 1970



In all, from fiscal year 1946 through fiscal year 1970, the United States will have contributed \$4.7 billion to international organizations; of this \$3.9 billion will have been contributed to the United Nations organizations. In addition, the United States has paid about \$8 billion as capital contributions into the World Bank and other international financial institutions. A brief discussion of U. S. participation in these financial institutions is contained in Appendix 1.

DESCRIPTION OF UNITED NATIONS SYSTEM

The United Nations system is a complex institutional framework of autonomous and semi-autonomous organizations and programs, which have evolved over the years, more or less on an ad hoc basis.

In its essential elements, the system consists of the United Nations and 12 other autonomous intergovernmental organizations closely linked to it by long-standing agreements. These include the World Health Organization, the Food and Agriculture Organization of the United Nations, and the International Labor Organization. The United Nations itself further includes a number of semi-autonomous units created by and reporting to the United Nations General Assembly. These include the United Nations Development Program and the United Nations Children's Fund.

STRUCTURE OF THE ORGANIZATIONS

The charters or constitutions of the organizations generally provide that the work of the organization will be carried out by a legislative body consisting of representatives of member governments and a secretariat comprising the chief executive of the organization and his staff. These two main organs are variously supplemented by executive boards, program and finance committees, and other subsidiary bodies.

The secretariat is responsible for proposing programs and budgets for review and approval by the legislative body and for implementing such programs as are approved by the legislative body. Officers and employees of the secretariats are internationally recruited and have no ties to their national governments in the performance of their duties. At December 31, 1968, the United Nations system employed 41,078 persons.

Legislative bodies establish the policies and principles governing the work of the organizations and review and approve the programs and budgets proposed by the secretariats. Legislative bodies perform no managerial functions. The U. S. Government is represented in the legislative bodies of all the U. N. organizations.

U. S., REPRESENTATION

U. S. representatives in the legislative bodies and their advisors are drawn from U. S. Government agencies, the Congress, state and municipal governments, and private organizations. For example, the chief delegate of the United States in the World Health Organization legislative body has been the U. S. Surgeon General.

Procedurally, these delegates are guided in their deliberations and voting by position papers prepared within the Executive Branch and approved by the Secretary of State who has overall responsibility for directing and coordinating the activities of all U. S. departments and agencies involved in international organization affairs and for appointing and instructing U. S. representatives to the organizations.

Although funds for U. S. contributions to international organizations are obtained in a number of appropriation bills - principally those for the Department

of State and the Foreign Assistance Program - all contributions are required to be made by or with the consent of the Secretary of State.

GENERAL ACCOUNTING OFFICE REVIEWS

I would like to emphasize that it is not the objective of the General Accounting Office to review the internal operations of the international organizations. Indeed, we, like other member governments, do not have authority to audit their activities. However, a 1967 amendment to the Foreign Assistance Act of 1961, as amended, instructed the Department of State to make arrangements for an audit by the General Accounting Office of programs being administered by international organizations which are financed solely by the United States. Pursuant to such an arrangement, we are currently making an audit of the Adlai E. Stevenson Memorial Fellowship Program as administered by the U. N. Institute for Training and Research.

Our reviews of U. S. participation in international organizations are confined to the developmental assistance activities as opposed to the peacekeeping activities of the United Nations. Our efforts are further directed to determining how the Department of State and other executive agencies prepare U. S. representatives to the organizations to discharge their responsibilities relative to the level, content, and formulation of programs and budgets supported by U. S. contributions, and the economical and efficient management of these activities. We are also interested in the kind of information made available as to the results or effectiveness of programs administered through these organizations. We view Executive Branch responsibilities in the context of the U. S. membership in the multinational governing bodies of the organizations.

We have made reviews to date of U. S. financial participation in the following

United Nations organizations:

1. World Health Organization
2. Food and Agriculture Organization of the United States
3. International Labor Organization
4. United Nations Children's Fund
5. United Nations Development Program

Almost two-thirds of the U. S. fiscal year 1970 contribution to the U. N. system of organizations, about \$172 million, will be contributed to these five organizations. We selected these organizations because each had unique features while at the same time collectively providing a majority of the economic, technical, and social assistance made available by the U. N. system. Digests of the individual reports we have thus far issued to the Congress are contained in Appendix 2.

GENERAL OBSERVATIONS BASED ON GAO REVIEWS

Year after year the Department of State has requested the Congress to appropriate increasing levels of funds to be contributed to the United Nations family of organizations although it is not, and has not been, in a position to give the Congress basic assurance that funds contributed by the United States have been used in an effective and efficient manner and to accomplish intended objectives.

We believe that vigorous efforts are required by the Executive Branch to develop a cohesive U. S. approach and an effective working mechanism to improve its administration of U. S. financial participation in United Nations agencies. In large measure, improvements in United States administration involve the initiation and/or support of needed improvements in the United Nations system itself. The full support of other member governments will be required to attain the improvements needed. We believe that improvements are needed in the following

specific areas.

1. Executive Branch organization

Within the Department of State, primary responsibility for planning, formulating, and implementing U. S. policies and coordinating technical positions throughout the Government relative to international organizations, rests with the Bureau of International Organization Affairs. This Bureau is assisted by U. S. Missions in New York, N. Y.; Geneva, Switzerland; and several other locations.

