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BY THE COMPTROLLER GENERAL
Report To The Chairman
Committee On Foreign Relations
United States Senate
OF THE UNITED STATES

U.S. Participation In U.N. Program Budgets

The program budgets of the United Nations and its specialized agencies have grown significantly over time, resulting in proportionate increases in the amount of U.S. assessed contributions to the organizations. The extent to which this budget growth can be restrained depends, in part, upon the ability of those nations favoring budget restraint, including the United States, to influence the organizations to adopt lower levels of program growth. This is difficult because a majority of member nations favor program expansion.

Since 1981, the United States has emphasized a broad policy calling for zero net program growth which has apparently contributed to lower levels of program growth in the 1984-85 budgets. GAO believes that one way to complement these efforts which could be beneficial in influencing the organizations' program budgets rests with identifying specific areas and means of attaining program and cost reductions and communicating these to the organizations' secretariats early in the budget formulation process.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B- 216271

The Honorable Charles H. Percy, Chairman
Committee on Foreign Relations
United States Senate

Dear Mr. Chairman:

As requested by your letter of March 10, 1983, this report discusses the U.S. role in the budget processes of United Nations organizations, especially those of the Food and Agriculture Organization and the United Nations Educational, Scientific and Cultural Organization. It comments on problems which constrain U.S. efforts to influence the organizations' program budgets and on ways in which U.S. participation may be improved. It offers a recommendation to the Secretary of State in this regard.

Copies of this report are being sent to the Director, Office of Management and Budget, and to the Secretary of State.

Sincerely yours,

A handwritten signature in black ink that reads "Charles A. Bowsher".

Comptroller General
of the United States



U.S. GENERAL ACCOUNTING OFFICE
REPORT TO THE CHAIRMAN
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

U.S. PARTICIPATION IN
U.N. PROGRAM BUDGETS

D I G E S T

As a member of the United Nations and its specialized agencies, the United States is assessed a maximum of 25 percent of the organizations' program budgets. Although there has been restraint in several of the organizations' budgets since 1981, the Congress and the Administration are concerned about the growth over time of the assessed budgets and the proportionate increase in U.S. contributions. Budget restraint rests, in part, upon the ability of the United States and other like-minded member nations to influence the organizations to adopt lower levels of program growth.

The Chairman of the Senate Foreign Relations Committee asked GAO to review U.S. participation in the U.N. organizations' budget processes from the perspective of the (1) adequacy of U.N. organization budget data available to the United States, (2) steps taken by the United States to improve the organizations' programming and budgeting systems, (3) success of U.S. efforts to influence program budget decisions and restrain budget growth, and (4) comments on what more needs to be done to improve U.S. participation in U.N. program budgets. As agreed with representatives of the Committee, GAO focused on two of the larger specialized agencies--the Food and Agriculture Organization (FAO) and the United Nations Educational, Scientific, and Cultural Organization (UNESCO). Consequently, while these two organizations are representative of U.S. participation in U.N. system organizations, the specific conditions and observations noted herein may or may not be applicable to other U.N. agencies.

GAO found that:

--U.S. efforts have emphasized a broad policy calling for budget restraint. (See pp. 18 and 19.)

--FAO and UNESCO budget formats can be further improved by identifying what will be done, how it will be accomplished, and who will benefit. (See pp. 10 and 11.)

--More active executive branch agency participation in the State Department's policy management process and more budget review capability at the mission level could help in developing, monitoring, and promoting specific U.S. program and budget proposals. (See pp. 13, 14, and 15.)

--Making specific U.S. program and budget proposals early at the time of budget formulation could be beneficial in achieving their adoption. (See pp. 22, 23 and 24.)

U.S. EFFORTS TO RESTRAIN BUDGET GROWTH

Since 1981, major U.S. budget emphasis has been on a broad policy, applicable to all international organizations, calling for zero net program growth (no net increase in constant dollars from previous years in overall program levels) and significant absorption of non-discretionary cost increases (less than full allowance for such costs as inflation and adverse fluctuations in exchange rates). U.S. officials believe that active promotion of the policy has contributed to the lower levels of program growth which were achieved in the 1984-85 program budgets of most of the U.N. agencies. (See p. 18.)

FAO AND UNESCO BUDGET PRESENTATIONS COULD BE FURTHER IMPROVED AND MORE TIMELY

GAO has pointed out in earlier reports that FAO's and UNESCO's program budget documents lacked the specificity and clarity needed to facilitate analysis of proposed actions and to measure program performance. While FAO's and UNESCO's 1984-85 program budget presentations have been improved to provide greater detail on programs, GAO found that additional improvements are needed. For example, budget documents still do not clearly designate intended users, expected results, and other performance indicators such as milestones and completion

dates. GAO also found that the documents were not always available to U.S. reviewing officials early enough to facilitate review and followup on questions prior to major U.N. agency meetings. (See p. 10.)

MANAGEMENT OF U.S. PARTICIPATION
IN U.N. ORGANIZATION BUDGET PROCESS
CAN BE IMPROVED

U.S. success in influencing program and budget decisions depends largely on the ability of U.S. delegates to convince the other members and the U.N. agency Secretariats of the desirability of pursuing particular courses of action. Thus, adequate U.S. knowledge and preparation is essential to devise unified and well defined plans of action.

The State Department has policy management and budget review processes to enable the United States to prepare convincing positions and to plan and implement courses of action aimed at influencing programs, containing costs, and promoting management economies and efficiencies in the U.N. agencies. State prepares action programs to carry out U.S. policy objectives for the coming year for each of the major U.N. agencies. The programs are a primary means of identifying program budget goals, objectives, and plans of action.

An important objective of the policy management process is to elicit the most effective involvement of U.S. executive branch agencies, using interagency committees and working groups to promote planning and integrate input. GAO found that the extent to which major executive agencies, involved in FAO and UNESCO affairs, participated in the management process varied widely. There was little evidence of any systematic input from the executive agencies to the action programs, which were prepared unilaterally by State.

State's involvement in the budget process and opportunity for direct and timely access to budget data and related information sources is limited by lack of geographic proximity to the U.N. agencies. While the U.S. missions to FAO and UNESCO each had designated an officer to be responsible for budget matters, neither officer

had the necessary time and budgetary experience to deal with complex budget issues. These conditions remain essentially the same as reported by GAO in a previous report. (See pp. 15 and 16.)

EARLIER EFFORTS BY U.S. COULD HELP
INFLUENCE PROBLEM BUDGET DECISIONS

The zero growth policy focuses on lower program growth in the broad context of dollars and percentages. While this, in effect, necessitates corresponding reductions in existing programs to offset any new program proposals, it does not (1) emphasize how, or where, such reductions can be made, (2) address ways to absorb associated cost increases in existing activities which account for a large amount of overall budget growth, and (3) emphasize early U.S. participation in the budget process or identify where specific program reductions can be made in association with U.S. program goals and objectives.

More emphasis on early, informal contacts with the Directors General and Secretariat officials would provide opportunities to gain advance knowledge of program budget intentions and to offer specific proposals for program and budget economies and savings. U.S. officials generally agree that the Directors General program budgets are difficult to change once they are prepared and circulated. The United States and like-minded nations favoring budget restraint are in a minority position, and their budgetary proposals at formal meetings are often voted down by the developing country majority which favors program expansion.

Because those nations favoring budget restraint are in the minority, GAO recognizes that limiting budget growth is difficult. However, GAO believes that specific U.S. proposals and suggestions made to the Directors-General and Secretariat officials during formulation of the program budgets could be beneficial in helping influence budget decisions on specific programs and in controlling costs. This concept was applied at the International Labor Organization (ILO) when its 1984-85 budget was being prepared and in which specific program changes favorable to the United States were made. For

example, the ILO reduced resources budgeted for administrative support as suggested by the United States and devoted additional resources to international labor standards and human rights, the two programs most important to the United States. (See pp. 25 and 26).

