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

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

The Honorable Gerald Solomon
House of Representatives

This report responds to your joint letter of March 10, 1988, requesting that we examine selected aspects of the U.N. Children's Fund.

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

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

Frank C. Conahan
Assistant Comptroller General

Executive Summary

Purpose

The Chairmen of the House Committee on Foreign Affairs and its Subcommittee on Human Rights and International Organizations, and Congressman Gerald Solomon asked GAO to study financial and management issues and the level of U.S. influence in the U.N. Children's Fund (UNICEF). This report examines

- the views of the U.S. and other major donor countries on the general efficiency and level of effectiveness of UNICEF programs;
- UNICEF project monitoring and oversight;
- current UNICEF accounting practices, and status of fund balances, trust funds, and financial reserves; and
- the level of U.S. influence in the organization and the prospects for continuing such influence.

Background

UNICEF is a voluntarily funded, humanitarian development agency that assists children and mothers. UNICEF programs of cooperation provide services, including primary health care, water and sanitation, nutrition, and education in 119 countries around the world.

UNICEF is a semiautonomous agency within the U.N. system and is governed by a 41-member Executive Board, which meets annually to establish policy, review programs, and approve budgets. UNICEF has grown rapidly, with combined income for general resources and supplementary funding increasing from $164 million in 1977 to $572 million in 1987.

Results in Brief

GAO found that U.S. officials and representatives of other major donor countries believe that UNICEF's programs are managed in a generally effective manner. They do, however, have certain concerns about UNICEF's policies and programs. GAO observed conditions at some UNICEF-assisted project sites that suggested increased monitoring and oversight may help to improve recipient governments' program implementation efforts.

U.N. audits of UNICEF's 1985 and 1986 financial statements were critical of several accounting and financial management practices. UNICEF's management has responded affirmatively to the auditors' recommendations, and the Executive Board and major donors are satisfied with management's actions.

The United States is a major contributor to UNICEF and a significant participant in the organization. However, it is no longer the predominant donor, and its level of influence may be declining.

Principal Findings

U.S. Views About UNICEF Policies and Programs

Department of State and U.S. Agency for International Development officials viewed UNICEF's programs favorably. Like the representatives of other donor countries, they believed that UNICEF has well-managed and effective field programs. However, U.S. officials believe that UNICEF should collaborate more with other U.N. agencies and do more to help recipient governments sustain programs initiated with UNICEF funds. Also, U.S. officials are concerned about the decline in the U.S. share of UNICEF procurement in recent years.

Increased UNICEF Field Monitoring May Be Desirable

The primary responsibility for implementing UNICEF programs of cooperation rests with national and local government units. UNICEF's role is to support governmental efforts through its field offices, which are required to monitor those programs and projects that they assist.

During its field visits to UNICEF-assisted project areas in Africa, GAO observed some good examples of UNICEF project monitoring and oversight. At certain project areas, however, GAO found some program and project deficiencies. In some of these cases, GAO also found problems in the quality and quantity of professional oversight efforts, which suggested that more UNICEF oversight could help to improve governmental implementation efforts. State officials told GAO that they recognize the need for increased project monitoring and oversight, and that they have raised this issue with UNICEF.

Improvements in Financial Management Underway

The 1985 and 1986 audits by the U.N. Board of Auditors criticized UNICEF's management for engaging in financial practices that exceeded its authority or contravened U.N. General Assembly resolutions. The audits also cited problems in UNICEF's accounting for supplementary fund projects, greeting card operations, and its packing and assembly center.

UNICEF has taken corrective actions to clear the accounting questions and is in the process of further improving financial systems and controls. The Executive Board and major donors have expressed satisfaction with management's responses and the Board of Auditors rendered unqualified opinions on UNICEF's revised 1986 financial statements, and on its 1987 financial statements.

GAO concluded that UNICEF's general resources fund balance of $100.5 million, as of December 31, 1987, was not excessive when compared to 1987 expenditures of $299 million and that UNICEF's reserve funds of approximately $1.2 million, as of December 31, 1987, did not appear to be excessive. GAO did not review the balance of earmarked funds for supplementary projects because the United States was a small contributor to supplementary funds.

Major Donors View UNICEF's Programs as Efficient

Major donor representatives expressed the view that UNICEF is an efficient organization. They attributed UNICEF's program efficiency to the character of its mission, the few bureaucratic constraints it has, relative to other U.N. agencies, and the leadership and dedication of its personnel.

Several donor representatives stated that, as a development agency, UNICEF should increase its coordination and collaboration with other U.N. agencies. Another voiced his country's concern that UNICEF may be inappropriately expanding its mission to include activities that are not directly related to women and children. Nonetheless, the representatives agreed that these concerns do not alter their governments' overall favorable impression of UNICEF.

U.S. Influence in UNICEF Is Substantial, but May Be Declining

Historically, the United States has been the leading supporter of UNICEF, but there are indications that the extent of U.S. influence at UNICEF may be declining. Other donors have increased their contribution levels; in 1987, Sweden and Italy surpassed the United States in total governmental contributions. The United States regained its status as the leading contributor in 1988, but this was largely because of a major U.S. Agency for International Development grant for a supplementary funded UNICEF immunization project.

Recommendations

GAO recommends that the Secretary of State direct the Assistant Secretary for International Organization Affairs to intensify efforts to encourage UNICEF's Executive Board and management to increase the

level of field monitoring and oversight of governments' implementation of UNICEF-assisted programs.

Agency Comments

The Department of State concurred with GAO's assessment that increased UNICEF monitoring and oversight of field projects could improve governments' implementation efforts (see app. I). State also said that greater collaboration is needed between UNICEF and other U.N. agencies, and that increased efforts are needed to ensure that UNICEF programs are sustainable. State further said that it would continue to promote these objectives and make efforts to strengthen UNICEF's performance in the areas of weakness. State expressed the view that for the near term, U.S. influence in UNICEF will remain substantial.

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Abbreviations

AID	U.S. Agency for International Development
GAO	General Accounting Office
U.N.	United Nations
UNICEF	U.N. Children's Fund
UNIPAC	UNICEF Procurement and Assembly Center

Introduction

In a letter dated March 10, 1988, the Chairmen of the Committee on Foreign Affairs, House of Representatives and its Subcommittee on Human Rights and International Organizations, and Congressman Gerald Solomon requested that we review the U.N. Children's Fund (UNICEF). We were specifically asked to examine UNICEF's general program efficiency and effectiveness; the views of other major donors; current accounting practices, contingency funds, trust funds, and financial reserves; and the level of U.S. influence and prospects for continued U.S. influence in the organization.

An Overview of UNICEF's Organization and Programs

UNICEF is a voluntarily funded, humanitarian development agency that assists children and mothers. Founded in 1946 to help the children of war-devastated Europe, its mandate was later expanded by the U.N. General Assembly to include programs of long-range benefit to children in developing countries. As a subsidiary body of the General Assembly, UNICEF is an integral part of the United Nations. It is also a semiautonomous agency, in that its programs are financed entirely from its own resources. UNICEF has its own governing body—a 41-member Executive Board that meets annually to establish policy, review programs, and approve budgets. UNICEF's work is reviewed annually by the U.N. General Assembly and its Economic and Social Council.

In 1987, UNICEF had total expenditures of $479 million[1] and operated programs and projects in 119 countries (42 in Africa, 34 in Asia, 30 in Latin America, and 13 in the Middle East and North Africa). According to Department of State documents, UNICEF had 1,330 professional employees as of December 31, 1987, about 10 percent of whom were U.S. citizens.

UNICEF has a decentralized organization structure. Being concerned with developing local institutional capacity to deliver services to children, the emphasis in UNICEF's operations is at the field office level. About 80 percent of UNICEF's staff are in its 88 field offices around the world. Although recipient governments are responsible for program implementation, UNICEF field officers work with government ministries to plan the country program and projects and to monitor project expenditures.

Management of UNICEF is the responsibility of the Executive Director—a position traditionally held by a U.S. citizen—who is appointed by the U.N. Secretary General, in consultation with the Executive Board. UNICEF

[1] Includes both program and administrative expenditures.

is administered by the Executive Director's office in New York, which is organized into three functional areas: operations, programs, and external relations. Each group is headed by a Deputy Executive Director, who reports to the Executive Director.

