



MAKING THE UN SYSTEM MORE TRANSPARENT AND ACCOUNTABLE

Richard Golding

Against a backdrop of economic austerity, the ongoing debate about the new UN Sustainable Development Goals (SDGs) is a potentially pivotal opportunity to re-examine how the UN system should be re-aligned and its transparency and accountability enhanced.

Transparency goes beyond making more information available. Information needs to be relevant, accurate, timely, and accessible, especially to those who need it and can make use of it for policy or operations. Accountability requires a minimum of basic characteristics such as standard-setting, investigation, answerability, and sanctions for non-performance. To assess how the past and present UN system is doing with regard to transparency and accountability, this article examines four components: funding, accounting for dollars and results, oversight, and staff management.¹

“What is required is a secretariat that is more empowered and flexible, and at the same time more transparent and accountable.”
—Kofi Annan²

FUNDING

The UN system is funded by a combination of core contributions (annual or biennial) from member states plus non-core (or extra-budgetary) contributions also from many of the same member states. In some UN entities, there are also contributions from other third parties although, with the principal exception of UNICEF, this third-party component remains relatively small.

The UN system’s operational activities for development in the 15 years leading to 2011 show contribution levels from all these funding sources combined demonstrating significant, consistent and uninterrupted overall growth.

The growth in funding levels has almost entirely been the result of increasing non-core contributions while the level of core

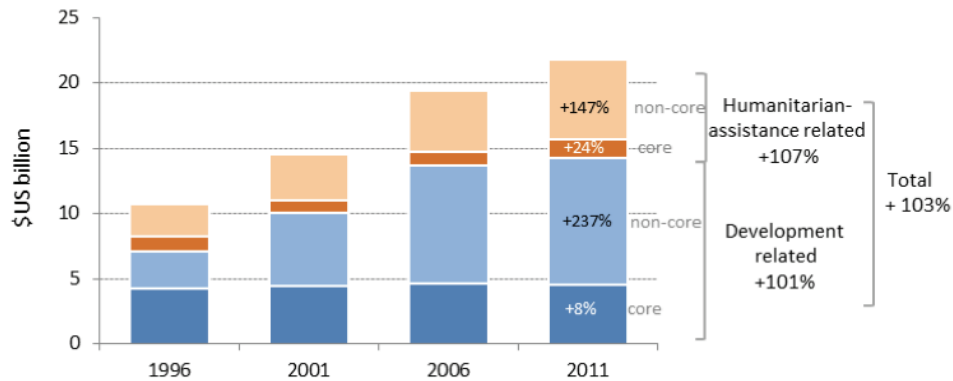
contributions has remained static. However, non-core contributions create problems. They are less predictable, come with significant pre-conditions, and require additional layers of reporting, audit and oversight procedures. These mechanisms result in a fragmented budgeting and accounting landscape across the whole system with literally thousands of especially established projects in addition to core activities. More administration and reporting increase the “accounting.” Moreover, such volumes and fragmentation can seriously dilute “accountability,” often resulting in more opaqueness and less transparency.

Given that the UN system is the frequent target of public criticism by its member states and others for being bureaucratic, wasteful, and lacking in transparency and accountability, this sustained and steadily increasing overall funding trend toward “soft” resources is surprising. It is unusual to find ever-increasing levels of investment in organizations that are often criticized for their opaqueness. Ironically, the opaqueness is greater as a direct result of demands for more transparency for each of the growing number of funding sources. Are there other, structural factors concerning funding that will lead to more effective results and outcomes and thus assuage the persistent demands to improve transparency and accountability?

Most UN entities are long-established, with activities stretching back six or seven decades. Many of their strategic decisions on deployment of resources have long-term implications. However, they continue to be financed by short-term cash contributions, causing a misalignment of funding timescales and resource planning. This also disempowers senior management and, according to some cynics, provides a convenient excuse for

Future UN Development System supports and helps accelerate change in the UN development system to increase effective responses to global development challenges—especially after 2015, the target date for the Millennium Development Goals. Recognizing the many frustrations that have accompanied UN reform efforts, FUNDS envisages a multi-year process designed to help build consensus around necessary changes. Financial support currently comes from the governments of Denmark, Norway, Sweden, and Switzerland.

Figure 1: UN Operational Activities for Development, 1996-2011³



management when results are difficult to demonstrate. If donors believe that most UN entities will be needed in the future, it is time to adopt more strategic, longer-term approaches to funding instruments and timescales.

Some UN entities – for example, the World Health Organization (WHO) – have already taken steps to break out of the fragmented annual voluntary funding model. In 2013, WHO adopted an integrated, “consolidated” strategy and budget at the World Health Assembly level, supported by additional dialogue sessions for all major donors to agree with management on how the programs will subsequently be financed. Time will tell how this potentially positive development will evolve both in the WHO and in other UN organizations attempting similar efforts.⁴

ACCOUNTING FOR DOLLARS AND RESULTS

Until 2006, financial accounting across all UN entities had been done according to an archaic set of cash-based accounting standards known as the United Nations System Accounting Standards (UNSAS). These cash-based accounting practices required all expenditures to be recorded in the accounts at the point when cash payments or receipts occurred, regardless of whether they concerned consumable petty cash items or long-term assets that would be used for many years. Such practices can give rise to many material assets and liabilities not being accounted for in future financial reporting to management and governing bodies with the resulting risks and potentially negative impacts on the quality and adequacy of financial decisions. Such practices also make it difficult for managers and governing bodies to understand their agencies’ long-term financial positions.