RECOMMENDATION

GAO recommends that the Secretary of State promote the interagency consultation and planning necessary for developing strategies and action plans, determining means for implementation, and designating tasks and responsibilities for earlier U.S. involvement in U.N. agencies' budget formulation processes. The approach applied to the 1984-85 ILO budget is one example of how this might be done, taking into consideration also, the relative needs for this effort in particular U.N. agencies, the availability of staffing and funding resources, and alternative approaches that may be available. (See p. 26.)

AGENCY COMMENTS

In providing official oral comments on a draft of this report, State's Bureau of International Organization Affairs agreed in principle with the recommendation. State's primary concern rests with associated costs and personnel resources that may be necessary to replicate the comprehensive effort applied to the ILO, factors which would have to be considered in deciding the degree and manner of implementation. GAO acknowledges the importance of such considerations and has clarified its recommendation to clearly state that modified approaches should be considered. (See p. 27.)

In regard to the report's observations and conclusions in general, State believes that more credit is due concerning U.S. efforts to influence U.N. program budget decisions. State primarily said that it had provided early suggestions on the U.N. agency budgets but they have been largely ignored as minority opinions. GAO recognizes that the U.S. minority position is a major constraint to U.S. influence and has emphasized this in the report. GAO acknowledges that State has met with ranking FAO and UNESCO officials to discuss program and budget

issues with particular emphasis on zero-budget growth. However, from its review of U.S. mission files and discussions with mission officials, GAO found that specific proposals for program changes and budget reductions, and accompanying analytical detail to support the proposals, were not routinely provided to FAO and UNESCO officials early in the budget formulation process. (See pp. 23 and 27.)

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In December 1983, the United States notified UNESCO of the U.S. intent to withdraw its membership effective December 31, 1984. On November 30, 1984, in response to a congressional request, GAO issued a separate report containing observations on certain UNESCO management areas which GAO believes need attention. On December 19, 1984, the United States formally announced its withdrawal of membership from UNESCO (See p. 6.)

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ABBREVIATIONS

| | |
|--------|--|
| AID | Agency for International Development |
| FAO | Food and Agriculture Organization |
| GAO | General Accounting Office |
| IAEA | International Atomic Energy Agency |
| ILO | International Labor Organization |
| JIU | Joint Inspection Unit |
| UNDP | United Nations Development Program |
| UNESCO | United Nations Educational, Scientific, and Cultural Organization |
| WHO | World Health Organization |

CHAPTER 1

INTRODUCTION

Although there has been some restraint since 1981, the program budgets of the United Nations, and especially the specialized agencies of the U.N. system, have grown significantly over the past decade. Consequently, the cost of U.S. participation, in the form of assessed contributions to the U.N. agencies' budgets, has increased proportionately. Worldwide economic conditions and concern about the growing U.S. budget deficit have intensified Congressional and Administration concern about U.N. budget growth and the associated implication for U.S. participation.

The specialized agencies, such as the FAO and UNESCO, are part of the U.N. system; however, each functions as an autonomous organization. Consequently, each agency has relative freedom to set policy, determine which programs to pursue, and establish independent financial and budgeting processes. We have issued several reports in the past stressing the need for improved management of U.S. participation in the international organizations (see app. I).

BUDGET GROWTH IN THE U.N. SYSTEM

The activities of the U.N. organizations are largely financed by

- assessed contributions to the regular budget which members, through treaty or other arrangements, have an obligation to pay; and
- extra budgetary sources, such as voluntary contributions from member nations, which are earmarked for specific projects, and funds provided by the United Nations Development Program (UNDP).¹

The Congress and Administration are concerned with the growth of the U.N. budgets because of the mandatory nature of the assessments and the propensity of some of the organizations to regularly propose increases in these budgets. Budget growth results from net increases in program levels and cost increases.

According to State officials, the U.S. budget policy goal for all international organizations is zero net program growth (no net increase in constant dollars from previous years in

¹The UNDP was established in 1966 as the main U.N. mechanism for funding technical assistance activities in developing countries. It is funded by the United States and other nations through voluntary contributions.

overall program levels) and significant absorption of non-discretionary cost increases (less than full allowance for such costs as inflation and adverse fluctuations in exchange rates). Since 1981, the United States has strongly emphasized this policy in meetings with top officials of the international organizations and in formal meetings and conferences of the organizations. The United States has also solicited and received support for the policy from the Geneva Group, an informal coalition of major Western nations to which it belongs.

Although the policy addresses both program growth and cost increases, U.S. decisions to vote for or against the agencies' budgets rests primarily on the U.N. agencies' success in attaining zero program growth--essentially because program growth is more susceptible to member influence and control within the agencies.

Cost increases in existing programs, rather than in new or expanded programs, account for most budget growth. These increases, resulting largely from inflation, are difficult to control but can be offset or absorbed by reductions in existing program or administrative functions.

Budgets have also grown because membership in the organizations has increased significantly, represented by developing countries which joined upon gaining stature as independent nations. For example, since the FAO and UNESCO were established in the mid-1940s, FAO's membership has increased from 36 to 152 nations and UNESCO's from 28 to 161 nations. With this growth, the earlier numerical domination of the industrialized nations ended. Responding to the needs and desires of the developing country majority, the organizations have shifted from traditional roles, such as data gathering and dissemination, to development assistance; i.e., as executing agencies for development assistance programs. All of this adds up to higher operational and administrative costs.

A scale of assessments is set and updated periodically by each U.N. agency. While numerous factors are considered in arriving at assessment levels, the ability to pay is a primary consideration in determining the amount each member nation is required to contribute.

U.S. assessed contributions to U.N. organizations for fiscal year 1984 compared with fiscal years 1974 and 1981 are shown in the following table. For a majority of the organizations, such as the FAO and UNESCO, the amounts shown represent 25 percent of the budget levels.

Table 1

U.S. ASSESSED CONTRIBUTIONS
TO U.N. ORGANIZATIONS

| | <u>1974</u> | <u>1981</u> | <u>1984^a</u> | <u>Increase</u> | |
|--|------------------------|------------------|-------------------------|-------------------|-----------------|
| | | | | <u>1974-84</u> | <u>1981-84</u> |
| | ----- (Millions) ----- | | | --- (Percent) --- | |
| Combined total contributed to the U.N., 10 U.N. specialized agencies and the International Atomic Energy Agency (IAEA) | \$158.3 ===== | \$371.6 ===== | \$388.8 ===== | 146 | 05 |
| Share of total contributed to the U.N. and four largest specialized agencies: | | | | | |
| U.N. | \$ 63.5 | \$167.1 | \$166.7 | 163 | 0 |
| World Health Organization (WHO) | 31.7 | 57.6 | 58.6 | 85 | 02 |
| U.N. Educational and Cultural Organization (UNESCO) | 22.0 | 53.9 | 50.8 | 131 | (06) |
| Food and Agriculture Organization (FAO) | 13.5 | 35.6 | 45.5 | 237 | 28 |
| International Labor Organization (ILO) | <u>11.3</u> | <u>25.4</u> | <u>31.4</u> | 178 | 24 ^b |
| Total, U.N. and four specialized agencies | \$142.0 ===== | \$339.6 ===== | \$353.0 ===== | 149 | 04 |

^aThe 1984 amounts represent those presented in the State Department's 1984 appropriation request.

^bWhile this figure represents a relatively high growth level for the 1981-84 period, the growth for the 1984-85 budget was significantly less. For example, as discussed in chapter 3, U.S. emphasis on early and, knowledgeable participation during preparation of the 1984-85 budget helped to reduce proposed program growth from 7 percent to 1.9 percent in areas suggested by the United States.