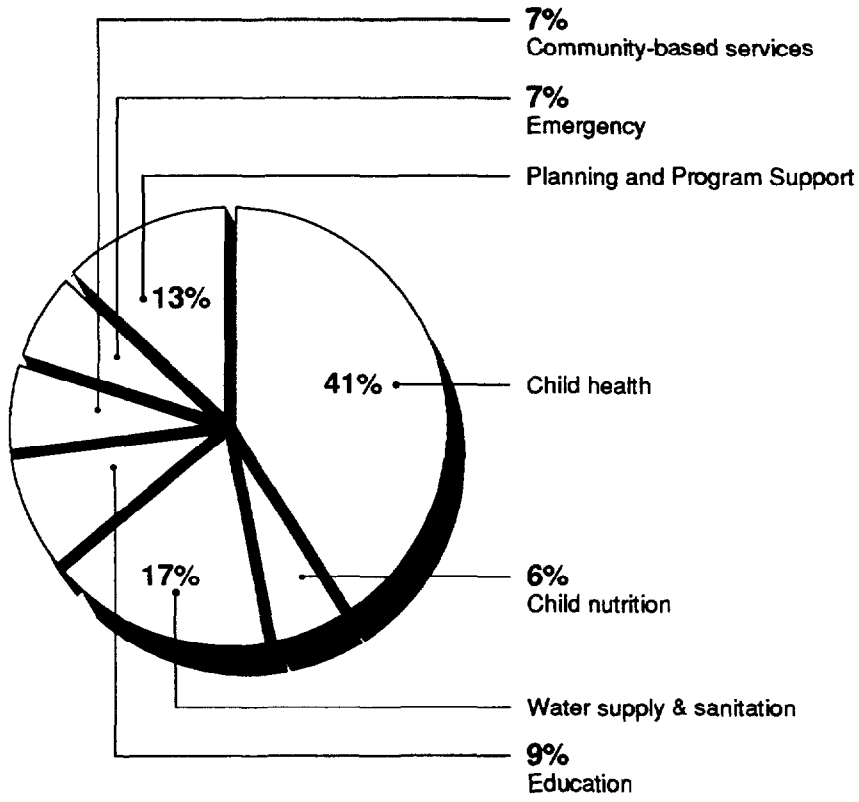
UNICEF's assistance to countries is channeled through "country programs," or programs of cooperation with recipient countries that are approved by the Executive Board for 4 to 5 years. Under this approach, UNICEF acts as a partner with each country to carry out programs and projects that conform with its goals, as well as the country's development plan.

Working through governments, local communities, and nongovernmental organizations, UNICEF programs help to finance services, including primary health care, water and sanitation, nutrition, and education. In addition, UNICEF delivers medical supplies and equipment through its centralized supply system, the UNICEF Procurement and Assembly Center (UNIPAC), located in Copenhagen, Denmark.

Country programs are financed from UNICEF's general resources. UNICEF treats the amounts approved for country programs as financial commitments that countries can take into consideration in their own planning efforts. Extensions of country programs, such as expansion of an immunization program, are financed by supplementary fund contributions made specifically for those purposes by donor countries.

UNICEF's total program expenditures in 1987 (including both general resources and supplementary funds) were $432.9 million. The vast majority of these expenditures were in the form of cash assistance payments and supply assistance to governments. Child health activities accounted for the predominant portion (41 percent) of program expenditures in 1987, followed by water supply and sanitation (17 percent), and program support costs (13 percent). (See fig. 1.1.) UNICEF programs for child health include the promotion of universal immunization, oral rehydration therapy (for treatment of diarrhea), breast feeding, and other child survival techniques. UNICEF is also involved in child development-related projects such as education, nutrition, women in development, and community services.

Figure 1.1: Total UNICEF Program Expenditures by Program Field, 1987

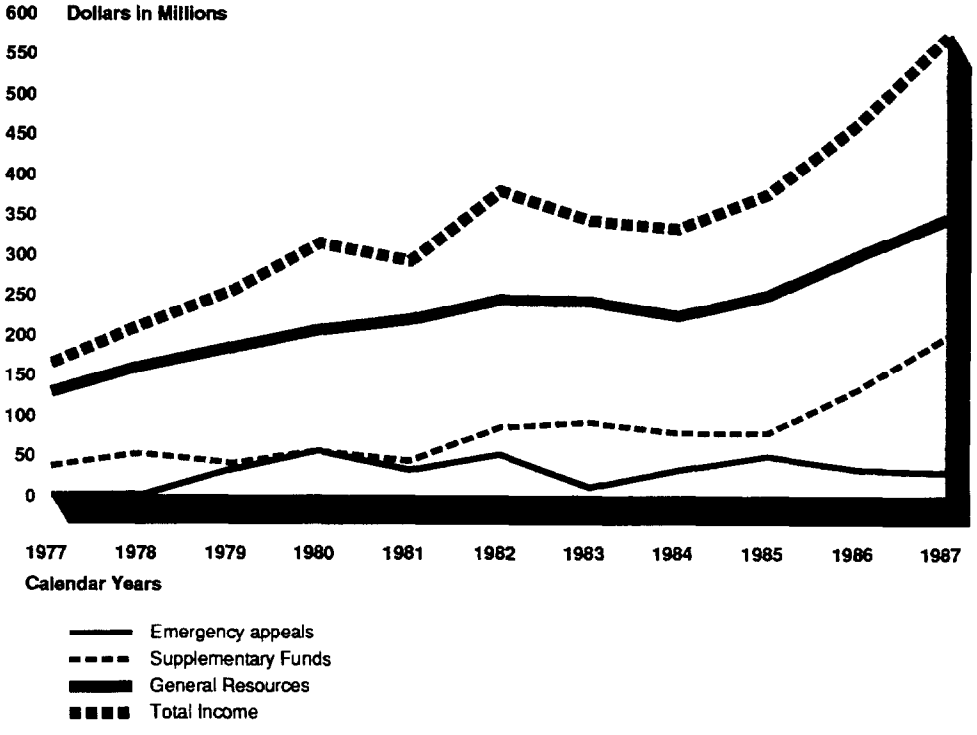


Source: UNICEF Report of the Executive Director, 1987

UNICEF Funding

UNICEF's funding comes from a variety of governmental and nongovernmental sources and has grown rapidly, with an increase in total income from $164 million in 1977 to $572 million in 1987. In accordance with UNICEF financial rules and regulations, income is classified as either general resources or supplementary funds, which includes income from emergency appeals. Figure 1.2 shows the increase in UNICEF's income from these major sources from 1977 to 1987.

Figure 1.2: UNICEF Income From Major Sources, 1977-87



Source: UNICEF

UNICEF's income for general resources comes from voluntary contributions made by governments, nongovernmental organizations, such as the national committees for UNICEF, and from individuals. This income also includes the net profits of UNICEF's Greeting Card Operation, an independent, profit-making operation within UNICEF. General resources income is used to fund UNICEF's country programs of cooperation and for administrative support costs. General resources income increased from $128 million in 1977 to $345 million in 1987.

Supplementary funds income is comprised of earmarked contributions from governments, intergovernmental and nongovernmental organizations, and other U.N. agencies. These funds are used for specific projects selected by the donors from several projects approved for supplementary funding by the Executive Board. Supplementary fund contributions are generally in addition to a donor's contribution to general resources and often come from a country's bilateral aid budget. This income

source for UNICEF increased from $36 million in 1977 to $198 million in 1987.

UNICEF emergency appeals are also considered supplementary funds income. This income varies from year to year and reflects donor contributions for specific emergencies. Emergency contributions increased from zero in 1977 to a high of $54 million in 1980.

Objectives, Scope, and Methodology

Our objectives were to examine (1) the views of the U.S. and other major donor countries on the general efficiency and level of effectiveness of UNICEF's programs; (2) UNICEF's current accounting practices and the status of fund balances, trust funds, and financial reserves; and (3) the level of U.S. influence at UNICEF and prospects for continued U.S. influence.

Our review was conducted primarily at UNICEF headquarters and the U.S. Mission to the U.N. in New York City, and at the Department of State and the U.S. Agency for International Development (AID) in Washington, D.C. In addition, we visited selected UNICEF field locations in Africa (Ghana, Kenya, Mozambique, and Tanzania) and interviewed officials of UNICEF, AID and other bilateral donors, and recipient government representatives. Because U.N. organizations are outside our audit authority, our review of UNICEF documents and reports was limited to those that are generally available to member governments. As a result, we did not test internal controls or verify certain data provided by UNICEF.

To assess the efficiency and effectiveness of UNICEF's headquarters and field operations, we reviewed UNICEF's evaluation system and policies for field programs/projects. We analyzed evaluation documents, reports, and manuals provided by UNICEF's Evaluation Unit in New York, and field offices in Africa. We also reviewed evaluation reports of the U.N. Joint Inspection Unit. We interviewed UNICEF financial and program managers in New York, and field officers in Africa. We also met with representatives of other major donor countries in New York and in the countries visited.

We interviewed representatives of major donor countries' missions to the U.N, specifically Canada, Italy, Japan, and Sweden, to obtain their views on UNICEF policies and programs, and how they participate in the organization.