Other U. S. departments and agencies such as the Departments of Agriculture, Labor, and Health, Education, and Welfare, and the Agency for International Development, are expected to have substantial substantive input into matters affecting U. S. participation in international organizations. Over the years, the Department of State has come to rely heavily on these other departments and agencies to answer questions and to assist in formulating positions relative to the programmatic aspects of international organization affairs. This reliance, however, has not been accompanied by clear and firm direction by the Department of State.

In most cases, there is no effective working mechanism for directing and coordinating the activities of the departments and agencies. Thus, there are varying degrees of coordination and cooperation as a result of which the Department of State often receives only minimal and ineffectual support.

For example, there is a U. S. Government Interagency Committee for Food and Agriculture Organization affairs. Through working groups, it prepares U. S. Government position papers for use by U. S. representatives to the organization. At the same time, neither this Committee nor the Departments

of State and Agriculture, in any forum, have been able to develop U. S. policy objectives for its participation in the organization.

On the other hand, there is no formal interagency working group for International Labor Organization affairs, and position papers prepared by the Department of State relative to budget matters, for example, receive only perfunctory review by the Departments of Labor and Commerce. In fact, the role of the Department of Commerce in International Labor Organization affairs has been minimal.

In our opinion, these conditions contribute to some of the problems and issues discussed below.

2. Policy objectives and priorities

The Executive Branch has not established definitive policy objectives relative to U. S. participation in the organizations, and the priorities to be pursued to reach these objectives. In their absence, it has been difficult if not impossible for U. S. officials to appraise proposals made by the organizations' secretariats, to measure their performance, or to arrive at optimum levels of U. S. support.

Moreover, the organizations for the most part, have not had an effective system for establishing priorities in terms of the greatest need. Evidence of this has been reported by U. S. overseas posts and some representatives of the United Nations. Their views are supported by a November 1969 study entitled "Study of the Capacity of the United Nations Development System," made by a team of experts headed by Sir Robert Jackson of Australia, which concluded that 20 percent of all U. N. Development Program projects are not essential to the recipient countries' development.

In our review we found that from 1965 through 1969, \$100 million of U. N. Development Program assistance had been granted to countries which, according to representatives of the Department of State or the United Nations, were either relatively developed or seemingly in a position to pay for such assistance. A schedule of the countries and the assistance received by them is contained in Appendix 3.

3. Capacity of the U. N. development system

The United Nations Development Program, which is the largest single source of financing developmental assistance in the United Nations, does not execute projects itself. Rather it allocates funds to other U. N. agencies to carry out projects in their respective fields of specialization. These agencies also carry out technical assistance projects, in varying degrees, with funds provided by their own legislative bodies.

In recent years, with the increasing size of programs there were indications that some of the U. N. agencies no longer had the capacity to effectively administer the ever increasing number of United Nations Development Program projects being assigned to them for execution.

In recognition of this situation, the United States called upon the U. N. Development Program in June 1966 to undertake a study to determine the capabilities of the U. N. system to program and implement an increased volume of projects. Such a study was undertaken in July 1968.

The report on the study (dated November 1969) concluded that the present operation is already overextended in certain critical areas and that if governments continue the ad hoc "tinkering" methods of the past, the capacity of the U. N. development system would limit the operation financed by UNDP to about \$200-250 million annually. The report said that

even this amount of money is somewhat more than the system can handle effectively under the present procedures and administrative structures.

Whether the recommendations contained in the study for restructuring the U. N. system are the precise ones that the U. S. will want to support requires study by the Department of State and other interested agencies. It seems evident, however, that to assure that U. S. contributions are efficiently and effectively administered, the Department of State will have to support many of the study's recommended changes that are aimed at correcting long standing deficiencies in the U. N.'s present system.

4. Management systems

Information made available to us shows that the United Nations development system, as presently structured, lacks central coordinated direction with respect to programming and budgeting resources, and retrieving and disseminating the results of past and present efforts as a basis for improving future operations.

Many of the U. N. organizations engaged in developmental assistance activities, including the U. N. Development Program, maintain their own staffs of representatives at the country level--each dealing independently with the country ministries. Attempts, over the years, to achieve effective coordination of their activities by trying to strengthen the position of the U. N. Development Program's country representatives, have not been very successful. As a consequence, there has been a fragmentation of efforts.

In fact, at the June 1966 session of the U. N. Development Program's Governing Council, some of the less developed countries complained that the U. N. specialized agencies had not only lobbied and acted as pressure groups for projects but also shaped projects to their own wishes rather

than those of the requesting governments.

Moreover, the Commission on International Development, chaired by Lester B. Pearson, in a 1969 report to the President of the World Bank,^{1/} noted that:

"The proliferation of U. N. agencies has often resulted in dispersed and unrelated efforts at the level of the recipient countries where there is an urgent need for coordination. The main responsibility for this must rest with recipient governments, but their task is impossible if donors cannot ensure greater coordination among their own agencies. This applies to bilateral aid-givers as well as the United Nations, but the latter seems in particular need of better coordination, continuity, and concentration in priority areas. Above all, U. N. agencies should resist the temptation to 'sell' lower priority programs in particular sectors."

We have noted in our reviews that there is a need for more effective coordination between U. S. bilateral assistance programs and the programs of multilateral assistance donors.