Although the United States makes assessed contributions to some 63 international organizations, a relatively large share of the total is provided to the United Nations and 11 affiliated agencies. For example, the \$389 million requested by the State Department for the U.S. share to the U.N. organizations in 1984, represents about 74 percent of the total amount requested for international organizations. Further, as the preceding table shows, the United Nations and the 4 largest specialized agencies of the U.N. system account for about 91 percent of the \$389 million U.N. figure.

Congressional action in 1972 limited U.S. contributions to the United Nations and most of its affiliated agencies to 25 percent of these organizations' budgets. Although the United States is still the largest single contributor, its vote as a member counts no more than that of a smaller contributor due to the U.N.'s one-member, one-vote rule. Nevertheless, the United

States has the opportunity to influence the organizations' programs and budgets because of the size of its contributions and major role in the organizations' programs.

Recent congressional concern has focused on U.S. contributions to the United Nations and the larger specialized agencies to which the United States contributes 25 percent of the organizations' budgets. In September 1983, an amendment was introduced in the Senate that would have limited U.S. calendar year 1984 assessed payments to the United Nations, UNESCO, WHO, FAO, and ILO to 1980 levels. For calendar years 1985, 1986, and 1987, such payments would be no more than 90, 80, and 70 percent, respectively, of the 1980 levels. The amendment passed in the Senate by a vote of 66 to 23 but was then defeated in Conference.

A compromise amendment was adopted in November 1983 (Public Law 98-164, Sec., 113 "Restriction on Assessed Payments to the United Nations,") which limits U.S. calendar year 1984 contributions to the same organizations, collectively not individually, to calendar year 1983 levels. Consequently, the U.S. 1984 contribution to any one of these organizations may not exceed the amount contributed for 1983, unless it is offset by a corresponding reduction in the amount contributed to one or more of the others.

U.S. REPRESENTATION IN THE UNITED NATIONS

U.S. participation in the United Nations and its specialized agencies is the responsibility of the Secretary of State. This responsibility--carried out primarily through the Bureau of International Organization Affairs--includes planning, managing, and implementing U.S. policies and coordinating technical positions throughout the government for international organizations. Numerous other government agencies, however, are actively involved in the program areas of the U.N. organizations. The Department of Agriculture and the Agency for International Development (AID) are major participants in the FAO and the Department of Education and the National Science Foundation are among several agencies participating in UNESCO.

Overall responsibility for U.S. participation in international organizations rests with the State Department and it generally takes the lead in political issues and budgetary matters; the latter primarily because the U.S. assessed contributions are financed from State Department appropriations. Other U.S. agencies generally are most concerned with subject or program issues.

Day-to-day participation is provided by the permanent representatives of the U.S. missions to the U.N. organizations.

The delegations are generally headed by ambassadors and consist of a small staff of officers representing the program areas involved. For example, the U.S. mission to FAO in Rome has an ambassador and five officers--two representing State, two representing AID, and one representing Agriculture. This mission is responsible not only for the FAO but also for relationships with all international food agencies in Rome, including the World Food Program, International Fund for Agriculture Development, and World Food Council.

The U.S. National Commission for UNESCO, created in 1946, is an added dimension for U.S. participation in UNESCO. Consisting of 100 Commissioners representing a cross-section of U.S. private and public organizations, the Commission is intended to function as an advisory body to the State Department and a public relations body to UNESCO. Budget cuts in 1983, however, have curtailed functions of the Commission Secretariat and its staff has since then, been absorbed into the Bureau of International Organization Affairs.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Chairman, Senate Foreign Relations Committee, asked us to review U.S. participation in the U.N. organizations' budgeting processes, especially those of the FAO and UNESCO. Specifically, we were to evaluate the (1) adequacy of U.N. organization budget data available to the United States, (2) steps taken by the United States to improve the organizations' programing and budgeting systems, (3) success of U.S. efforts to influence program and budget decisions and restrain budget growth, and (4) comment on what more needs to be done to improve U.S. participation in U.N. program budgets.

We agreed with representatives of the Committee to focus our work on how the United States participates in the organizations' program and budget processes. We interviewed officials in the (1) Bureau of International Organization Affairs, (2) Departments of Agriculture and Education, (3) National Science Foundation, (4) Agency for International Development, and (5) Office of Management and Budget. We also met with officials of the U.S. missions in Rome and Paris; FAO officials in Rome; and representatives of the Geneva Group, an informal association of major Western nation contributors which focuses on program budgets. We were not able to meet with UNESCO officials in Paris because of their heavy schedule in preparation for a major conference. Our review work was conducted between June and December 1983. Later data, becoming available through May 1984, was also used in the report.

Legislative data and extensive background material pertaining to U.S. participation was gathered. Documentation acquired at the organizations and locations visited included FAO and

UNESCO programs of work and budgets, reports of conferences, records of governing body and committee meetings, reports of the U.S. delegations to FAO and UNESCO meetings; mission and State Department cables of record, position papers and action plans, memorandums of Geneva Group meetings, and other internal documents.

We made our review in accordance with generally accepted government auditing standards.

In December 1983, after completing our review, the United States notified UNESCO of U.S. intent to withdraw its membership effective December 31, 1984.² The administration decision is based on its belief that UNESCO has

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

Our review was not designed to address these issues specifically nor to comment on the merits of the decision to withdraw. A separate GAO study was requested by the Congress to review UNESCO's personnel, program, budget, and financial management. The report³ of this study, which presents our observations on certain management areas which we believe need attention, was issued on November 30, 1984.

²On December 19, 1984, the U.S. formally announced its withdrawal of membership from UNESCO.

³Improvements Needed in UNESCO's, Management, Personnel, Financial, and Budgeting Practices (GAO/NSIAD-85-32).

CHAPTER 2

U.S. EFFORTS TO IMPROVE U.N. AGENCY

PROGRAM BUDGET PROCESSES AND INFLUENCE BUDGET DECISIONS

The United States, through its delegations to U.N. agency meetings and conferences, has attempted to influence the agencies' program and budget activities. U.S. emphasis and focus has been on budget growth and associated needs for U.N. agencies to establish priorities and eliminate marginal and obsolete programs. U.S. delegates have also pointed out the need for more attention to the merits of the program budget proposals under consideration and for more clarity in the budget presentations that are provided to the member nations for review. Such efforts, however, are often frustrated by majority member opposition. The 1984-85 FAO and UNESCO budget documents do have added features to provide more detail on their programs but more is needed to facilitate knowledge of their budget-related activities on a timely basis.

U.S. success in influencing program and budget decisions depends largely on the ability of U.S. delegates to convince the other members and the U.N. agency Secretariats of the desirability of pursuing particular courses of action. Thus, adequate U.S. knowledge and preparation is essential to devise unified and well defined plans of action.

We believe that stronger State Department commitment to its policy management process and strengthened budget review capabilities can help to improve the opportunity for greater U.S. influence.

DESCRIPTION OF FAO AND UNESCO BUDGET PROCESSES

U.N. agency program budget processes are long and complex; however, a brief description will provide some perspective on the procedures followed and the opportunities available for formal member nation input, review, and comment.

The Directors General of the specialized agencies (e.g., FAO and UNESCO) and their staffs (the Secretariats) plan and implement the agencies' programs and prepare the associated program budget documents. Appointed delegates of the member nations have the opportunity to comment and debate at formal interim meetings, such as the FAO Council and the UNESCO Executive Board, and at the General Conferences scheduled biennially for final review and approval of the programs and budgets.

All member nations may send delegations to the Conferences; but, not all nations are represented on the FAO Council, UNESCO

Executive Board, or associated program and finance committees. The United States is represented in all of these major bodies except the FAO finance committee. According to State officials, U.S. interests are represented there by other Geneva Group nations having representatives on the committee.