To evaluate UNICEF's accounting practices, and analyze its fund balances, trust funds, and reserves, we reviewed the audited financial statements for 1985, 1986, and 1987 and noted the problems identified by the U.N. Board of Auditors, the Advisory Committee on Administrative and Budgetary Questions, and others. We interviewed UNICEF's Chief of Accounts and the Deputy Director of the Internal Audit Office. We also interviewed representatives of major donor countries to discuss their concerns about UNICEF's accounting and financial management matters.

To analyze U.S. participation in UNICEF, we reviewed U.S. position papers and other documents reflecting U.S. policy priorities and concerns provided by State's Bureau of International Organization Affairs, and AID in Washington, D.C., and by the Resource Management Section and the AID adviser at the U.S. Mission in New York. We also interviewed officials at these offices to obtain their agencies' views on U.S. positions towards UNICEF. Our review determined how U.S. policies are formulated; the roles and responsibilities of various participants in the policy formulation process (State, AID, U.S. Mission to the U.N., and others); and United States' objectives regarding its leadership role in the organization.

We conducted our review from April 1988 to February 1989 in accordance with generally accepted government auditing standards.

Observations on the Efficiency and Effectiveness of UNICEF Programs

State and AID officials believe that, overall, UNICEF has well-managed and effective field programs. However, they pointed out certain U.S. concerns about UNICEF's policies and programs. Representatives of most donor countries we met with also view UNICEF's programs and policies favorably. These countries also have some concerns about UNICEF's programs; however, they are not substantial enough to alter their overall favorable impression of UNICEF.

UNICEF country programs provide funding commitments and outline strategies to be followed by host governments in implementing UNICEF programs of cooperation. Recipient governments bear primary responsibility for project implementation. UNICEF's role is to support governmental efforts, and to ensure that program funds are used efficiently and effectively. UNICEF recently strengthened its field monitoring and evaluation policies and procedures. However, during our field visits to UNICEF project areas in Africa, we found conditions at some areas that suggested more UNICEF oversight and involvement could improve governments' program implementation efforts.

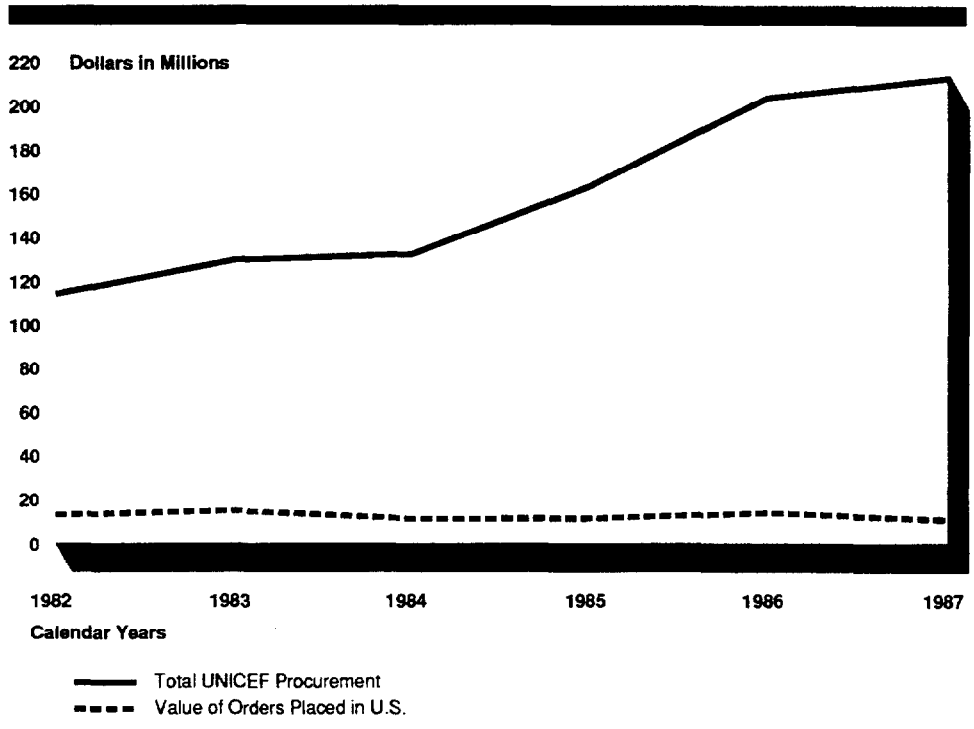
U.S. Views on UNICEF Policies and Programs

Overall, State and AID officials credited UNICEF for running a generally effective program. They believe UNICEF has well-managed and effective field programs, and they support its goals. However, these officials said that they have certain concerns about UNICEF's policies and programs, including the level of UNICEF procurement in the United States, its collaboration with other U.N. agencies, and program sustainability. These concerns do not alter the positive overall U.S. impression of UNICEF's programs.

Decline in U.S. Share of UNICEF Procurement

In 1982, UNICEF's Executive Board approved the consolidation and move of the UNICEF Procurement and Assembly Center (UNIPAC) operations in New York and Geneva, Switzerland to Copenhagen, Denmark. At that time, the United States raised concerns that U.S. firms would be adversely affected by the move. UNICEF reported that its procurement totaled $114 million in 1982, of which 11.1 percent, or $12.7 million, was purchased in the United States. However, in 1987, UNICEF's procurement from U.S. firms declined to $10.7 million, or 5.1 percent of the total. UNICEF's purchases within the United States as compared to total procurement in recent years is shown in figure 2.1. As shown, although total UNICEF procurement increased substantially between 1982 and 1987, the U.S. share has declined.

Figure 2.1: Total UNICEF Procurement and Value of Orders Placed in the United States, 1982-87



Source: UNICEF Supply Division Annual Reports 1982-87

UNICEF has taken action to help firms in major donor countries learn about and bid for its supply contracts. For example, according to a UNICEF official, UNICEF conducted training courses in one major donor country on UNICEF competitive bidding procedures. In 1988, UNICEF's Chief of Procurement met with Department of Commerce staff in the U.S. Embassy in Copenhagen for assistance in an attempt to maintain a level of procurement at least equal to that expended in the United States in 1987.

Commerce, through its Foreign Commercial Service, assists U.S. firms seeking to sell abroad in several ways. It announces "trade opportunities" for specific products through its Trade Opportunities Program, a computerized system called the TOP system, to which U.S. firms may subscribe. In July 1988, for example, Commerce used this system to alert U.S. firms that produce goods and supplies of interest to UNICEF to contact UNIPAC directly in Copenhagen.

Commerce also circulates an "Export Opportunities Alert" to its domestic district offices. For UNICEF, Commerce issued an alert that listed UNICEF's U.S. purchases over the past 2 to 3 years. Commerce district offices were asked to encourage U.S. manufacturers of pertinent items to make themselves known to UNICEF.

U.S. Positions on Other Issues

The U.S. representative to UNICEF's Executive Board stated at the 1988 Board meeting that, while the United States recognized the importance of UNICEF's innovative approaches to such vital issues as building institutional capacity and mobilizing community involvement, it believes that UNICEF's main focus should remain on core activities related to child survival. The representative recommended, therefore, that UNICEF strengthen those components of child survival programs that remain weak, such as breast feeding, birth spacing, growth monitoring, and universal acceptance of oral rehydration therapy for treatment of diarrhea.

According to the statement made by the U.S. representative at the 1988 Board meeting, the United States would also like UNICEF to pursue more collaborative initiatives within the U.N. system through, for example, the U.N. Joint Consultative Group on Policy and the World Health Organization/UNICEF Joint Committee on Health Policy. The United States believes that UNICEF's goals, such as reduction of infant and maternal mortality and severe malnutrition, and progress toward universal primary education and clean water and sanitation, are all achievable, but not by UNICEF alone. Thus, the representative urged that UNICEF be realistic about its role and capacity and to enlist other partners to the greatest extent possible.

The U.S. representative also stated that, while recognizing the critical role of female education in the survival of children, the lead for formal literacy programs should rest with local governments, nongovernmental organizations, and other appropriate U.N. bodies. Similarly, at the 1986 Executive Board meeting, another U.S. representative maintained that issues such as a convention on the rights of the child should be more appropriately viewed as a responsibility of the International Labor Organization and nongovernmental organizations. The United States believes that UNICEF's role in these tasks should be more limited.

The United States is also concerned about the sustainability of UNICEF programs, including the recurring costs for human resources and institutional development. According to AID officials, the issue is whether the programs UNICEF helps to initiate can be supported by local governments

after UNICEF "seed money" is finished. At the 1988 Executive Board meeting, the U.S. representative stated that the United States' viewpoint that the ability to sustain programs (e.g., by fully integrating UNICEF's child survival activities and maternal child health programs into a country's primary health care system) remains the key to retaining the progress made by UNICEF over the long term. UNICEF's Executive Board recently approved a major UNICEF initiative in Africa, aimed at helping governments to develop sustainable health programs.