Budgetary Systems

Information made available by the individual U. N. organizations in connection with their budget review processes has not been in sufficient depth or scope to permit the legislative bodies of these organizations to assess the justifications for proposed programs, their priorities or the economic feasibility of their implementation. Although a legislative body approves the budget proposed by its secretariat, its individual members are unable to determine with any degree of specificity how the proposed programs are to be carried out, how they compare with the programs of other organizations, or how they relate to the total U. N. effort. Moreover, under the present structure of the U. N. development system, there is no means of effectively assessing the overall development program.

1/ Partners in Development, Report of the Commission on International Development, p. 216.

In this connection, a member of the U. N. Joint Inspection Unit concluded in September 1969^{2/} that it is impossible to either prepare a consolidated general document summarizing the budgets and programs of all U. N. organizations or to easily ascertain objectives. This conclusion coincides with the conclusion drawn by a consultant in his November 1969 report to the United Nations.^{3/} The consultant found that other than using the same financial year not one aspect of budget presentation was uniform throughout the budgets of all U. N. agencies.

Operational Information

Closely associated with the lack of sufficient information on proposed projects, is the lack of information on their actual operation and results. Effective machinery has not been developed for retrieving, analyzing, and disseminating information on the organizations' past and present activities which might properly be used as a basis for making decisions aimed at improving future operations. Consequently, members of the legislative bodies are not in a position to make informed judgments on actual implementation of programs.

5. Evaluation of U. N. activities

Both the United States and the U. N. have recognized the need for external evaluations of the activities of U. N. organizations, and both have taken some specific steps to meet this need. Although some progress is being made in this area, we believe that the evaluations currently being performed are not sufficient in scope and coverage to be of much assistance to U. S.

2/ Programming and Budgets in the United Nations Family of Organizations, M. Bertrand, Member, Joint Inspection Unit

3/ Budget Presentation in the United Nations System, W. F. McCandless for the U. N. Advisory Committee on Administrative and Budgetary Questions.

officials in making independent judgments relative to the efficiency and effectiveness with which projects and programs are being carried out.

Evaluations being made within the U. N. system include the annual external audit of the accounts of the organizations, reviews by the U. N. Joint Inspection Unit, studies by the U. N. Economic and Social Council, and a variety of other U. N.-wide reviews and studies usually undertaken on an ad hoc basis.

In this connection, the question has recently been raised within the U. N. system as to whether the number of review and investigative bodies has not resulted in an uncoordinated proliferation of the review and investigative function. In November 1969, the twenty-fourth session of the U. N. General Assembly adopted a resolution seeking to answer this question. The resolution, after taking into account the need to strengthen and improve the whole machinery of the U. N. system for control and investigation of administrative and financial activities in the interests of economy and greater efficiency, requested the Secretary General to prepare for the twenty-fifth session a report showing, among other things, the terms of reference and the costs, from 1965 through 1969, for operating each of the bodies and organs established for the purpose of administration and budgetary control, investigation and coordination.

In addition to the evaluative processes of the U. N. system there have also been recent attempts by the United States to independently evaluate activities of the United Nations. In 1967, 1968, and 1969, U. S. embassies responded to requests by the Department of State for an evaluation of assistance rendered by the U. N. agencies in their respective countries.

The nature of the responses did not present a convincing case that U. S. officials in the field were much aware of U. N. programs in their respective countries or whether the projects were efficiently and effectively administered. Moreover, some of the posts' replies were unresponsive and some posts did not respond at all.

6. Employment of U. S. nationals by United Nations agencies

At December 31, 1968, U. S. nationals accounted for 2,757, or 6.71 percent of the 41,078 persons employed by the United Nations system of organizations. The percentage, as it relates to professional staff, is somewhat higher--U. S. nationals accounted for 10.5 percent.

It is the policy of the U. S. Government to actively assist international organizations to secure highly qualified American candidates for employment.

Several years ago, the President, in a memorandum to the heads of departments and agencies, stated:

"the capacity and efficiency of these organizations depend, in the end, upon the quality and the motivations of the international civil servants who administer them. These organizations -- and our national interest in their fortunes -- deserve the services of some of the ablest citizens of the United States. In past years we have not done enough to help these agencies secure the services of highly qualified men and women from private life and from government agencies".

We have not made a comprehensive study of this matter, and therefore are not in a position to comment generally on it. However, we did look into the reasons for the low employment rate of Americans in one of the organizations, i.e., the International Labor Organization.

Although there are a number of factors inhibiting employment of Americans by this organization, some cognizant U. S. officials believe that the present procedures for selection of candidates for employment do not offer equal opportunity for Americans and, in some cases, lead to preferential considerations

for employment of nationals of other countries. Factors bearing on employment are:

1. Salaries offered by the organization are often cited as not being commensurate with salaries that can be earned domestically.
2. In the opinion of Department of Labor officials, good candidates are often lost because the organization's Geneva personnel office has not acted on applications until after the candidate has had to accept employment elsewhere.
3. The inability of U. S. applicants to speak a foreign language is said by the organization to seriously limit the number of countries to which Americans may be assigned. It is alleged by the organization that this is a serious problem with regard to the French language and it also exists with regard to Spanish though to a lesser extent.
4. The organization claims that recipient countries are more reluctant to accept assistance of U. S. nationals serving on multilateral programs than they are in connection with bilateral programs.
5. Interviews of prospective U. S. applicants are considered as another problem. European candidates receive expense paid trips to Geneva for personal interviews. However, because of the expense involved, American candidates are not normally given an expense paid interview in Geneva. Since personal interviews bear heavily on the selection of candidates, American candidates may not be afforded the same initial consideration as is given European candidates.