FAO budget process

The process begins about 16 months before the start of the next biennium when the Director General issues his budget instructions to program managers. The instructions provide general guidance on budget levels to be established. The managers' proposals are reviewed, adjusted, and consolidated into a Summary Programme of Work and Budget by the Director General and his budget staff. The Summary Programme is

- reviewed in the spring of the budget year by the Program and Finance committees who provide their input to the 49-member FAO Council and
- reviewed and debated by the Council (in June of the budget year).

The Director General prepares a more detailed Programme of Work and Budget on the basis of approval and recommendations by the Council. This is followed by a second review cycle by the program and finance committees in September and by the Council in November. The 152-member General Conference convenes later in November for final debate and approval.

UNESCO budget process

The Director General's draft Programme and Budget closely adheres to programs, objectives, and resource levels established in a 6-year Medium-Term Plan (currently 1984-89) which was approved by member consensus. Consensus meaning that, while all members did not approve of the plan, the entire body agreed to accept it with some, including the United States, expressing reservations.

Budget planning starts in March of the nonbudget year in the individual divisions of UNESCO in accordance with instructions issued by the budget division. Suggestions are also solicited from member nations and nongovernmental organizations and on a more continuous basis from various UNESCO committees.

When the draft Programme and Budget is completed in the spring of the budget year it is reviewed

- first by the Program Committee and the Finance and Administrative Committee which provide input and recommendations to the Executive Board;

- second by the 51-member Executive Board in May for the purpose of debate and developing draft resolutions; and
- third, discussed again by the Executive Board in September to prepare recommendations for the General Conference.

Finally, the draft programme and budget is submitted to the 161-Member General Conference in October for final review and approval.

U.S. EFFORTS TO INFLUENCE PROGRAM AND BUDGET DECISIONS

The U.S. delegations to the formal FAO and UNESCO meetings and General Conferences commented on the merits and shortcomings of the organizations' functional programs stressing the need to set priorities, reduce program proliferation, and eliminate marginal and obsolete programs.

U.S. delegations were instructed by the State Department to seek assurance that substantive resolutions and decisions would include specific language that the activities called for would be implemented within existing resource levels. Failing this, the delegations were to call for a vote and to vote no unless there were overriding political or financial considerations. U.S. delegates also were not to propose any program initiatives having financial implications unless specific and realistic off-setting reductions were identified.

As stated in a State Department cable concerning these efforts, the purpose was

"to force, except under most unusual circumstances, full and conscious consideration of the budgetary implications of proposals being addressed. ...Past practice of joining consensus or voting in favor of resolutions with a strong statement of budgetary reservation has proven meaningless as Secretariats and other delegations accept this as nothing more than hortatory language."

In reviewing records and reports of meetings, it was apparent that U.S. attempts to influence budgetary actions often met with limited success in that, even if U.S. delegates were successful in pushing issues to a vote, the U.S. positions were rarely adopted. Opposition to U.S. positions was often strong, agendas often were not designed to facilitate discussion of budgetary implications, and "steamrolling" tactics were sometimes employed to pass measures opposed by the United States.

U.S. efforts, especially in UNESCO, often were devoted to opposing proposed actions considered contrary to U.S. interests which, as acknowledged by State and other U.S. officials, represents a defensive posture that limits the ability to pursue U.S. initiatives. Foremost were UNESCO's efforts to (1) include growth level indicators in its current 1984-89 Medium-Term Plan, which would establish a basis for growth of 4 to 6 percent in the current 1984-85 and subsequent program budgets and (2) change from a "semi-full" budgeting concept to one of "full budgeting," which would reduce the extent to which inflationary costs are absorbed by the agency. Despite U.S. opposition to these concepts they were supported and approved by the majority membership.

In commenting on our report, State Department officials pointed out some U.S. initiatives that were taken regarding UNESCO. These included (1) a substantial role in gaining Geneva Group support for a draft resolution supporting zero real growth for 1984-85 and (2) efforts during the 1983 UNESCO General Conference to gain support for using the U.N. Joint Inspection Unit (JIU) to advise on improvements needed concerning UNESCO budget techniques. State officials emphasized that both the resolution and the JIU proposal were "soundly defeated" at the conference.

In chapter 3 we further discuss U.S. efforts to restrain budget growth and ways we believe that such efforts can be strengthened.

BUDGET PRESENTATIONS HAVE IMPROVED
BUT ARE STILL DIFFICULT TO ANALYZE
AND ARE NOT TIMELY

We have pointed out in earlier reports¹ that the program budget documents lacked the specificity and clarity needed to facilitate analysis of proposed actions and to measure program performance. While the 1984-85 program budgets for FAO and UNESCO have added emphasis on clarity, we found that this condition continues to exist. For example, intended users, expected results, and other performance indicators such as milestones and completion dates are often not clearly designated. Further, we found that the documents are not always available to U.S. reviewing officials early enough to facilitate review and followup on questions prior to major U.N. agency meetings.

The 1984-85 program budgets for FAO and UNESCO have additional features designed to provide more detail on their

¹UNESCO Programming and Budgeting Need Greater U.S. Attention (ID-79-12). The United States Should Play a Greater Role in the Food and Agriculture Organization of the United Nations (ID-77-13).

programs. For example, the FAO Council endorsed FAO program and finance committee suggestions to

- streamline the budget format by placing a table at the beginning of each program narrative to combine information previously shown in two separate tables;
- provide clearer descriptions of program changes at the subprogram level; and
- provide more detail on shifts between and within subprograms.

The 1984-85 UNESCO program budget adheres to goals and objectives set forth in the new 6-year (1984-89) Medium-Term Plan. In the revised program budget format, each major program is divided into programs and subprograms as they appear in the Medium Term Plan, targets and expected results are provided for each subprogram, and activities that were not included in the prior program budget are identified.

We were told by U.S. officials responsible for budget review, however, that in-depth analysis of the proposed programs of work and budget is hampered because of lack of clarity and detail in the budget documents. For example, UNESCO's targets and expected results often are not stated in precise terms that identify what is to be done, how it will be accomplished, or who will benefit. Measurable milestones and anticipated completion dates generally are not provided. While we recognize that the broad concept of some of UNESCO's programs makes them difficult to quantify in specific and measurable terms, we nevertheless believe that more can be done to include the indicators necessary to better understand the goals intended and the benefits to be sought.

An official at the U.S. mission to FAO identified improvements in the information presented by that agency but also noted that there have been too few improvements and they have been made too slowly. He said that the budget documents need to show more about what the agency is trying to accomplish with each program, how they are going to do it, how long it will take, and what it will cost. Instead, the documents often contain vague terms, such as "promotion of appropriate production technologies will receive further attention...". Consequently, it is difficult for the budget reviewer to know the extent of additional efforts or resources such terms represent.

We were told by several State Department officials that the budget documents often are not received on a timely basis. We found that this was true for the current FAO and UNESCO budgets. For example, the U.S. mission to FAO received the FAO draft 1984-85 program budget only 3 weeks before the September 1983

council meeting and the Bureau of International Organizations received the document only one week before the meeting. According to U.N. criteria, budget documents should be issued at least 6 weeks before governing body meetings. Cables and memorandums on file address timeliness problems for prior budgets; further, records of Geneva Group meetings addressed timeliness of budget documents as an ongoing problem generally applicable to the U.N. system.

MORE CAN BE DONE TO IMPROVE MANAGEMENT OF U.S. PARTICIPATION

The State Department has established a management process to help alleviate constraints to effective management of U.S. participation in international organizations and to provide a structured way to integrate input from other participating U.S. agencies. We believe that the process can be instrumental in developing means and strategies for dealing with constraints to U.S. participation but we believe that more emphasis on this is needed along with more active involvement by other agencies in the process.

Policy management process

In 1978, a policy management process was established to improve the capability of the Bureau of International Organization Affairs to monitor U.S. participation in international organizations, analyze issues, and identify objectives from the perspective of the Secretary of State.