Major Donors View UNICEF Programs Favorably

We interviewed officials from the United Nations missions of Sweden, Canada, Italy, and Japan, and field representatives of these countries, as well as Denmark, Holland, and the European Economic Community in Africa to obtain their views on UNICEF. In general, these donor countries view UNICEF's programs and policies favorably. Although these countries have some concerns about UNICEF's program and policy orientation, and certain accounting and financial management practices, such concerns are not substantial enough to alter their overall favorable impression of UNICEF. Concerns about UNICEF's accounting and financial management practices are described in chapter 3.

Donor representatives stated several reasons for their governments' contributions to UNICEF, such as UNICEF's

- supplementary fund programs' conformity with the donor's bilateral programs, and their offer of ready made projects for financing;
- emergency assistance to countries where the donor has no bilateral presence; and
- extensive field structure.

According to one donor representative, practically all of the emergency aid funds of his country are channeled through UNICEF supplementary funded projects. This representative said that in contrast to general resources contributions, the supplementary funding vehicle provides more influence and control over how and where the contributions are spent. In this regard, several donor representatives told us that their countries have no direct control over funds contributed to general resources; whereas, in the case of supplementary funds, the donors can select specific projects to fund.

Donor representatives generally agreed that UNICEF is known for its program efficiency and its advocacy role on behalf of children and mothers. One representative attributed UNICEF's efficiency to the character of its

mission and, relative to other U.N. agencies, fewer bureaucratic constraints. Another representative stated that UNICEF is the most efficient U.N. organization, and indicated that his country is satisfied with UNICEF's performance. One donor representative attributed UNICEF's efficiency to the leadership of the current Executive Director and to the dedication of UNICEF's staff.

Most donor field representatives we talked with in Africa also viewed UNICEF programs favorably. However, their level of knowledge about UNICEF activities largely depended on whether the focus of their own bilateral aid programs is similar to UNICEF's. Some donors maintain close working relationships with UNICEF through their parallel financing of programs and/or participation in supplementary funded projects. In Tanzania, for example, one donor provides joint financing for UNICEF's rural essential drugs program and its expanded immunization program. In contrast, if a donor's aid program does not focus on the same areas as UNICEF, there is little contact with UNICEF, aside from U.N.-sponsored donor coordination forums.

One donor representative expressed his view that UNICEF has become a development agency, with an increased need to coordinate its activities with other U.N. agencies. Two donor representatives acknowledged UNICEF's collaboration efforts—one citing the U.N. Fund for Population Activities in the U.N. Joint Committee on Programming, and the other citing the World Health Organization in the field of primary health care for children and mothers. One donor's position was that UNICEF should be more involved with World Bank and U.N. groups in promoting more donor coordination in child survival and development activities. Another donor representative, on the other hand, commented that UNICEF's program efficiency should take precedence over increased collaboration.

Major donor countries also differ on UNICEF's mission to work for mothers and children. One major donor representative believes that UNICEF may be duplicating the work of other U.N. agencies, such as the U.N. Educational, Scientific and Cultural Organization, especially in those countries where it provides primary education. In addition, the representative believed that UNICEF has inappropriately expanded its mission to other areas, such as women, education, and the environment. In contrast, another donor representative said UNICEF's work on primary education, nutrition, and water supply is a legitimate expansion of its charter mandate. This representative said UNICEF's most important goal should be its impact on long-term development, and that his government

is concerned that UNICEF may be placing too much emphasis on campaign initiatives at the expense of long-term development programs, such as water supply, nutrition, and education.

UNICEF Program Management

The process of country programming begins with a basic framework of agreement between the country and UNICEF authorizing UNICEF to operate within the country. UNICEF then works with pertinent ministries—health, education, planning—to develop a program of cooperation in those sectors that are a part of UNICEF's mandate and the country's own development plan. UNICEF funding to each country is determined by such factors as the number of children in the country, gross national product per capita, and infant mortality and morbidity rates. Once approved by the Executive Board, the country program becomes the basis for the cooperative program strategy. The country program also breaks down UNICEF funding commitments by program sector and type of input, and estimates the timing of expenditures.

According to UNICEF officials, UNICEF programs are designed to encourage local self-reliance, and many of its projects are planned from the community level. In doing so, care is taken to pay attention to the government's priorities and to select those programs that use low-cost, community-based delivery systems that UNICEF specializes in, such as primary health centers rather than large, urban medical centers.

UNICEF country programs are carried out by recipient countries, which bear primary responsibility for project implementation. UNICEF's role is to support governmental efforts and to monitor and evaluate those programs it assists. UNICEF maintains 88 field offices, which are responsible for controlling and monitoring expenditures for supplies and equipment, but the recipient governments are responsible for the goods once they arrive in the country. Field offices also control cash expenditures for UNICEF project personnel, salaries for non-UNICEF personnel, training activities, and other project activities such as evaluations. Each UNICEF field officer is usually responsible for monitoring a national program sector, as well as one or more area-based programs.

According to UNICEF documents, procurement of supplies and equipment is the largest component of country programs, followed by cash assistance payments to governments. In 1987, UNICEF reported that its supply division placed purchase orders totaling $213 million in 124 countries.

Centered in Copenhagen, the supply division is responsible for the international procurement of items, including vaccines and related equipment, vehicles and parts, medical supplies and equipment, and water and sanitation project materials and equipment. UNICEF also reported that in 1987, it provided $167 million in cash assistance payments. Cash assistance payments are generally made through and audited by the national governments.

Efforts to Improve Program Monitoring and Evaluation

As part of their responsibilities in supporting governments in executing programs of cooperation, UNICEF field offices are required to monitor and evaluate those projects that they assist. In 1984, UNICEF's Executive Board determined that the quantity and professional quality of monitoring and evaluation efforts needed improvement and that steps should be taken to strengthen monitoring and evaluation activities at both field and headquarters levels. In response to the Board's request, in 1986, UNICEF issued a policy paper establishing new strategies for field monitoring and evaluation, which focused on four areas—child monitoring, project and program monitoring, project and program evaluation, and special studies. Procedures to strengthen the monitoring and evaluation of projects and programs were also incorporated into UNICEF's policy and procedures manual.

In the area of project and program monitoring, UNICEF outlined steps to strengthen the capacity of recipient governments and UNICEF field offices to monitor programs. Field offices were instructed to review the effectiveness of government monitoring systems and to request periodic progress reports. They were also instructed to monitor the relevance and effectiveness of UNICEF inputs, and to conduct more systematic field visits.

UNICEF procedures also require annual reviews of program implementation jointly with government ministries. These reviews permit the government and UNICEF to modify programs and to take corrective action on implementation problems. UNICEF country representatives also submit annual reports to the Executive Director. This report is an analytical summary of each program's status and discusses implementation and management issues.

In 1987, UNICEF established an independent evaluation office, which reports to the Deputy Executive Director for Programs. The evaluation office's responsibilities include reviewing the approximately 100 to 200 field evaluations and studies completed each year, and conducting its

own evaluations and rapid assessments of selected programs. The office is staffed by five professionals, who are specialists in cost-benefit analysis, income-generation projects, and health, nutrition, immunization, and water programs. It also uses consultants to carry out some of its work.

The Evaluation Office itself conducts about 13 to 14 evaluations a year. It also publishes a newsletter to broaden communications within UNICEF on evaluation issues. In addition, it has encouraged the designation of evaluation "focal points," usually planning officers, in field offices. These officers manage evaluation activities in their countries and serve as the contact with headquarters.

Increased Monitoring by Field Offices May Be Desirable

As part of our fieldwork, we visited a sample of ongoing UNICEF projects in Ghana, Kenya, Mozambique, and Tanzania. These visits provided us with a limited view of UNICEF program activities, and enabled us to observe some exemplary achievements in cooperative child survival and development activities. At certain project areas, however, we found conditions that suggested UNICEF oversight of government implementation efforts was lacking. For these projects, UNICEF oversight was limited to infrequent monitoring visits. Selected observations from these visits are discussed below.

Ghana

In Ghana, we visited several UNICEF-assisted water and sanitation projects. A UNICEF field officer stated that for such projects, UNICEF provides about one-third of the project's total cost, usually in supplies and equipment not available locally. The remainder of the costs are paid by the government, nongovernmental organizations, and the community itself.