Beginning last year for the first time, the organization sent a recruitment officer to the United States to interview U. S. applicants. None of the individuals interviewed had been appointed as of a few weeks ago.

6. Another problem is the fact that the organization, when rejecting a candidate, avoids furnishing comments about the reasons for not employing the candidate. This lack of information leaves U. S. officials in a quandry as to why the applicant was not accepted for employment.

In order to assure that U. S. expertise and managerial talent is made available to assist in the economic and social development of less developed countries, we believe that the Executive Branch should intensify its efforts to secure a continuing and increased number of high caliber U. S. nationals as candidates for key positions in the United Nations agencies--both in

headquarters and in field operations.

7. Voting arrangement in the U. N. system

The "one nation--one vote" concept has a considerable bearing on the ability of the United States as well as other major contributing countries to bring about changes in the United Nations. The increasing ability of the less developed countries to overrule the desires of the major contributors is being brought more sharply into focus as new and smaller states gain United Nations membership.

During considerations relative to the establishment of the United Nations in 1944, the United States proposed that in making decisions with respect to the budgets of the United Nations or any future U. N. agency, each member state should have voting power in proportion to its financial contribution. This proposal did not find its way into the U. N. charter or the charter of the other U. N. agencies.

On the other hand, most U. N. agencies have adopted the U. N. scale of assessments for their operating budgets or some modification of it. In 1968, 57 members of the U. N. each were assessed the minimum on the U. N. assessment scale, or .04 percent of the total budget. Yet, each of these countries is accorded the same voting strength as the United States which was assessed 31.57 percent.

The less developed countries through their membership on the legislative bodies of various U. N. organizations have in the past been able to override the desires of the United States and other major contributors both as to the nature and level of programs to be carried out.

For example, the voting strength of the less developed countries led to the establishment of the U. N. Capital Development Fund in December 1966

over the opposition of the United States and other major contributors. Also, the United States opposed establishment of the U. N. Industrial Development Organization in 1967. However, when it became evident that the less developed countries would override any objection to the establishment of the organization, the United States did not vote against it.

At the 1968 World Health Organization legislative body meeting, the United States together with 28 other governments, proposed three constitutional amendments aimed at improving the budgetary and fiscal practices of the organization. The proposed amendments called for (1) biennial sessions of the World Health Assembly rather than the current annual sessions, (2) biennial budgets which would permit a more critical review of proposed budgets, and (3) conversion of the organization's Executive Board into a board of instructed government representatives instead of individuals acting in a personal capacity. When objection to the amendments developed to the point where their passage by a two-thirds vote appeared unlikely to the State Department, the amendments were withdrawn.

SUMMARY

We recognize that U. S. efforts toward improved management of activities of international organizations, of which the United States is a member, must be undertaken and assessed within the framework of the international character of the organization and that membership presumes a willingness on the part of member nations to rely on the management of the organization. We also recognize that constraints on actions that can be taken unilaterally are an inherent part of such membership no matter how constructive the proposed actions might be. Notwithstanding these constraints, we believe that there are opportunities for improvement in the management of U. S. financial participation in the family of U. N. organizations

so as to improve the effectiveness of these organizations in contributing to the objectives of the United Nations. We have made a number of recommendations in our reports to achieve this end. In brief, we recommend that the Secretary of State, in concert with other U. S. departments and agencies, take the following specific actions:

- Develop and promulgate policy objectives and priorities relative to U. S. support of United Nations organizations,
- emphasize to the organizations that future U. S. contributions will have to be justified by a demonstration that assistance projects are responsive to the priority needs of the less developed countries and can be carried out in an efficient, effective and timely manner,
- instruct U. S. diplomatic missions to enlist the support of other governments in expediting the needed management improvements in the United Nations development system,
- improve the effectiveness of U. S. appraisals of proposed and continuing projects,
- encourage the establishment of a single United Nations-wide review body of appropriate size and competence to meet the need for effective independent evaluation of United Nations programs and activities. Until an effective internationally constituted means of evaluation is developed, the Secretary of State should arrange to improve the quality of U. S. evaluations by its overseas posts,

--intensify efforts to increase employment of U. S. nationals by
the organizations.

In some cases, the needed improvements envisioned by our recommendations will require action by the legislative bodies of the organizations where the matter of voting becomes an issue. The voting arrangements of the U. N. have been discussed in depth by previous witnesses before this subcommittee and I do not believe I can add anything further to their comments.

In all cases, implementation of our recommendations will require an effective, coordinated working mechanism - which does not now exist - within the Executive Branch. In January of this year, the White House called on the Secretary of State to take the necessary measures to make U. S. participation in international organizations as effective as possible. The President asked other departments and agencies to help the Secretary of State in this effort. Four years ago, the White House made the same appeal.

The conditions discussed above have existed for the last four years, and longer. Unless vigorous remedial actions are taken, it is likely that these conditions will continue with the result that the United Nations will be less effective than it otherwise should or could be in the years to come.