The policy management process involves the preparation, review, approval, and implementation of action programs to guide U.S. participation in international organizations and to monitor this process. Action programs are prepared for each major organization primarily to establish U.S. policy objectives to be pursued over the coming year and to identify and address programming and budgeting problems.

Action programs are prepared for 2-year periods and updated annually, using a standard format comprising three major sections: (1) background of the organizations, (2) overall assessment, and (3) rationale for U.S. participation. Subtopics pertain to management, program, and budget profiles and objectives and implementation plans. The 1983-84 FAO action program, for example, has as its first objective to "Promote Greater Budgetary Restraint." This is followed by implementation steps, issues for decision, and budget implications. The program and budgetary views presented by the Bureau affect the executive agencies that participate in the programs of the U.N. agencies, but we found that they have had little formal input to these views.

More active involvement of other executive branch agencies is needed

We reported in August 1979² that an objective of the policy management process was to elicit the most effective involvement of the executive branch agencies. We noted then that the formulation of annual action programs was designed as an internal State policy management tool and were viewed as such by other executive agencies. At that time, the State Department acknowledged that the initial action program cycle focused on alleviating constraints to effective management of U.S. participation within the Department. It was emphasized, however, that the process would eventually provide a structured way for integrating input from the various executive branch agencies. This objective still has not been fully realized.

According to the Bureau's policy management staff, the action programs are prepared unilaterally by State and are still considered internal State documents. Also, State does not have the authority to bind other agencies to the terms and conditions set forth in the documents. The policy staff said the action programs should become the tool for establishing, coordinating, and implementing U.S. policy in the international organizations; however, the line of responsibility regarding State's role and the role of other agencies is unclear. Consequently, the staff told us, they do not believe the action programs are viewed seriously by some U.S. agency personnel. In this regard, we recognize that State should not have broad implementation authority over other agencies. We believe, however, that State should take the lead in regard to coordination of U.S. participation in the international organizations.

We noted further, as we had also reported in 1979, that only two Bureau officials are assigned to the policy management office. Among other duties, they are to provide staff support to the assistant Secretary in the operation of the action programs; monitor the review and preparation of international organization policy papers and program documents; and monitor the development of the Bureau's goals and objectives.

Policy management officials told us that input for the action programs is provided by the U.S. missions and other U.S. bureaus and agencies. The programs are presented at interagency meetings for comment and information copies are distributed to other U.S. agencies.

²U.S. Participation In International Organizations: An update (ID-79-26)

However, from review of agency files and discussions with officials, we found that these actions do not occur on any regular or systematic basis. For example, comments received from U.S. agency officials involved in FAO and UNESCO programs varied concerning the degree of participation in the action program process. For example, Agriculture officials stated that they review the FAO action programs and provide comments but that they do not participate in their development. They believe the programs are seriously considered at the working level and are useful tools for general guidance. They emphasized, however, that the action programs are State Department documents and thus not binding on Agriculture or other agencies. National Science Foundation officials who are responsible for their agency's participation in UNESCO, stated they were not aware that the action programs existed.

When the policy management process was established, inter-agency committees or working groups were identified as a means of promoting interagency planning and integrating input. From discussions with officials who participate in the meetings, we found that such groups function irregularly and meet primarily to prepare for major U.N. agency meetings and conferences. We were told that such meetings were not designed for long-term planning and strategy purposes. We could not verify this, however, because we found no records showing when the meetings were held, who attended, or the purposes and results of the meetings.

We believe that the policy management and associated action program processes can benefit from more emphasis on using the interagency groups to facilitate planning and monitoring of U.S. efforts in the program budget processes. To do so, agendas should be set and minutes recorded to establish and identify decisions made and positions taken; to help build information bases; and to provide continuity of data for replacement officials.

MORE CAN BE DONE DURING THE BUDGET REVIEW PROCESS

Even though the program budget documents provided by the U.N. agencies, have shortcomings and limitations, they are the best data readily available on program and financial activities. The documents are complex. For example, the UNESCO Draft Programme and Budget for 1984-85 contains over 500 pages of narrative, tables, and charts pertaining to 14 major programs, some 51 programs and 186 subprograms, and related administrative and supporting functions. Specialized analytical and forecasting skills are thus required to determine appropriate budget levels and to identify issues pertinent to U.S. positions and efforts to influence program and budget decisions.

In-depth analysis of the budget documents is made in the Bureau by designated budget specialists. The U.S. missions to FAO and UNESCO had also designated an official to make at least a cursory review of budget data.

In 1983, for the first time, Bureau budget specialists participated in major FAO and UNESCO meetings concerning the 1984-85 program budgets, which should help to obtain clarification of budget issues and to support U.S. positions. For example, the budget officer responsible for UNESCO addressed problems with budgeting techniques and exchange rate calculations at the spring Executive Board Meeting. Also, in meetings with the Assistant Director General for budget, it was emphasized that adjustments to the 1984-85 budget were necessary to account for currency fluctuation gains of some \$70 million which were supposed to be used to offset member nations' assessments for the budget period.

In addition to these specific benefits, the United States was able to be more knowledgeable and positive in presenting its budget positions.

Missions lack budget expertise

Although Washington-level budget review is emphasized and has been strengthened by providing opportunity for Washington analysts to attend U.N. agency meetings, certain limitations could be compensated for at the mission level if adequate budget expertise were available. For example, the lack of geographic proximity to the U.N. agencies limits the opportunity for Washington analysts to (1) acquire direct, day-to-day knowledge and familiarity with the program budget processes, (2) discuss budget issues in a direct and timely manner with U.N. agency officials, and (3) provide direct, ongoing discussion of programs and budget issues with other members, especially those of the Geneva Group.

We believe the ability to satisfy these conditions in the field is important. For example, as discussed in chapter 3, it is difficult to obtain changes in the program budgets once they are prepared and distributed. We believe that having more onsite expertise, could enhance the opportunity for earlier influence. Also, although the Geneva Group is relied on to monitor program budget processes and to present unified proposals and positions to the U.N. agencies, Group representatives acknowledge that they do not have the capability to deal with complex budget issues. As a major Geneva Group member, U.S. budgetary expertise at the mission level could compensate for this deficiency. Finally, in view of the fact that the budget documents available to Washington analysts are often provided late and lack necessary information, mission-level expertise could help provide a more informed linkage between the Bureau and the field.

In a September 1979 review of U.S. participation in UNESCO³, we found that it was the U.S. permanent delegation who, through daily contacts with Secretariat staff and other delegations and a direct linkage to the Executive Board, was in the best position to represent U.S. interests in UNESCO. This was hampered, in part, by a shortage of qualified staff to perform budgetary analyses. This situation at the UNESCO mission and the mission to FAO, has not changed.

Both missions had designated officers responsible for budgetary matters. Although both officers were highly capable individuals, neither had extensive budgetary experience. Both had other responsibilities and duties. The mission officials readily acknowledge the limits to what they can accomplish, primarily because they have neither the time nor the expertise to make in-depth budget analyses.

Some constraints cited by the mission officials were that (1) there was no way to ensure that the mission officer responsible for budget analysis would have a background in U.N. systems and budgeting processes, (2) the State Department has no training courses covering U.N. organization systems and programming and budgeting processes, and (3) the State Department has no specific section for officers to establish careers in the international organization area.

At the missions in Rome and Paris, staff are assigned for 3-year tours. The Rome official responsible for the FAO budget noted that, because most international organizations' systems are so technical and complex, at least one year is required to begin to understand them. The official stated further that since many of the U.N. agencies have a biennial budget cycle, the responsible official's involvement is limited to one complete cycle--not enough time to gain and apply practical knowledge and experience.