In 2006 the General Assembly approved the recommendation for the United Nations to convert from UNSAS to the accrual-based International Public Sector Accounting Standards (IPSAS). The various UN specialized agencies had also agreed at various times to convert their accounting practices to IPSAS. Most UN entities have now completed their conversion projects and the adoption of such accounting practices should serve to ensure greater transparency and accountability with better financial management

of the organization. By helping to better anticipate future costs (e.g., by factoring in obsolescence), it should also greatly reduce, if not eliminate, funding “surprises” and enable better provisioning for special issues such as the headquarters renovation or Capital Master Plan and the increasing challenge of funding after-service health insurance commitments. It also needs to be further reinforced by the introduction of accrual-based budgeting as well to facilitate the reconciliation of budgets to actuals.

A further critical aspect of the new IPSAS-based financial reporting is the need to ensure that member state representatives who sit in UN governing body meetings have sufficient financial and accounting knowledge to understand what they are examining. An inherent constraint is that many of their own governments still operate with cash-based budgeting and accounting systems.

OVERSIGHT

Critical to accountability and transparency is a comprehensive and effective system of oversight, both internal and external, consisting of the functions of internal audit, evaluations, and investigations.

The UN Board of Auditors was established in 1946 to coordinate the teams of external auditors provided by certain member state governments who had professional competent audit capabilities. The Joint Inspection Unit (JIU) was established in 1966, giving 15 government-appointed inspectors a distinctive mandate to carry out reviews and inspections across the entire UN system. The number of inspectors remains the same today despite the growth in size and risk profiles of all the UN organizations. In 1994 the UN Office of Internal Oversight Services (OIOS) was established and today comprises three divisions: Internal Audit, Evaluations, and Investigations. While the OIOS has grown steadily over the years and reached a total of over 300 staff, the oversight divisions that have also been established in most other UN entities are much smaller. Some of the smaller agencies have just one or two internal auditors on their payroll.

A more recent and welcome development has been the establishment of independent oversight committees, with the

General Assembly setting up its own Independent Audit and Advisory Committee in 2007. Other such committees with similar names and responsibilities had already been or were subsequently established by almost all other UN entities. This follows a similar trend in the private sector over the last 10-20 years. Such committees are intended to provide independent expert advice to UN governing bodies and chief executives on the adequacy and effectiveness of each of the various external audit and internal oversight functions as well as advising on such matters as internal controls and risk management practices.

To enhance transparency, most UN internal audit functions have now adopted (or are in the process of adopting) a policy of making their reports publicly available. In principle, this procedure is commendable even though it also requires protocols to ensure that confidentiality and security are properly managed and preserved. It also places welcome emphasis and responsibility on the part of the internal auditors themselves to adopt the highest professional standards to establishing consensus on their findings and to report in a fair, balanced and timely manner.

There has been a long debate within the UN system about the relationships among the three oversight functions (internal audit, evaluations, and investigations), as well as about how they should be organized, with each function requiring different sets of professional and technical skills. A strong, professional internal audit team, together with a responsive line-management team within the rest of the organization, will gradually build more effective internal controls. This arrangement should, in the long term, result in less fraud and malpractice, and thereby fewer investigations. In the private sector, internal auditing and investigations are almost always separated, with investigation needs often being outsourced. It is suggested that they should be made separate in the UN also.

A further, more radical proposal to strengthen the independence of the three oversight functions is to consolidate the resources within each UN organization into three distinct, system-wide functions; and each would have a core team of professional staff. It would require a shared funding model from all UN entities and it would be accountable to the governing bodies and management of each UN entity rather like the mandate of the JIU but with far greater resources and operational capabilities.

Overall, such an approach should be less costly while being more objective and effective. It would strengthen the independence for all internal oversight functions. A further constructive argument is that, especially for the UN agencies that currently have small oversight teams, it provides a much stronger career path for the oversight staff themselves, which should further improve recruitment of quality professional staff, enhance staff retention and progression, and improve the overall quality of the group's work and service to its "clients." Based mainly on the independence argument, a 2012 JIU report has already recommended that the investigation teams across the various agencies be centralized into one team for the whole UN system.⁵ Resistance to consolidation

among UN organizations derives from the strong belief that each UN entity requires its own dedicated staff to work on its own business. The arguments will continue until a stronger management culture evolves that welcomes scrutiny, especially from the outside.

STAFF MANAGEMENT – INDIVIDUAL ACCOUNTABILITY

Underneath all these activities aimed at promoting transparency and accountability at the organizational level, individual accountability is critical. Holding organizations accountable means, in practice, holding the individuals who work in them accountable. Truly effective staff performance appraisal is arguably the most difficult task that should be carried out by any supervisor, at any level, in any organization. In the UN system, this fundamental accountability "test" remains its biggest challenge to making significant and even dramatic improvements.