U.S. PARTICIPATION
IN INTERNATIONAL FINANCIAL INSTITUTIONS

The United States provides developmental assistance through a number of international financial institutions. This assistance takes the form of contributions to the capital of the institutions. U.S. capital subscriptions and the amounts paid in as of December 31, 1968, were as follows:

	<u>Capital Subscriptions</u>		<u>Subscriptions Paid in</u>	
	<u>Total</u>	<u>U.S.</u>	<u>Total</u>	<u>U.S.</u>
	(millions of dollars)			
International Bank for Reconstruction and Development	\$22,992	\$6,350	\$2,299	\$635
International Development Association	1,921	632	1,853	632
International Finance Corporation	102	35	102	35
International Monetary Fund	21,198	5,160	20,433	5,160
Inter-American Development Bank <u>a/</u>	4,179	2,468	2,303	1,650
Asian Development Bank	<u>970</u>	<u>200</u>	<u>290</u>	<u>60</u>
	<u>\$51,362</u>	<u>\$14,845</u>	<u>\$27,280</u>	<u>\$8,172</u>

a/ In addition, the Inter-American Development Bank administers the \$525 million Social Progress Trust Fund which was contributed by the United States.

Except for the International Monetary Fund, these institutions make loans for economic assistance purposes. To supplement resources made available through capital contributions, the institutions have authority to borrow funds. For example, as of December 30, 1968, the outstanding funded debt of the International Bank for Reconstruction and Development was \$3.3 billion. Unpaid capital subscriptions are available as a guarantee for the Bank's borrowings.

The aggregate principal amounts of loans made by these institutions
as of December 31, 1969, were:

	(millions of dollars)
International Bank for Reconstruction and Development	\$13,115
International Development Association	2,292
International Finance Corporation	355
Inter-American Development Bank	3,372
Asian Development Bank <u>a/</u>	<u>140</u>
Total	<u>\$19,274</u>

a/ As of September 30, 1969

*COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS*

MANAGEMENT IMPROVEMENTS NEEDED IN U.S.
FINANCIAL PARTICIPATION IN THE UNITED
NATIONS DEVELOPMENT PROGRAM
Department of State B-168767

D I G E S T

WHY THE REVIEW WAS MADE

The United Nations Development Program was established to assist technical, economic, and social development in less developed countries with funds contributed voluntarily by member governments, one of which is the United States. The Program currently provides financing for projects in 140 countries and territories.

This is one of a series of reviews by the General Accounting Office (GAO) examining into responsibilities of the Department of State in connection with U.S. Government financial participation in international organizations.

These responsibilities, as they relate to the United Nations Development Program, are to be viewed in the context of the U.S. membership in the multinational body governing that Program.

The United States has been a continuing member of this body which reviews and approves the financing of projects requested by governments upon recommendation by the Program's administrative officials, or secretariat.

FINDINGS AND CONCLUSIONS

The United States has contributed more than \$550 million to the United Nations Development Program and its predecessors during the past 10 years. The President requested an appropriation of \$100 million for the 1970 contribution. The State Department has attempted to establish U.S. contributions at increasing levels--within a statutory limitation of 40 percent of the total contributed by member governments--with the view of encouraging other United Nations members to do likewise.

Year after year the State Department has requested the Congress to appropriate increasing funds to be contributed to the Program despite the fact that it is not, and has not been, in a position to give the Congress basic assurance that such funds have been used satisfactorily to accomplish intended objectives. Vigorous efforts must be made by the State Department to improve its administration of U.S. financial participation in the Program. (See p. 17.)

Action is needed in the following areas:

1. The State Department has not developed and promulgated U.S. policy objectives and priorities relative to U.S. support of the Program. Moreover, the Department has not prevailed successfully upon the Program's secretariat to provide assistance to only the less developed countries and to the priority needs of countries.

Consequently, from 1965 through 1969, \$100 million of assistance was granted to countries which were either relatively developed or seemingly in a position to pay for such assistance. Also, projects were often reported to be of low priority and widely scattered, which dissipated the impact that could be gained from an intensification of efforts in more concentrated areas. (See pp. 20 and 23.)

2. For some time, there has been considerable evidence that some of the United Nations agencies no longer have the capacity to administer effectively the ever-increasing number of United Nations Development Program projects assigned to them. A study, undertaken by the Program's secretariat at the initiative of the United States and completed in November 1969, reported two broad conclusions:

--first, the capacity of the United Nations system to handle development projects is overextended and

--second, unless substantial reforms (recommended in the study) are undertaken, the capacity of the system to effectively absorb projects will be limited to a level of about \$200 million to \$250 million annually.

Even this amount, according to the study, is more than the system can handle effectively at present. The Program has received firm pledges and estimates for members' contributions for 1970 totaling \$238 million. (See pp. 26 to 29.)

3. The State Department has not obtained sufficiently descriptive information nor established machinery to make useful appraisals of proposed projects or to provide adequate assurance that approved projects are effectively carried out. (See pp. 30 to 38.)

4. Both the United States and the United Nations have recognized the need for detached evaluations of the activities of United Nations-affiliated organizations. Both have taken some specific steps to meet this need. Although some progress is being made, GAO believes that the current evaluations are not sufficient to be of much assistance in ascertaining what the actual accomplishments of the United Nations Development Program have been or in making independent judgments relative to the efficiency and effectiveness with which its projects are being carried out. (See pp. 39 to 51.)