Despite the apparent need for budget expertise at the mission level, not all U.S. officials are convinced that having a full-time budget specialist at each mission would be cost effective. We recognized this in our 1979 report, recommending as an alternative that positioning such an expert in Europe to assist the resident U.S. staffs at the U.N. agencies could be of significant help in defining the true budget needs to implement proposed programs. We believe this is still a viable alternative. For example, one or more budget specialists stationed in Geneva would have direct access to major U.N. agencies, such as the WHO and ILO, located there and ready access to the FAO in Rome and UNESCO in Paris. Also, Washington-based budget analysts could be required to visit the missions to work more

³UNESCO Programming And Budgeting Need Greater U.S. Attention
(ID-79-12)

closely with mission staff and the U.N. organization Secretariats on program budget matters.

CONCLUSIONS

U.S. efforts to influence U.N. agency program and budget decisions have often encountered resistance and opposition from the majority membership. Measures to counter such opposition rest with the ability of the United States to evaluate the basis for member resistance and to convincingly demonstrate how its proposals can help to improve the organizations' performance and better serve the members' interests. We believe that the opportunity for success in this regard depends upon the planning and management effort devoted to defining the problems and constraints that exist and developing specific steps and strategies to deal with them. Because several U.S. agencies are involved in the activities of the U.N. agencies, we believe that their participation in this management effort is important. While the State Department regards this as an important objective in its management process, we do not believe it has been fully realized.

The State Department, in its policy management and budget review processes, has mechanisms to foster better planning, implementing, and monitoring efforts. We believe, however, that stronger U.S. commitment to fulfilling the stated purposes and objectives of the policy management process is needed to make it more viable as a management tool. We also continue to believe, as we have stated in our prior report, that strengthened budget review capability at the mission level can help to improve the degree of influence that the United States can exert on the agencies' program budget processes.

CHAPTER 3

UNITED STATES EFFORTS MAY INFLUENCE FAO

AND UNESCO PROGRAMS AND BUDGETS

The programs and budgets of both FAO and UNESCO have grown significantly over the past 10 years. Although the United States has consistently opposed these increases, it has been difficult to obtain concessions because the United States and like-minded Western allies have been out-voted by the developing nation majority which seeks program growth. Further, it is difficult to obtain changes once the draft budgets are prepared and distributed.

Since 1981, the United States, with support by the Western allies, has strongly emphasized its policy of zero net program growth. While any direct correlation to the U.S. policy is difficult to establish, the 1984-85 budgets of many of the U.N. agencies have shown zero or near zero levels of program growth. We believe that continued success in holding down future growth levels as well as influencing specific programs can be enhanced by placing more emphasis on making specific program and budget proposals to the Directors-General before the budgets are prepared. This approach was applied with measurable success in the ILO during the early stages of preparation of its 1984-85 budget.

FAO AND UNESCO BUDGET GROWTH

FAO's assessed budget rose from \$167 million for the 1976-1977 biennium to nearly \$421 million for 1984-85, an increase of 152 percent. UNESCO's assessed budget grew from \$170 million in the 1975-1976 biennium to \$374 million for 1984-85, an increase of 120 percent.

FAO and UNESCO budget documents show that program expansion accounted for about 17 percent and 32 percent, respectively, of the total increases. Of greater significance, however, is the amount of cost increases, accounting for 83 percent of FAO's budget growth and 68 percent of UNESCO's growth, as shown below.

| | <u>FAO</u> -----(millions)----- | <u>UNESCO</u> |
|---|------------------------------------|----------------|
| FAO 1976-77 budget and UNESCO 1975-76 budget | <u>\$167.0</u> | <u>\$170.0</u> |
| Program increases | \$ 49.6 (17%) | \$ 68.7 (32%) |
| Cost increases | 204.5 (83%) | 135.7 (68%) |
| Total increase | \$254.1 (100%) | \$204.4 (100%) |
| Proposed budget, 1984-85 | \$421.1 | \$374.4 |

The cost increases have primarily resulted from inflation, including increases in salaries and personal benefits as well as the increased cost of goods and services. Cost increases are difficult to control but can be offset by reductions in existing activities; for example, identifying and eliminating obsolete and marginal programs, and through more efficient operations. While the zero-growth policy can help promote lower program growth, we believe that additional emphasis is necessary to identify and promote specific measures that can be taken to obtain economies and efficiencies in the programs and activities where they are needed.

U.S. EFFORTS TO INFLUENCE LOWER BUDGET GROWTH LEVELS

The basis or concept for the zero-growth policy is that if the United States and other major contributors, whose combined contributions represent the great majority of total assessments, strongly endorse and promote the policy, the U.N. agencies will be persuaded to identify priorities and seek ways to cut budget growth. The policy has thus been communicated strongly to the Directors-General through personal meetings and by joint demarches signed by the United States and other Geneva Group members.

Success in attaining the policy's objectives rests with persuading the Directors-General to come forth with zero or low growth budget proposals. If the proposals are unacceptable, the only recourse is to vote against the budget. A "no" vote by all of the major donors can still be overridden by the voting majority of developing nations.

U.S. officials believe that the policy has contributed to lower growth levels in many of the U.N agencies but acknowledged that other factors, including world-wide economic conditions, have also played a role. For example, the FAO Director General, whose 1984-85 budget contained only 0.5 percent program growth compared to 8.0 percent for the preceding biennium, expressed concern that a significant number of developing countries were facing problems in honoring their financial commitments to FAO. Consequently, he said his budget proposal was aimed at limiting the financial burden on both developing and developed member nations. An official at the U.S. mission to FAO agreed that several developing countries, such as Argentina, Brazil, Mexico, and India, were in this category, but he said that the 1984-85 reduction may be only a temporary lull as the developing country bloc has notified the Director General that they want more growth in the next biennium (1986-87).

Efforts to reduce UNESCO's budget at the General Conference

The United States and some of its Geneva Group allies attempted to reduce the level of growth proposed in UNESCO's

1984-85 program of work and budget by introducing a joint resolution at the 1983 General Conference calling for a budget ceiling of \$360.6 million, corresponding to a zero rate of real growth in relation to the 1982-83 budget base. The resolution noted that

- the growth rate of 4 to 6 percent specified in the UNESCO Medium-Term Plan was a "working hypothesis;"
- all member states are confronted by financial constraints; and
- most other U.N. agencies have prepared their 1984-85 budgets on the basis of zero or very low rates of growth.

The Director General strongly refuted the contentions presented in the resolution stating, in part, that:

- The "working hypothesis" noted in the resolution was not only proposed but was also accepted by the General Conference, thus, constituting a directive for the Director General on the preparation of the 1984-85 program and budget;
- To question the rate of growth of the budget just before it is considered by the General Conference would invalidate part of the work done to prepare for implementation of the Medium-Term Plan.
- The authors of the resolution had expressed no reservations about the programs proposed in the budget document nor had they suggested dropping any of the activities proposed.

This resolution was rejected; however, subsequent efforts, led by the Nordic nations, resulted in a compromise budget ceiling of \$374 million representing, according to State officials, about 4.0 percent net program growth. The membership approved the compromise proposal by a vote of 126 to 1, with the United States casting the only "no" vote and 10 members abstaining from voting. While acknowledging that the unexpected move at the General Conference can be viewed as a significant conciliatory step in the U.S. favor, the United States continued to oppose the budget because it clearly exceeded the zero growth position.

In its February 1984 report on UNESCO, State further acknowledged that the \$374-million budget will result in a

decreased calendar year 1984 payment by the United States to UNESCO. However, this reduction reflects the strong position of the dollar, resulting in a credit against the U.S. assessment for currency fluctuation gains accrued by UNESCO during the previous budget period. State concluded that excessive program growth remains in the approved budget and will automatically become the base for future budgets. In the future, the dollar may not be so strong and large nominal increases could result.

EARLIER EFFORTS BY THE UNITED STATES
CAN HELP TO INFLUENCE SPECIFIC
PROGRAM AND BUDGET DECISIONS

The U.S. zero-growth policy has apparently contributed to lower program growth levels in the U.N. agencies' 1984-85 budgets. However, across-the-board application of the policy and certain policy characteristics have made it difficult to direct U.S. efforts toward particular U.N. agencies on the basis of specific programs and individual performance.