The first project we visited was a ventilated latrine to service a large marketplace. The project appeared to be a restart effort because the concrete foundation for the latrine had been in the ground for several years, and at the time of our visit, workers were mixing cement to add to the existing foundation. The second project involved the repair of a concrete box to collect spring water for a village. It appeared that the project was started on the day of our visit.

We also visited a village where UNICEF had installed three wells and hand pumps to meet the water needs of the village's 5,500 population. The village leader informed us that two of the three hand pumps had been out of service for more than 3 months, and that although notified of the

problem, UNICEF had taken no action. We informed the UNICEF representative about the village leader's concerns, and he said he would look into the matter.

The UNICEF field officer responsible for monitoring these projects said that he spent about half of his time in the field, overseeing these and other projects, and the remainder of his time at UNICEF's office in the capital, dealing with national program matters.

Kenya

In Kenya, we visited a women's handicrafts center and several community based projects—a water and sanitation project, a seed production site, and a nursery school. At the water and sanitation project, we observed the nearly completed construction of a grain storage bin, a latrine, and a rainwater collection tank, all being built with local materials on a private homestead. We also saw a shallow water well, which served several homesteads.

At the seed production site, which assisted 152 families, we observed the planting fields and a seed storage facility, which was built with UNICEF's assistance. At this site, we were also shown a nursery school and a groundwater collection tank, constructed several years ago with UNICEF assistance. A U.S. Peace Corps water and sanitation engineer, who worked closely with UNICEF's field officer, accompanied us on the visit and observed that the tank's design was faulty, and as a result the water collected was not potable. He told us that he would recommend that UNICEF assist the local government in building a rainwater collection tank at the nursery school to provide enough potable water for the school children's needs.

The UNICEF field officer responsible for this project area indicated that she spends from 5 to 10 days monthly in the field and the remainder of her time on program activities at UNICEF's office in the capital. The field officer further informed us that, as part of an expansion of Kenya's country program for 1989-93, she will be responsible for an additional project area several hundred miles away from the present one.

Mozambique

Because of the security situation in Mozambique, our site visits were restricted to the capital city and surrounding area. We were briefed on all UNICEF programs in Mozambique, and visited a UNICEF-assisted city health center and an integrated rural development project.

The city health center provided a range of medical services and served approximately 36,000 people. Headed by a medical doctor, the center

was located in three separate buildings with indoor plumbing and what appeared to be a full complement of medical supplies and equipment. With separate areas for examinations, immunizations, consultations, training, and even a small laboratory, the center appeared to have a large medical staff and a large patient load.

The integrated rural development project was part of UNICEF's efforts to strengthen a union of women's cooperatives in areas including family food production, small rural business, marketing, and alternative energy management. We visited one cooperative site where UNICEF assisted in the establishment of a small pottery factory, an irrigation scheme for vegetable farming, a hog-raising operation, and a methane collection tank used to convert waste materials to cooking gas.

Since these project areas are located in and around the capital city, they are frequently visited by UNICEF field officers.

Tanzania

We visited three project areas in Tanzania and observed rural dispensaries in each area, a nutrition support program in one project area, and components of water and sanitation programs in two of the areas.

At the first project area, we visited two government dispensaries that were constructed and equipped with UNICEF assistance. Records showed that each served between 1,500 and 1,800 patients per month. The physical facilities, built in 1986 and 1987, appeared to be spacious and of sound construction, but were unsanitary and lacked proper supplies and equipment. The dispensaries also lacked potable water and fuel to sterilize water, or to run the kerosene refrigerator. At one dispensary, the worker in charge informed us that the dispensary's medical officer, who was on leave for 2 weeks, was the only employee at the dispensary with formal medical training. The dispensaries participate in a supplementary funded, UNICEF essential drugs program. However, at the time of our visit, both had nearly depleted their monthly drug kits, and as a result, there was little they could do to treat patients. We did not have the opportunity to meet the UNICEF field officer for this project area, but according to the local UNICEF coordinator, the field officer visits the area for 3 to 4 days every 3 months to discuss progress and to plan the next quarter's work.

At the second project area, we also visited two UNICEF-assisted dispensaries. Each dispensary appeared adequately staffed with a trained nurse, a midwife, and maternal and child health assistants. However, like the first ones, neither of these dispensaries had access to potable water. At

one dispensary, the staff was boiling water to sterilize instruments; however, the kerosene stove needed to boil water was not functioning at the other. Both dispensaries appeared to have adequate drug supplies and had already received their drug kits for the following month. The UNICEF field officer was not available to discuss the program.

At the last project area, we observed components of a nutrition support program, known as the Iringa Model. This is a supplementary financed project implemented jointly by UNICEF and the World Health Organization. It has assessed key problems in child survival and development, identified essential nutritional needs, and continuously monitored children's development. At this project area, we visited a dispensary rehabilitated under the project, and a sunflower oil extraction facility operated by a women's group with UNICEF financing. We also attended a village health day, where mothers brought their children for weighing and received counseling about child nutrition. According to project documents, severe malnutrition in the project area has dropped by two-thirds, and the lives of over 3,000 children have been saved. The UNICEF project officer informed us that he resides in the project area and dedicates all of his time to the project.

Our observations were limited, and therefore are not necessarily representative of the overall cooperative UNICEF/government execution efforts in the areas observed. Nonetheless, they suggest that increased UNICEF field monitoring and oversight may help to further improve governmental efforts.

Lessons learned from UNICEF's own evaluations and assessments also emphasize the need for improved field oversight. For example, in a 1988 memorandum, communicating the results of an evaluation survey, the evaluation office director referred to lessons learned in various countries, calling attention to weaknesses in the training of basic health workers and the need for more consistent field supervision and more accurate and timely surveillance. A UNICEF rapid assessment of a national vaccination campaign also showed that equipment supplied by UNICEF to strengthen immunization services was withdrawn after the campaign and placed in storage, rather than leaving it at the health posts to improve the quality of ongoing immunization services.

Conclusions

Overall, U.S. officials and other major donor representatives believe that UNICEF's programs are managed in a generally effective manner. U.S.

officials, however, pointed out certain U.S. concerns about UNICEF's policies and programs. U.S. officials hold the view that UNICEF should collaborate more with other U.N. organizations and do more to help recipient governments sustain child survival activities that UNICEF has helped to initiate.

Representatives of major donor countries also view UNICEF's programs and policies favorably, but also have some concerns about UNICEF's program orientation, and certain accounting and financial management practices.

UNICEF's efforts to strengthen its field monitoring and evaluation policies and procedures are positive steps to improve its overall program management. On our field visits to UNICEF project areas in Africa, we observed some good examples of UNICEF project monitoring and oversight. At certain project areas, however, we found problems similar to those pointed out by UNICEF's Executive Board in 1984 in the quality and quantity of professional oversight efforts. The conditions we observed at these project areas suggested that more UNICEF oversight could help to improve governmental implementation efforts.

Recommendation

We recommend that the Secretary of State direct the Assistant Secretary for International Organization Affairs to intensify efforts to encourage UNICEF's Executive Board and management to increase the level of field monitoring and oversight of governments' implementation of UNICEF-assisted programs.

Agency Comments

The State Department and the Agency for International Development agreed that UNICEF programs are highly regarded, and concurred with our observation that increased UNICEF monitoring and oversight of field projects could improve governments' implementation efforts. State also emphasized the need for greater collaboration between UNICEF and other U.N. agencies, and increased efforts to ensure that UNICEF programs are sustainable. State said that it is encouraging more UNICEF collaboration with other U.N. agencies to promote greater program efficiency and effectiveness, and would continue efforts to strengthen UNICEF's performance in the areas of weakness.

AID commented that the report does not address the impact of UNICEF's expanding supplementary funded programs on priority program areas and the management of the organization. We agree that UNICEF has

become increasingly reliant upon supplementary funds contributions. Such contributions has increased UNICEF's income from $36 million, or 22 percent of total income in 1977 to $198 million, or 35 percent of total income in 1987. However, State and AID officials could not provide us with specific details identifying what adverse impact supplementary financing had on UNICEF programs or operations.

AID also stated that the report does not accurately or adequately reflect its concerns about the sustainability of UNICEF activities and UNICEF's coordination with host governments and international organizations at the national level. We agree that more needs to be done to improve project sustainability and program coordination, and our report reflects our concerns in these areas.

Improvements in Financial Management Underway

In 1985 and 1986, the Board of Auditors criticized UNICEF's management of financial resources, especially its accounting for supplementary funds, and declined to render an opinion on the 1986 financial statements. However, in 1988, the Board rendered unqualified opinions on the revised 1986 and the 1987 financial statements. UNICEF is improving its financial management to the satisfaction of the Executive Board and major donors. Its new financial managers have largely cleared the accounting questions and are in the process of improving financial controls within the organization. In addition, fund balances and reserves, as of December 31, 1987, do not appear to be excessive.