RECOMMENDATIONS OR SUGGESTIONS

The Secretary of State should:

- develop and promulgate policy objectives and priorities relative to U.S. support of the United Nations Development Program on a basis consistent with the Program's purpose of providing assistance to the priority needs of less developed countries (see p. 25),
- emphasize that future U.S. contributions will have to be justified by a demonstration that projects are responsive to the priority needs of the less developed countries and can be carried out efficiently, effectively, and timely (see p. 25),
- instruct U.S. diplomatic missions to enlist the support of other governments in expediting the needed improvements in the United Nations development system (see p. 29),
- improve the effectiveness of U.S. appraisals of proposed and continuing projects (see pp. 37 and 38), and
- encourage the establishment of a single United Nations-wide review body of appropriate size and competence to meet the need for effective, independent evaluations of United Nations activities. Until an effective internationally constituted means of evaluation is developed, the Secretary of State should arrange to improve the quality of U.S. evaluations by its overseas posts (see pp. 50 and 51).

AGENCY ACTIONS AND UNRESOLVED ISSUES

The State Department said that implementation of many of GAO's recommendations exceeded the Department's capacity in terms of available staffing. It said that, within these limitations, it had reviewed the accomplishments of the United Nations Development Program as best it could and had attempted to monitor Program operations to gain the necessary assurances that funds contributed were used effectively. (See pp. 55, 56 and 65.)

The Department agreed that the United States should have policy objectives and priorities underlying its support of the United Nations Development Program and stated that it had been striving since 1961 for the establishment of a centralized voluntary fund in the United Nations to provide technical assistance. (See p. 57.) The Department stated also that it intended to give careful attention to the capacity study so that those portions of it which would serve to further U.S. long-term goals might be quickly implemented. (See p. 60.)

The Department said that the success of the United Nations Development Program may be measured by the continuing increase of requests for assistance from the recipient countries and that these countries are not likely to use their own resources to support projects if the projects are not successful. The Department also said that developed countries are not likely to increase their contributions unless they are satisfied with the Program's operations. (See p. 56.) In GAO's opinion, the State Department is not in a position to make firm assessments relative to the Program's performance.

MATTERS FOR CONSIDERATION BY THE CONGRESS

The House Committee on Appropriations, in reporting the Foreign Assistance and related programs bill for fiscal year 1970, expressed the view that the proposed contribution to the United Nations Development Program of \$100 million was excessive in view of the Report by the Commission on International Development which said that the Program's operating capacity seemed strained to the limit. The fiscal year 1970 appropriation for voluntary contributions to international organizations was less than the Department requested, and the Department applied \$14 million of the reduction against contributions to the United Nations Development Program. Thus the 1970 contribution to the Program is now estimated at \$86 million.

GAO's observations provide additional information for use by the Congress in its deliberations on future requests for contributions to the Program.

*COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS*

U.S. FINANCIAL PARTICIPATION IN THE FOOD
AND AGRICULTURE ORGANIZATION OF THE
UNITED NATIONS
Departments of State and Agriculture
B-167598

D I G E S T

WHY THE REVIEW WAS MADE

The Food and Agriculture Organization of the United Nations (FAO) fosters international cooperation in the fields of nutrition, food, and agriculture. Its programs are financed with funds contributed directly by its member nations and with funds allocated to it by the United Nations (U.N.). FAO also, jointly with the U.N., administers the World Food Program (WFP).

U.S. contributions amount to about 40 percent of all contributions to the programs. U.S. contributions pledged to programs solely or jointly administered by FAO for the 3 years 1966 through 1968 amounted to \$219 million, including \$92 million in commodities for the WFP.

The General Accounting Office (GAO) undertook this review as part of its continuing efforts to examine into the Department of State's responsibilities for directing and coordinating U.S. Government financial participation in international organizations. These responsibilities are to be viewed in the context of the U.S. membership in the 117-member FAO governing body.

FINDINGS AND CONCLUSIONS

The Departments of State and Agriculture have not obtained the information nor developed the procedures needed to make adequate analyses of FAO activities.

The U.S. Government has no firm basis for making informed judgments, except in very broad terms, as to just what FAO is doing or plans to do with the contributions it has received. (See pp. 17 to 38.)

Although some attempts have been made recently to evaluate FAO's performance, the evaluations have not provided a basis for assessing the manner in which FAO's programs are carried out. At the same time, there is a great deal of evidence that FAO's organization, structure, and operating methods are not geared to the scope and character of the programs being carried out by FAO and that this has hampered effective and efficient administration of the programs. The State Department hopes that a recent reorganization of FAO will help to alleviate this problem. (See pp. 40 to 49.)

Superimposed and perhaps overshadowing these more immediate problems is the fact that the State and Agriculture Departments, after several unsuccessful attempts, have not developed U.S. long-range policy objectives and program priorities to guide present and future participation in FAO, although this is their responsibility. It is therefore difficult, if not impossible, to determine the extent to which FAO activities are consistent with U.S. interests. (See pp. 12 to 16.)