For example, U.S. officials told us that because each international organization subject to the policy must define program costs versus non-discretionary costs, it is difficult for the United States to apply these concepts in a way to compare the relative performance of each agency in holding down budget growth.

The policy also focuses on lower program growth in the broad context of dollars and percentages. While this, in effect, necessitates corresponding reductions in existing programs to offset any new program proposals, it does not emphasize how or where such reductions can be made in conjunction with U.S. goals and objectives nor does it address ways and means to absorb associated cost increases in existing activities which account for a large measure of overall growth. Moreover, in emphasizing the concept of zero net program growth over the significant absorption concept, the United States has supported budgets having acceptable levels of program growth but still having large overall increases.

For example, FAO's 1984-85 budget (which the United States supported) limited program growth over 1982-83 to 0.5 percent, or about \$2 million, but cost increases added another \$83 million, raising the overall budget by \$85 million, a 22 percent increase. On the other hand, the United States opposed UNESCO's draft budget which proposed 6.1-percent program growth--about \$17 million. However, because of the strength of the U.S. dollar relative to the French Franc¹ and the lower inflation

¹Like other U.N. specialized agencies, UNESCO calculates its budget in U.S. dollars, but its expenditures are largely in local currency. Consequently, as the dollar rises expenses decrease, since an expenditure in French Francs costs relatively fewer dollars.

rate in France (about 7 percent compared with Italy's 18 percent), UNESCO's proposed 1984-85 budget actually decreased compared to 1982-83 by \$49 million, or about 13 percent. As pointed out earlier, however, the United States defends its policy in this regard on the basis that it is not realistic to assume continued strength of the dollar. Thus, excessive real growth built into the budget base may result in substantial future increases.

Why earlier efforts are needed

We reported earlier, in chapter 2, that State has a process designed to facilitate planning and management of U.S. participation in international organizations. While documentary evidence of proceedings necessary to carry out these functions was limited, testimonial evidence indicated that the objective of involving all participating U.S. agencies in the process was not adequately met. Further, planning efforts appeared to be directed to preparation for formal U.N. agency meetings and conferences which, of course, is necessary.

However, in view of the opposition to U.S. interests often encountered in formal U.N. agency meetings and the U.S. minority voting position, we believe that more emphasis is needed to help to promote U.S. interests through less formal channels. To do this, we believe that planning for U.S. participation needs to address, in more specific terms, the underlying cause and nature of problems faced; steps to be taken to counteract them; and negotiating strategies designed to gain acceptance by the U.N. agencies and other members for U.S. positions. Strategies devised should include means of promoting U.S. interests early, prior to formal meetings, as well as at these sessions. We recognize that this carries no guarantee for greater success, but we believe that, over the long-term, it could help to improve U.S. leadership and influence in the U.N. agencies.

U.S. officials generally agree that, once the program budgets are prepared, they are difficult to change. U.S. officials at FAO and UNESCO told us that members have a strong tendency to view the Directors-General budget proposals as final documents. Because the United States and other nations favoring budget restraint are out-voted in governing body meetings, few changes usually are made to the proposals after they are circulated.

Currently, the Third World nations form, by far, the largest voting bloc in both FAO and UNESCO; over 100 developing nations are normally part of this voting bloc, which favors continued expansion, compared with some 13 members of the Geneva Group. Many of the smaller developing nations contribute only .01 percent each to the assessed budget. Using FAO's calendar year 1982 assessment of \$178 million as an example, 73 countries in this category were assessed a combined total of only

\$1.3 million; 7 major donors, including the United States, were assessed \$122 million.

Consequently, the United States and other major nations favoring restraint can be consistently outvoted on program and budget issues by nations that have much to gain from program expansion at little additional cost to them. For example, in UNESCO's spring 1983 Executive Board vote on the budget, 12 nations representing 70 percent of UNESCO's assessed contributions either voted against the budget or abstained. The Board, however, approved the budget by a vote of 33 to 8 with 4 abstentions.

In view of this situation, we believe that more emphasis on early, informal contacts with the Directors General and Secretariat officials would provide opportunities to gain advance knowledge of program budget intentions and to offer specific proposals for program and budget economies and savings. We found, however, that little effort in this regard has been made at FAO or UNESCO. Mission personnel, especially at FAO, do have frequent, informal contacts with Secretariat officials, but these contacts generally were at the initiative of mission officials and were associated primarily with the day-to-day functions of the missions, rather than on efforts specifically designed to promote budget economies.

The mission official who is assigned FAO budget responsibility, and who is also the mission's representative to the Rome Geneva Group, has been instrumental in planning and initiating a Geneva Group study of FAO's regional and country offices. Plans were being made to discuss the findings with other members and FAO Secretariat officials. The official believed that more could be done in this regard but cautioned that it must be done in a constructive and cooperative manner.

In commenting on the report, especially in regard to U.S. efforts to influence UNESCO program and budget decisions, State officials told us that they have consistently presented U.S. suggestions on the draft budgets well in advance of their publication. For example, the UNESCO Director General had recently been provided with a thorough analysis and list of programs which the United States believes could be reduced or eliminated in the 1986-87 budget. State officials said that in the past such suggestions had been largely ignored as minority opinions. They believe that this, rather than the lack of early U.S. input, has been the crux of the problem.

This has no doubt been a significant problem. We acknowledge that U.S. officials have met with high-ranking FAO and UNESCO officials to discuss program and budget issues with particular emphasis on zero-budget growth. U.S. representatives at U.N. agency meetings and conferences have also commented on the

merits and shortcomings of the programs and budgets. However, based on our review of U.S. mission files and our discussions with mission officials, we found that specific proposals for attaining program economies and budget reductions were not provided routinely early in the budget formulation process.

As State officials have pointed out, a thorough and comprehensive analysis and program list has been provided to UNESCO concerning its 1986-87 budget proposal. It should be noted, however, that after the announcement of U.S. intent to withdraw, the UNESCO Director General had requested that the United States identify areas where program reductions and savings could be made.

An FAO mission official told us that, to his knowledge, no list of U.S. suggestions for program cuts in the 1984-85 FAO budget had been provided to the Director General nor could we find any other evidence that this was done. A UNESCO mission official stated that a list was developed in conjunction with UNESCO's 1984-85 budget but that it had not been strongly emphasized because of the belief that it was important first to gain UNESCO acceptance of the policy of zero net program growth. Then, specific suggestions on ways to meet this goal could be offered. This was a strategy decision that we do not take issue with other than, in our opinion, it demonstrates the reliance upon the U.N. agencies to comply with the policy with less emphasis on ways and means to attain cost reductions.

U.S. INFLUENCE ON ILO PROGRAM BUDGET CAN SERVE AS AN EXAMPLE

In a recent report² we noted that the U.S. Department of Labor has introduced initiatives to improve U.S. participation in the ILO program budget process. We believe that these helped to reduce the level of program growth in the ILO 1984-85 budget to 1.9 percent. We recognize that, in the narrow context of program growth, similar and even better results have been demonstrated for the 1984-85 budgets of other agencies which U.S. officials credit, significantly, to the zero-growth policy. For example, State has pointed out the following program growth percentages: FAO (0.5 percent), WHO (-0.3 percent), and the United Nations itself (0.9 percent).

We believe, however, that the ILO effort has an added dimension in that it has helped to enhance effective U.S. participation and leadership in the ILO on a more informed and knowledgeable basis. For example, it promoted program changes favorable to the United States and, among other benefits cited, brought about greater U.S. interagency cooperation. It also

²Sustaining Improved U.S. Participation In The International Labor Organization Requires New Approaches (GAO/NSIAD-84-55)

illustrates one approach to early U.S. involvement in the program budget process. Consequently, we believe this approach can serve as an example for future U.S. participation in U.N. agencies.