U.N. Board of Auditors Critical of UNICEF Financial Statements

Each year the Executive Director submits a financial report of UNICEF's accounts to the U.N. Board of Auditors. The report is also submitted simultaneously to the Advisory Committee on Administrative and Budgetary Questions for its review.[1] After completion of its audit work, the Board submits the report, along with its audit opinion to the General Assembly. The Board of Auditors criticized UNICEF's 1985 and 1986 financial reports, citing unauthorized expenditures, material errors, and unclear accounting procedures and policies regarding financial reporting. In 1988, the U.N. Board of Auditors rendered unqualified opinions on both the revised 1986 and the 1987 financial statements.

In 1985, the Board of Auditors issued an unqualified opinion on UNICEF's financial statements, but criticized management for engaging in financial and budgetary practices, which either went beyond its authority or contravened U.N. General Assembly resolutions. Partly as a result of the auditors' critical reports, UNICEF appointed new financial managers.

The auditors did not issue an opinion on the 1986 financial statements. This action was taken because the audit disclosed material errors in account balances, inconsistent application of UNICEF's accounting procedures and policies, and the inability to audit certain accounts. The auditors gave highest priority to audit recommendations concerning UNICEF's accounting practices and treatment of supplementary fund contributions. They were particularly concerned about (1) the temporary allocation of general resources for supplementary funded projects, (2) when

[1] The Advisory Committee on Administrative and Budgetary Questions is a standing committee of experts appointed by the General Assembly. The Committee is responsible for examining the U.N. budget and other administrative and budgetary matters.

supplementary fund income is recognized, (3) supplementary fund project expenditures that exceed donor commitments, and (4) the disposition of supplementary fund contributions that exceed expenditures. In addition, the auditors were concerned about expenditures for UNICEF's 40th anniversary events, the use of different accounting systems in UNICEF headquarters and at UNIPAC in Copenhagen, and the inclusion of Greeting Card Operation income in UNICEF accounts.

In view of the criticisms contained in the 1985 audit report, and in the absence of an opinion on the 1986 statements, the Advisory Committee on Administrative and Budgetary Questions supported an expanded audit of UNICEF's 1986 accounts. The Board of Auditors issued its report on the expanded audit on March 25, 1988, and rendered an unqualified opinion on UNICEF's revised 1986 financial statements.

The Board of Auditors also rendered an unqualified opinion on UNICEF's 1987 financial statements. The auditors did, however, note that recommendations from the 1986 expanded audit report were only partially implemented, primarily because the report was not issued until March 1988. Therefore, the auditors restated many of the recommendations contained in the 1986 report.

UNICEF's Response to Audit Recommendations: Policies Revised and Accounting Questions Acted on

UNICEF's response to the auditors' recommendations resolved the accounting questions and clarified accounting policies and procedures, especially for the treatment of supplementary funds. At its 1988 meeting, the Executive Board passed a resolution that clarified UNICEF's policies and accounting procedures for the use of supplementary funds and general resources. The resolution set forth conditions for the temporary allocation of general resources to supplementary funded projects. The Board also clarified the circumstances under which supplementary fund expenditures may exceed donor commitments, and instructed UNICEF on how to treat those contributions that exceed total expenditures on completed projects. UNICEF's management prepared a comprehensive statement of policies, procedures, and practices on supplementary funds for presentation at the 1989 Executive Board meeting.

The Board of Auditors also criticized UNICEF's accounting treatment of supplementary fund contributions. The 1986 audit identified several types of errors in accounting for supplementary fund contributions. These included errors in recording the fiscal period for which the donors' supplementary fund pledges were made, failure to record the full amount of pledges received, and delays in recording pledges, and

recognizing income. The principal cause for these errors, according to the audit report, was the lack of accounting guidelines and procedures for staff use. Management has responded by implementing procedures that mandate how income is to be treated.

The 1986 audit disclosed that, because of accounting errors, UNICEF expended $17.7 million more than the donors had committed for individual supplementary funded projects. According to UNICEF's response, these overexpenditures were made, in part, because of factors beyond its control, such as exchange rate changes or price increases. Recognizing that UNICEF, on occasion, faces implementation problems, such as unanticipated price increases, the Executive Board approved guidelines for making expenditures that exceed donor commitments. The 1986 audit also disclosed a balance of $23.0 million for completed projects. This balance represents supplementary fund contributions and/or pledges that exceeded total project costs. The auditors found that this amount remained in the supplementary funds account, thereby overstating the amount of money available for future supplementary funded projects.

The 1987 audit identified an additional $20.9 million of expenditures that could not be matched to ongoing projects. A task force was set up in June 1988 to match the project expenditures with project commitments.

With regard to the auditors' criticism of expenditures for UNICEF's 40th anniversary events, management agreed to make a full accounting to the Executive Board for ex post facto approval. It has also issued accounting guidelines for future special events.

The auditors also recommended adjustments to the 1986 accounts to correct errors arising from the differing accounting systems in Copenhagen and New York. According to a management official, UNICEF's plan to redesign its accounting system should resolve these differences. This plan is discussed below.

Income from the Greeting Card Operation, an independent organization with a different fiscal year from UNICEF, is included in UNICEF's accounts and financial statements. The auditors recommended that UNICEF separate the two accounts for financial reporting purposes, and management agreed to separately report Greeting Card Operation income in future years as a note to the income statement.

The Executive Board and representatives of major donors we met with agreed that UNICEF is working to resolve member concerns about its accounting and financial management practices.

UNICEF Acts to Improve Financial Controls

In response to recommendations by the Board of Auditors and others, UNICEF initiated short- and long-term measures to clarify and improve its accounting policies, procedures, and practices. The Executive Director reported to the Executive Board at its 1988 meeting that UNICEF had, for example, revised its accounting manual and instructions. The organization also plans to have outside accounting firms review the 1984-87 audit recommendations and management's responses, in an effort to further strengthen accounting policies and procedures.

In addition, UNICEF is installing its computerized accounting system in 40 country offices, as part of a plan to include all offices. The Global Field Support System is an integrated accounting program that allows field offices to manage their program operations.

Finally, UNICEF formed an in-house study team to consider a conceptual redesign of the central accounting system and related financial and budgetary systems, which would establish a standardized way to recognize supplementary fund income, and a set of procedures to close projects and clear accounts. The redesign would also resolve differences between the existing systems in New York and the supply division in Copenhagen.

UNICEF Fund Balances and Reserves

UNICEF reported a general resources fund balance of $100.5 million as of December 31,1987, including reserves of about $1.2 million. The fund balance represents unspent commitments for general resource financed programs and reserves for contingent expenses. The fund balance does not appear to be excessive when compared to 1987 general resources expenditures of $299 million, since it amounts to about 4 months of 1987 expenditures. The supplementary funds balance was $242.8 million at the end of 1987 and represents unspent commitments for both completed and ongoing projects. We did not evaluate the reasonableness of this fund balance because the United States was a small contributor to supplementary funds in 1987.

The 1987 general resources fund balance includes reserve funds of $250,000 for self-insurance, a $700,000 reserve fund for reimbursable procurement expenses, and a proposed revolving fund of $275,000 for

special events. If, however, the Executive Board does not approve of the special events fund at its 1989 meeting, the money will go back to general resources. These reserves do not appear to be excessive and were not commented on by the Board of Auditors.

Trust Funds for Reimbursable Procurement and Services

These trust funds consist of funds that UNICEF receives for the procurement of goods and services by its supply division on behalf of governments and other organizations. The balance of funds held in trust as of December 31, 1987, was $52.0 million. The balance of funds held in trust for the United States as of that date was only $64,500.

Conclusions

Recent audit reports by the U.N. Board of Auditors have raised several concerns about UNICEF's financial controls, especially those over supplementary funded projects. Many of the concerns paralleled a rapid growth in supplementary fund income. As discussed in chapter 1, supplementary fund contributions increased from $36 million in 1977 to $198 million in 1987.

After a review of the U.N. Board of Auditors' reports and discussions with UNICEF managers, we believe UNICEF's management is acting expeditiously to implement the auditors' recommendations. In addition, UNICEF's plans to modernize its accounting practices and systems should help prevent the recurrence of some errors noted by the auditors. Moreover, as field offices are responsible for controlling project expenditures financed by general resources and supplementary funds, the need for an efficient computerized accounting system for field offices is, we believe, obvious. The planned installation of UNICEF's Global Field Support System in all field offices will constitute an important step towards improved financial management and control.

Agency Comments

The State Department commented that UNICEF has been responsive to the need to undertake changes in its financial and accounting practices, and said that it will continue to work with UNICEF to further improve administrative operations and financial practices.