RECOMMENDATIONS OR SUGGESTIONS

The Department of State with the assistance of the Department of Agriculture should: (1) Obtain the information and develop the procedures necessary for making adequate analyses of FAO and WFP activities. (See pp. 38 and 56.) (2) Evaluate FAO program performance until the means for internationally constituted evaluations are developed. (See p. 49.) Establish long-range policy objectives and program priorities relative to U.S. support of FAO. (See p. 14.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The State Department agreed that GAO's recommendations should be implemented. Both State and Agriculture stated, however, that the recommendation for the establishment of long-range policy objectives for FAO should not be implemented at this time.

They advised that it would be a mistake to undertake such a study in the absence of a U.S. policy on the question of whether or not the United States plans to expand multilateral vs. bilateral aid and because of the lack of knowledge as to the planned future level of support of FAO by other major donors. (See pp. 14 to 16.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

The Departments of State and Agriculture must take the initiative in formulating long-range policy objectives and postulating an appropriate level of U.S. support for FAO.

For these Departments to defer on this matter is to raise a question as to whether they are discharging their responsibility for ensuring that the interests of the United States are met in connection with U.S. participation in FAO.

The Congress may therefore wish to question these Departments with the view of exploring what the future role of the United States should be in FAO.

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

U.S. FINANCIAL PARTICIPATION IN THE
UNITED NATIONS CHILDREN'S FUND
DEPARTMENT OF STATE B-166780

D I G E S T

WHY THE REVIEW WAS MADE

The General Accounting Office (GAO) undertook this review to determine how well the Department of State has carried out its responsibilities concerning (1) the makeup of the projects and programs of the United Nations Children's Fund (UNICEF), and (2) the manner in which the projects were carried out. These responsibilities are to be viewed in the context of the U.S. membership in the multinational UNICEF Executive Board which inherently places some constraints on actions that can be taken unilaterally no matter how constructive the proposed actions might be.

Currently, UNICEF is providing assistance to 119 countries. United States cumulative cash contributions to UNICEF amount to \$260 million, or about 40 percent of the total contributed by all governments. The United States also has donated about \$100 million in agricultural commodities for distribution by UNICEF.

FINDINGS AND CONCLUSIONS

UNICEF's primary function is to assist governments in underdeveloped areas of the world in establishing long-range health, education, and welfare programs for children and mothers. UNICEF projects are formulated by the UNICEF Secretariat and approved by the UNICEF Executive Board, of which the United States is a member.

GAO found that procedures employed by U.S. officials for analyzing proposed UNICEF projects had to be abandoned in 1968 because UNICEF, over the objections of the Department of State, discontinued the previous arrangements for providing the United States with the information on which the analyses were made. Proposed alternative arrangements which would allow U.S. officials to make future analyses are uncertain. (See pp. 9 to 12.)

Although a body of knowledge regarding the general content and direction of UNICEF programs could be acquired from an analysis of documentation made available by UNICEF, it was not sufficient to permit reliable assessments of actual projects. (See pp. 13 to 14.)

The United States and the United Nations recognized the need for, and have recently initiated, some independent evaluations of UNICEF projects. GAO believes, however, that the current evaluations are insufficient in

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scope and coverage for officials to make informed independent judgments relative to the efficiency and effectiveness of UNICEF operations or to provide a basis for encouraging action by UNICEF to resolve indicated problems. (See pp. 15 to 20.)

RECOMMENDATIONS OR SUGGESTIONS

The Department of State by appropriate means should:

- Obtain necessary information on and make analyses of proposed UNICEF projects so that it can make more informed judgments relative to continued support of UNICEF activities. (See p.11.)
- Elicit from UNICEF more complete and meaningful operational data. (See p. 14.)
- Work out an arrangement whereby U.S. overseas posts will make selective periodic evaluations of UNICEF projects until means for internationally constituted evaluations are developed. (See p. 20.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department of State advised GAO that it is arranging with the UNICEF Secretariat to provide more complete operational data. (See p. 14.) The intentions are still in an obscure stage, leaving the decisions as to the nature, scope, and form of information to be furnished up to UNICEF. GAO believes that the Department should be assured that the information to be furnished is adequate for it to make assessments on the implementation of UNICEF projects.

The Department also advised that it had performed evaluations in connection with its annual reviews of proposed projects. (See p. 19.) Since UNICEF in 1968 discontinued furnishing the information from which these reviews were being made, opportunity for evaluation is now dependent on the U.S. making future arrangements with UNICEF. GAO found little indication of actual observation of continuing UNICEF projects by U.S. personnel; such observation being an essential element of evaluation. (See p. 19.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

The Congress may wish to review with the Department of State the problems and issues dealt with in this report since they are essentially the same as those noted in GAO's reviews of United States financial participation in the World Health Organization (B-164031(2), January 9, 1969) and in the Organization of American States (B-165850, April 9, 1969--classified Confidential).

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

U.S. PARTICIPATION IN THE WORLD HEALTH
ORGANIZATION, DEPARTMENTS OF STATE AND
OF HEALTH, EDUCATION, AND WELFARE
B-164031(2)

D I G E S T

WHY THE REVIEW WAS MADE

U.S. grants to international organizations, which currently amount to over \$300 million annually, are increasing. Grants to one such organization--the World Health Organization (WHO)--have doubled in the last 5 years. During that period, U.S. grants for WHO programs amounted to over \$100 million. The grants are made on the basis of assessments associated with membership in the organization and on a voluntary basis.