In 1977, the United States withdrew its membership in the ILO to protest various adverse trends which were believed to distract the agency from its intended goals. According to Labor Department documents, when the United States rejoined the ILO in 1980, the Cabinet Level Committee (later the President's Committee on the ILO) decided that the United States needed to play a greater role in shaping the ILO's technical program activities and to have a more significant influence over the agency's budget.

Labor took the first step by developing a primer on the ILO program and budget which provided an overall view of the ILO's program and budget process and led to a series of analytic and strategy papers outlining ways to increase U.S. knowledge of ILO activities and to reassert U.S. leadership in shaping the agency's future direction. Other steps included evaluating the ILO program and budget and the use of a temporary consultant to evaluate ILO service and support programs. These U.S. initiatives in the ILO cost an estimated \$100,000 for additional staff.

The evaluation led to development of an alternative U.S. budget for 1984-85 reflecting U.S. program priorities and identifying savings that could be achieved. The alternative budget was presented to the ILO Director General in September 1982 and served as a basis for discussing ILO's 1984-85 budget. According to Labor officials, this was the first time the United States had prepared such a document for a U.N. specialized agency.

Labor believes that the U.S. initiative contributed to lower program growth in the budget. For example, Labor officials reported that the Director General was initially considering a proposal of 7-percent program growth. This was cut to 3.9 percent, with ILO giving partial credit to the U.S. initiative for the reduction as more than half the additional budget cuts made were suggested by the United States. The final approved budget was \$254.7 million compared with the original proposal of \$265 million. Program growth in the approved budget was 1.9 percent and the total budget increased by about 4 percent. Despite the relative success in holding down program and overall growth in the budget, the United States abstained on voting for the budget because it did not meet the zero program growth requirements.

Labor officials also reported that the alternative budget contributed to program changes favorable to the United States. For example, the ILO reduced resources budgeted for administrative support as suggested by the United States and devoted

additional resources to international labor standards and human rights, the two programs most important to the United States. Overall, Labor officials believe the U.S. initiative (1) expanded U.S. knowledge of ILO program and budget issues, (2) influenced the size of the program and budget, (3) demonstrated U.S. leadership, (4) stimulated dialogue between the United States and the ILO, (5) provided a comparison with which to judge the ILO's proposed program and budget, and (6) brought about greater U.S. interagency cooperation.

In commenting on fundamental problems, Labor officials noted that during this budget cycle the U.S. policy of zero net program growth was applied to all U.N. agencies without distinction. While, as a broad policy statement, it provided a purposeful direction to U.S. efforts to hold the line on international organization budgets, it led to difficulty or inflexibility to translate the broad policy statement into a realistic policy in the context of the ILO. Moreover, despite the concessions gained from ILO, the United States did not support the final budget. Labor officials believed that U.S. failure to support the budget may have reduced leadership momentum established earlier and jeopardized possible ILO staff cooperation and support for future U.S. program and budget concerns.

CONCLUSIONS

The broad U.S. policy statement on budget growth has served to present a consolidated U.S. position to the international organizations and, by all appearances, has contributed to lower program growth levels in the organizations' current budgets. Emphasis on such policy, however, should not lessen or overshadow the importance of more direct and knowledgeable U.S. participation in the program and budget processes. Strict uniform application of the policy to all organizations is difficult and, in our opinion, could serve to lessen the incentive to deal with the organizations on a case-by-case basis in recognition of conditions peculiar to each organization.

Recognizing that there are some constraints to exerting influence by formal means, we believe that more informal efforts earlier in the budget processes can benefit U.S. participation. We believe that recent U.S. efforts in the ILO can serve as an example for possible replication in other U.N. agencies.

RECOMMENDATION

We recommend that the Secretary of State, promote interagency consultation and planning necessary for developing strategies and action plans, determining means for implementation, and designating tasks and responsibilities for earlier U.S. involvement in U.N. agencies. The approach applied to the 1984-85 ILO budget is one example of how this might be done.

Such efforts should begin on a selective agency-by-agency basis and should weigh the relative needs for this additional emphasis in particular U.N. agencies and the availability of staffing and funding resources to carry out the new initiatives.

AGENCY COMMENTS

In providing official oral comments on a draft of this report, the State Department agreed in principle with the report's recommendation. It acknowledged the importance of and need for a structured approach to early involvement in U.N. agencies' program and budget activities.

Of main concern were the associated costs and personnel resources considered necessary to replicate the extensive efforts applied to the ILO. These factors would be considered in deciding how and the extent to which the recommendation would be carried out.

We have modified our recommendation to recognize this concern, emphasizing the importance of selectivity and staffing and funding resources. Modifications of the ILO approach that could produce commensurate results with fewer resources should be considered. We continue to believe, however, that much can be gained and applied from the ILO experience.

In response to the report's observations and conclusions in general, State believes that U.S. efforts to influence program budget decisions warrant more credit. It believes that the main problem has been the lack of response by some U.N. agencies to U.S. suggestions. For example, State officials commented that they have consistently provided suggestions on the U.N. agency budgets before they are circulated but these have been largely ignored as minority opinions. State's explanatory or elaborative comments in this regard were incorporated in the report where appropriate.

As we have emphasized in the report, we recognize that the U.S. minority position is a major constraint to U.S. influence on the programs and budgets. As we have also acknowledged, State has actively communicated its policy on budget restraint through high-level meetings with FAO and UNESCO officials and has promoted Geneva Group support for the policy. We did not, however, find that specific suggestions and means to attain budget economies were communicated routinely to agency officials during budget formulation. We continue to believe that U.S. participation can be helped by addressing, in more specific terms, the underlying cause and nature of problems faced, means to overcome them, and strategies designed to gain acceptance of the U.S. positions.

SELECTED GAO REPORTS ON U.S. PARTICIPATION
IN INTERNATIONAL ORGANIZATIONS

| <u>Title</u> | <u>Date</u> |
|--|----------------|
| U.S. Participation in the World Health Organization (B-164031) | Jan. 1, 1969 |
| U.S. Financial Participation in the Food and Agriculture Organization of the United Nations (B-167598) | Nov. 17, 1969 |
| U.S. Participation in the International Labor Organization Not Effectively Managed (B-168767) | Dec. 22, 1970 |
| Numerous Improvements Still Needed in Managing U.S. Participation in International Organizations (B-168767) | July 18, 1974 |
| Actions Recommended to Alleviate Serious Financial Problems Facing United Nations (B-168767) | Aug. 2, 1974 |
| U.S. Participation in International Organizations (ID-77-36) | June 24, 1977 |
| U.S. Participation in the World Health Organization Still Needs Improvement (ID-77-15) | May 16, 1977 |
| Need for U.S. Objectives in the International Labor Organization (ID-77-12) | May 16, 1977 |
| The United States Should Play a Greater Role in the Food and Agriculture Organization of the United Nations (ID-77-13) | May 16, 1977 |
| U.S. Participation in International Organizations: An Update (ID-79-26) | Aug. 10, 1979 |
| UNESCO Programming and Budgeting Needs Greater U.S. Attention (ID-79-12) | Sept. 14, 1979 |
| Identifying Marginal Activities Could Help Control Growing U.S. Costs (ID-81-61) | Sept. 30, 1981 |
| Delaying U.S. Payments to International Organizations May Not Be The Best Means To Promote Budget Restraint (GAO/ID-83-26) | Feb. 15, 1983 |

APPENDIX I

APPENDIX I

| <u>Title</u> | <u>Date</u> |
|--|---------------|
| Sustaining Improved U.S. Participation in The International Labor Organization Requires New Approaches (GAO/NSIAD-84-55) | May 3, 1984 |
| Improvements Needed In UNESCO's Management, Personnel, Financial, And Budgeting Practices (GAO/NSIAD-85-32) | Nov. 30, 1984 |



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