The subject of staff performance appraisal is too often viewed as mundane and unimportant. But individual appraisals are vital to organizational accountability. If done well, they stimulate and sustain overall performance improvement; if done badly or not all, they cause stagnation and undermine reforms at the organizational level. Most UN entities, like other large organizations, have a formalized staff performance appraisal process, which typically documents objectives, achievements, and performance but with little or no subsequent impact. Over the years, there have been long periods where such a process was either not followed or used subjectively, with supervisors persistently awarding inflated performance ratings, often to avoid conflicts with personnel. More recently, there is an improving trend of more thorough documentation of performance plus more objectivity but little in the way of tangible impacts – positive or negative.

Holding staff accountable against a set of previously agreed objectives is only meaningful if exceptional performance can be rewarded in a tangible way and under-performance can result in remedial action and, where necessary, sanctions. If the staff see no outcome, either positive or negative, from their assessments, individual and collective performance will deteriorate, especially if the situation persists for many years. A lack of belief in effective accountability will become engrained and expected.

The United Nations could follow many businesses and governments in applying "forced distributions" or bell-curves to the overall performance ratings allocated to staff each year. In such cases, there will always be a fixed percentage at the highest rating level and a fixed percentage at the lowest rating level with all other ratings at two or three levels in between—or a similar distribution pattern. This procedure applies regardless of whether it has been a year of high growth or a year of severe constraints or cutbacks. Performance is always relative. Together with an agreed but modest merit or award system for the highest performers and some form of personal development, improvement or sanction system for the lower performers is fundamental to ensuring that being held accountable actually means something.

The topic of merit awards is sensitive, especially within publicly-funded organizations including UN organizations, but some form of accelerated progression within a salary grade could form the basis of a distinctive but modest merit award. And some UN organizations, such as UNDP, are already using such procedures. Applying sanctions for lower performers is more challenging, but UN management should tackle this critical shortfall in personnel practices. It can be introduced gradually by the introduction of new employment contract conditions for new staff that link income grades and contract extension or termination to performance appraisal while retaining an appeals process to minimize abuse.

CONCLUSION

Many of the real and perceived shortfalls in transparency and accountability within the UN system have their roots in the short-term, fragmented mechanisms that drive the way that the various entities are funded. At least with regard to accounting aspects, there have been recent changes for the better, such as IPSAS. But the process of shifting mindsets and funding models into longer-term perspectives is long overdue and needs to be seriously pursued.

Oversight continues to improve slowly with better-established oversight committees. But the demand for investigations grows inexorably even though the management culture of accepting

responsibility for and promoting internal controls remains relatively weak. Consolidation of internal oversight resources into UN system-wide entities seems logical but political will is lacking. The fact that, almost 70 years after the establishment of the UN “system,” we are still discussing system-wide evaluation is illustrative of the larger problems across the various components of the world organization.

Finally, the “elephant in the room” should be confronted: can the UN system progress toward a culture in which high-performing individuals are rewarded and under-performing ones are fairly assessed, documented and sanctioned? Strong, meaningful, and effective staff appraisal and performance management are the basis of a more transparent and accountable UN system. In the words of the UN’s second secretary-general, Dag Hammarskjöld: “in the end, it is transparency and accountability at the individual level that really drives what is or is not achieved by the organization.”⁶

The threshold year 2015 represents a potentially pivotal opportunity for the UN system to establish medium-term targets to align itself behind a new set of globally agreed twenty-first-century SDGs. In far less confrontational and painful circumstances than a world war, such a pivotal opportunity has not arisen since 1945. The UN system urgently requires a revamping of its transparency and accountability.

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NOTES

1. This briefing draws upon Richard Golding, “Making the UN more transparent and accountable,” in *Post-2015 UN Development: Making Change Happen*, ed. Stephen Browne and Thomas G. Weiss (London: Routledge, 2014), 95-126.
2. Kofi A. Annan, “Message to the Conference of Heads of Government of the Caribbean Community,” St. Lucia, 3 July 2005, available at <http://www.un.org/News/Press/docs/2005/sgsm9980.doc.htm>.

3. UN DESA, *Report of the Secretary-General: Analysis of funding of operational activities for development of the United Nations system for the year 2010*, May 2012. Available here: http://www.un.org/esa/coordination/pdf/2012_funding_report-figures_and_tables.pdf.
4. See Sophie Harman, “Is Time Up for WHO? Reform, Resilience and Global Health Governance,” *FUNDS Briefing no. 17*, available at <http://www.futureun.org/media/archive1/briefings/FUNDSBriefing17-WHO-Harman.pdf>.
5. UN Joint Inspection Unit, *Strategic Planning in the United Nations System*, Geneva, 2012. JIU/REP/2012/12. Available here: https://www.unjuu.org/en/reports-notes/JIU%20Products/JIU_REP_2012_12_English.pdf.
6. Dag Hammarskjöld, *Markings* (New York: Knopf, 1964).