Currently, WHO has 126 member nations which make up the World Health Assembly--the governing body. Even though U.S. grants amount to 36 percent of all members' grants, the United States, like each member, has but one vote in the Assembly which is charged with the responsibility to review and approve the annual budgets and programs which are formulated by the WHO Secretariat.

The General Accounting Office (GAO) undertook this review in order to determine how well the United States was able to exert a beneficial influence over (1) the makeup of the programs and budgets of WHO, and (2) the manner in which the programs were carried out. GAO did not make an evaluation of the relative success or failure of WHO programs or projects.

FINDINGS AND CONCLUSIONS

GAO found that executive agencies have not obtained the specific analytical information relative to proposed and continuing WHO projects and programs needed to identify programs whose justification may be questionable or which could be accomplished with greater economy and efficiency. (See pp. 13 to 17.) Budget and operational data furnished to members by the WHO Secretariat has been too sketchy and incomplete to make firm assessments regarding implementation of WHO projects and programs. (See pp. 26 to 33.)

The United States has no systematic procedure for evaluating WHO projects and programs. Those attempts which have been made by the United States and by United Nations agencies have fallen far short of what is required by United States officials to make independent judgments relative to the efficiency and effectiveness of WHO operations. (See pp. 34 to 41.)

In 3 of the last 4 years, the United States voted against adoption of the proposed budgets on the basis that they were higher than the United States considered appropriate. The proposed budgets were adopted, however, on the votes of other members, and the United States thus contributed to budgets greater than it wished to support. (See pp. 14 to 15.)

Although U.S. interests appear to have been reflected in certain WHO programs--notably malaria and smallpox eradication--GAO has found it difficult to determine to what extent U.S. objectives have been met over the years because the executive branch has not decided on the relative order of magnitude which it believes appropriate for the various WHO programs. (See pp. 18 to 25.)

RECOMMENDATIONS OR SUGGESTIONS

GAO recommends that the Departments of State and of Health, Education, and Welfare take actions directed towards obtaining the pertinent factual data necessary to make sufficient analyses of WHO programs and budgets in order to exert meaningful influence on the programs and budgets. (See p. 17.)

AGENCY ACTIONS

The Departments of State and of Health, Education, and Welfare agreed in principle with most of the recommendations. The Department of State pointed to actions being taken on a United Nations-wide basis to seek improvements in fiscal and administrative practices of international organizations. The agencies, however, did not indicate any intention to actually implement the recommendations. (See pp. 16, 23, 32, and 40.)

ISSUES FOR FURTHER CONSIDERATION

Although the agencies have indicated a willingness to work for improvements in the fiscal and administrative practices of international organizations, GAO continues in its belief that more aggressive action is needed by the agencies in order to solve the specific and basic problems discussed in this report.

LEGISLATIVE PROPOSALS

None.

UNDP ASSISTANCE TO
COUNTRIES CONSIDERED
ABLE BY DEPARTMENT OF STATE, AID, OR UNITED NATIONS
OFFICIALS TO PAY FOR ASSISTANCE

<u>Country</u>	<u>ANNUAL TOTALS</u> (in millions)					<u>Five Year Total</u>
	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	
<u>Eastern Europe</u>						
Bulgaria	\$ -	\$1.56	\$.13	\$1.77	\$1.89	\$ 5.35
Czechoslovakia	-	-	1.24	-	-	1.24
Hungary	-	-	1.56	.09	.43	2.08
Poland	1.50	1.09	1.36	1.09	.20	5.24
Romania	1.25	.10	2.02	2.46	.20	6.03
Yugoslavia	<u>1.88</u>	<u>1.47</u>	<u>1.49</u>	<u>.93</u>	<u>1.31</u>	<u>7.08</u>
Subtotals	<u>\$4.63</u>	<u>\$4.22</u>	<u>\$7.80</u>	<u>\$6.34</u>	<u>\$4.03</u>	<u>\$27.02</u>
<u>Other More Developed Countries</u>						
Japan	\$ -	\$ -	\$ -	\$.67	\$ -	\$.67
Israel	.74	.98	.25	.19	.49	2.65
Kuwait	.97	.06	.07	.63	.05	1.78
Saudi Arabia	.84	2.33	1.28	.19	2.75	7.39
Spain	.73	1.31	-	-	1.46	3.50
Greece	.97	1.19	1.24	1.51	2.16	7.07
Iran	3.97	6.70	3.35	3.76	2.71	20.49
China	<u>3.17</u>	<u>1.81</u>	<u>1.37</u>	<u>.74</u>	<u>1.10</u>	<u>8.19</u>
Subtotals	<u>\$11.39</u>	<u>\$14.38</u>	<u>\$7.56</u>	<u>\$7.69</u>	<u>\$10.72</u>	<u>\$51.74</u>
Assistance to Relatively Developed Nations on behalf of their territorial possessions (includes United States, United Kingdom, France, Australia and Netherlands)						
	<u>1.19</u>	<u>7.65</u>	<u>2.71</u>	<u>2.83</u>	<u>6.83</u>	<u>21.21</u>
Grand Total	<u>\$17.21</u>	<u>\$26.25</u>	<u>\$18.07</u>	<u>\$16.86</u>	<u>\$21.58</u>	<u>\$99.97</u>