U.S. Influence in UNICEF Is Substantial, but May Be Declining

The United States has been a leading supporter of and a major participant in UNICEF since its inception. The U.S. Committee for UNICEF is also the largest and most active of all nongovernmental fund-raising organizations for UNICEF. U.S. citizens have always held the post of UNICEF Executive Director, and the United States has substantial representation in UNICEF, including membership on the Executive Board. In addition, AID-funded research has had a major influence on UNICEF child survival strategies, for example, in the area of oral rehydration therapy.

However, there are indications that the extent of U.S. influence at UNICEF may be declining. The United States is still the largest contributor to UNICEF's general resources; however, it is no longer the predominant donor. Other major donor countries have significantly increased their contributions to UNICEF and, in 1987, Sweden and Italy surpassed the United States in total governmental contributions, even though the United States was still the largest contributor to UNICEF's general resources. The United States regained its position as the number one donor in 1988 as a result of a major supplementary fund contribution to a UNICEF immunization program in India.

This trend in financing, if continued, may affect the level of U.S. influence in the future. In 1988, the United States narrowly won re-election to UNICEF's Executive Board, and according to the AID adviser to the U.N., one group of donors has indicated that they will seek more leadership positions in the organization. In view of these events, U.S. influence is likely to decline as the influence of other major donors increases.

U.S. Objectives Are Humanitarian in Nature

According to AID and State officials, the United States participates in UNICEF for humanitarian reasons. UNICEF is seen to be a part of the worldwide effort to save children's lives. It has a good public relations image and enjoys grassroots public support in America, and the Congress has, in recent years, increased the Administration's requested contribution to UNICEF.

The AID adviser at the U.S. Mission to the U.N. told us that UNICEF's mission is to improve the lives of children, and this is perceived to be in the interest of the United States. According to the adviser, UNICEF is doing a practical job that needs to be done. The adviser also stated that the United States uses UNICEF to provide emergency relief in some countries where there is no U.S. bilateral aid program, and in areas where the United States cannot operate bilaterally.

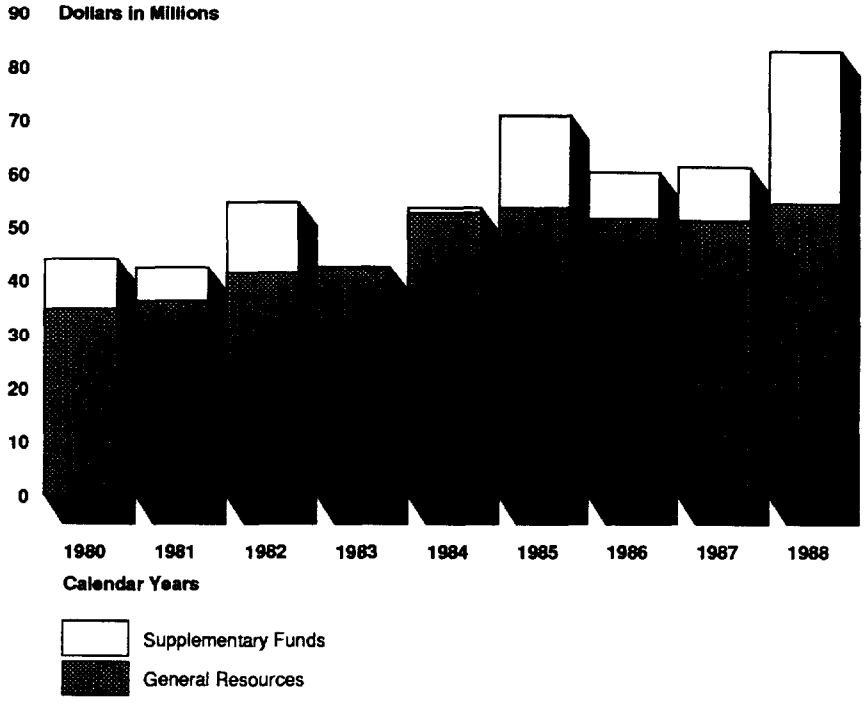
AID officials said that most benefits of U.S. participation at UNICEF are of an intangible nature and are, therefore, hard to measure. AID officials say that U.S. intellectual influence at UNICEF has, however, been positive, as illustrated by the development of oral rehydration therapy. AID promoted this therapy in the early 1960s as a simple way of preventing dehydration, and UNICEF has incorporated it into its child survival strategy. Also, an AID official believed that the United States has been influential in other areas, such as in the development of UNICEF's program strategy for women in development.

U.S. Support Goes to General Resources

The United States' contribution to UNICEF is primarily to the general resources account. According to State Department documents, this policy is in support of the U.S. view that a stable base of income is essential for long-term planning and maintenance of the multilateral focus of UNICEF. AID also makes supplementary fund contributions to UNICEF at the field level, through grants in support of AID's child survival activities and for emergency relief purposes. These AID grants are counted by UNICEF as supplementary funds income.

Figure 4.1 shows the trend of U.S. government contributions to UNICEF general resources and supplementary funds from 1980 to 1988. Total contributions rose from $44.0 million in 1980 to $82.8 million in 1988, and were predominantly for UNICEF's general resources. In 1988, U.S. supplementary fund contributions totaled $28.4 million, which included a one-time AID field grant of $25.5 million to help fund a major immunization program in India.

Figure 4.1: U.S. Government Contributions to UNICEF, 1980-88

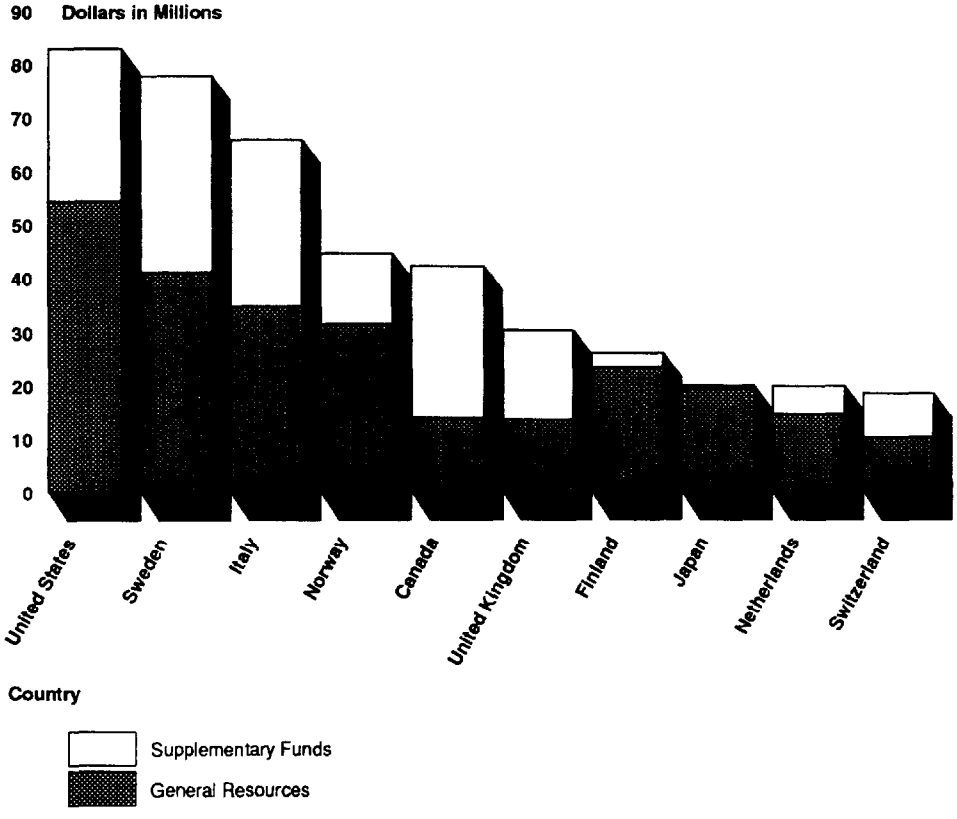


Source: UNICEF

Factors Affecting the Prospects for Continued U.S. Influence at UNICEF

According to State and AID officials, one important factor affecting a country's influence in UNICEF is the level of financial support. Historically, the United States had been the predominant donor to UNICEF, but in recent years, other nations have increased their contribution levels. In 1987, the United States was surpassed by Sweden and Italy in total governmental contributions. The United States regained its status as UNICEF's leading contributor in 1988 (see fig. 4.2), largely because of a one-time AID field grant of $25.5 million for a UNICEF supplementary funded immunization program in India.

Figure 4.2: Major Donor Contributions to UNICEF, 1988



Source: UNICEF

The AID adviser at the U.S. Mission stated that another major factor affecting U.S. influence in UNICEF is its Executive Director, who is presently a U.S. citizen. Several donor representatives also praised the dedication of the current Executive Director. According to the AID adviser, U.S. leadership makes it easier to maintain a dialogue with the Congress and the administration. The Executive Director was reappointed by the U.N. Secretary General in 1989, and his present term will expire in December 1994.

Another factor behind the significant level of U.S. participation in UNICEF is the number of U.S. nationals employed in the organization. U.S. citizens occupied about 10 percent of total professional posts at UNICEF as of the end of 1987. They also held several key positions, including the directorships of three of the six regional offices.

U.S. Influence May Be Declining

Recent trends in donor financing suggest that the extent of U.S. influence at UNICEF may be declining. As shown in table 4.1, seven of the top ten donors to UNICEF in 1988 surpassed the United States in the percentage increase of their governmental contributions between 1980 and 1988.

Table 4.1: Governmental Contributions of Major Donors, 1980 and 1988

Dollars in U.S. millions

	Amount		Percent increase
	1980	1988	
United States	$44.0	$82.8	88
Sweden	36.2	77.7	115
Italy	2.4	65.8	2,642
Norway	16.8	44.5	165
Canada	12.4	42.1	240
United Kingdom	13.7	30.2	120
Finland	1.7	25.9	1,424
Japan	11.6	19.9	72
Netherlands	13.2	19.7	49
Switzerland	9.5	18.4	94

Source: UNICEF

We believe that these trends in financing, if continued, may affect future U.S. influence in the organization. According to the AID adviser at the U.S. Mission, representatives of the Nordic countries have asserted that, collectively, they are the largest contributor to UNICEF, and therefore, should have a larger role in running the organization. Also, the United States was challenged for its seat on UNICEF's Executive Board in the 1988 election. There were six candidates (United States, Sweden, Italy, France, United Kingdom, and the Netherlands) for five seats; the United States came in fifth. State conducted an intensive campaign to support U.S. re-election to the Board, formally contacting members of the U.N. Economic and Social Council, and following up with personal phone calls by U.S. ambassadors to the U.N. Still, the United States received the least number of votes of the successful candidates, and was narrowly re-elected.

Conclusions

Recent trends in donor financing suggest that the extent of U.S. influence at UNICEF may be declining. The United States has been a leading supporter of UNICEF since its inception, and U.S. influence in the organization has been substantial. However, in recent years, other donors have

increased their contributions to UNICEF, and the United States is no longer the predominant donor.

We agree with U.S. officials that an important factor affecting U.S. influence in UNICEF is the level of its financial support. Also, we believe that recent trends in donor financing, if continued, may affect future U.S. influence in the organization. The Nordic countries, as a group, have greatly increased their level of contributions and, according to an AID official, have indicated that they will seek a larger role in running the organization. The 1988 election of Executive Board members also demonstrates the decline of U.S. influence in UNICEF. Despite a concerted campaign by the State Department, the United States only narrowly won re-election to the Board.

Agency Comments

State Department acknowledged the current trend in donor financing and stated that the United States welcomes increasing contributions by other donors in support of UNICEF programs. It believes, however, that for the near term, U.S. influence at UNICEF will remain substantial.

Comments From the Department of State and the U.S. Agency for International Development

United States Department of State

Comptroller

Washington, D.C. 20520

June 20, 1989

Dear Mr. Conahan:

I am replying to your letter of May 17, 1989 to the Secretary which forwarded copies of the draft report entitled "United Nations: U.S. Participation in UNICEF" (GAO Code 472167) for review and comment.

The enclosed comments were coordinated within the Department and with the Agency for International Development, and prepared by the Bureau of International Organizations Affairs.

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

Sincerely,

Roger B. Feldman

Roger B. Feldman

Enclosure:
As stated.

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

GAO DRAFT REPORT COMMENTS: UNITED NATIONS: U.S. PARTICIPATION IN UNICEF (GAO CODE 472167)

Thank you for the opportunity to review and comment on the draft GAO Report on the United Nation's Children's Fund (UNICEF). We recognize that the scope of the Report was limited to an examination of (1) the general efficiency and level of effectiveness of UNICEF programs; (2) the views of other major donor countries; (3) current UNICEF accounting practices, and status of fund balances, trust funds, and financial reserves; and (4) the level of U.S. influence and prospects for continuing such influence. After careful review of the Report, there are several areas on which we wish to comment.

First, the Department is pleased to read the Report's overall positive assessment of UNICEF, and, in particular, its programs and operations. It confirms our view that UNICEF and its programs are highly regarded by recipient governments and peoples in developing countries as well as its major donors in developing countries.

The assessment also reflects well on the cooperative and productive working relationships the Department has developed and continues to maintain with UNICEF. It implicitly suggests the advantages resulting from UNICEF having been headed since its establishment by extremely capable and dedicated U.S. Executive Directors and its ability to attract highly dedicated and professional staff. In this regard, we note the need to update the reference to the tenure of the UNICEF Executive Director, James Grant. The draft report states that "the term of the current Executive Director expires in 1989...." While this was correct at the time the Report was written, Mr. Grant's appointment subsequently was extended by UN Secretary-General, with the Board's concurrence. His term will now expire in December, 1994.

See comment 1.

Second, in the area of program implementation, the Report suggests that increased monitoring and oversight by UNICEF in some areas might improve recipient governments' efforts to implement health programs. We agree. This is a matter that we have raised with UNICEF. We will continue efforts to strengthen UNICEF's performance in areas of weakness as well as to ensure the sustainability of its programs in developing countries over the longer term after external assistance ends. Given the focus on sustainability of development programs, we believe that the Report would be strengthened were it to include more detail on the team's observations and assessments in this area.

Third, UNICEF, as the Report notes, has been responsive to the need to undertake changes in its financial, and in

- 2 -

particular accounting, practices and operations. The Department continues to work with UNICEF to improve further its administrative operations and financial practices.

Fourth, we also are encouraging greater collaboration with other U.N. agencies with a view to promoting greater program efficiency and effectiveness. In this regard, I might note, that at its annual meeting in New York, April 17 - 28, the UNICEF Executive Board approved the establishment of a UNICEF/UNESCO Joint Committee on Education Policy (JCEP). The JCEP, which is expected to begin work in 1990, should strengthen cooperative relations between these two UN agencies as the earlier established UNICEF/WHO Joint Committee on Health Policy (JCHP) has improved the cooperation and coordination between UNICEF and WHO. UNICEF, UNDP, UNESCO and the IBRD are undertaking a joint initiative and co-sponsoring a "World Conference on Education for All" in Bangkok, Thailand in March 1990.

Fifth, the Report asserts that U.S. influence, while substantial, may be declining. It cites the current trend in donor financing and in particular the increasing contributions by Scandinavian countries. The United States welcomes increasing contributions by other donors in support of UNICEF programs. At the same time, we believe that for the near term, U.S. influence will remain substantial.

See comment 2.

Finally, and perhaps most important, we note the lack of recommendations in the draft GAO report. We believe that specific recommendations would be most helpful if the USG were to address effectively the issues of oversight, sustainability and U.N. system cooperation noted above.

The Agency for International Development (A.I.D.) has also reviewed the Report. A.I.D. believes that the section dealing with the efficiency and effectiveness of UNICEF programs does not accurately or adequately reflect its concerns regarding the sustainability of UNICEF activities and UNICEF coordination of its activities at the national level with host governments and international organizations. In addition, A.I.D. notes that the Report does not address the impact of UNICEF's expanding supplementary funded programs on priority program areas and the management of the organization.

See comment 3.

In the discussion of U.S. influence in UNICEF, A.I.D. believes it important that the Report clarify the relative U.S. rankings in terms of governments' voluntary contributions to UNICEF's general resources account and to its supplementary

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fund accounts, as well as total contributions. Thus, the Report would note that, although the U.S. remains UNICEF's top contributor to general resources, in 1987, the U.S. ranked fourth in contributions to the supplemental fund account and earned third place in total contributions. In 1988, although ranked third in contributions to supplemental fund accounts, the U.S. continued to top the list in terms of total contributions.

We appreciate the opportunity to comment on this report. We, and our colleages in A.I.D., would be happy to discuss our comments with you at your convenience.

John R. Bolton
John Bolton
Assistant Secretary
Bureau of International
Organization Affairs

GAO Comments

1. We updated our report to reflect this new information.

2. While our draft report noted a need for improved UNICEF project monitoring and oversight, we made no specific recommendation in this area. However, additional discussions with State Department officials on this matter indicated a need for increased project monitoring; therefore, we added a recommendation that State intensify its efforts in this area.

3. We clarified our report to show that the United States, while being surpassed in 1987 by Sweden and Italy in total governmental contributions, was still the largest contributor to UNICEF's general resources account.

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