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**Audit of UNESCO's Resource Mobilization Strategy and
Framework**

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EXECUTIVE SUMMARY

This audit assessed the design and operation of UNESCO's resource mobilization strategy and framework from the point of planning and forecasting at the corporate level to the point of signed donor agreement and receipt of funds.

Extrabudgetary resources form a major share of UNESCO's budget, exceeding the regular programme in 2014-2015. The scope and range of UNESCO's donors is noteworthy, comprising a diversified donor network that funds a variety of programmes, largely implemented in the field. Nevertheless, three to four percent of UNESCO's donors provide 60 to 70 percent of UNESCO's voluntary contributions.

In the context of the post-2015 Development Agenda, traditional donor priorities are evolving and a shift in funding patterns to address specific goal areas or regional and country programmes is expected. To ensure sustainable and flexible funding UNESCO should like a number of other UN organizations, engage with member states at a strategic level through structured financing dialogues¹ and further reach out to non-traditional donors such as middle-income countries, foundations and the private sector.

The audit points to opportunities for further improving the efficiency and effectiveness of UNESCO's resource mobilization efforts. For example, the Complementary Additional Programme can be strengthened by aligning the various resource mobilization strategies and plans. The strategic importance of resource mobilization should be elevated and clear leadership and responsibility to deliver on resource mobilization plans should be established and communicated across the Organization. As donor funding decisions are increasingly delegated to the field, further standardization of project agreements and review of existing procedures could improve administrative efficiency. Addressing information gaps and establishing performance metrics will improve the management of resource mobilization efforts.

Increased synergies between communication and resource mobilization plans can be achieved through targeted messaging to potential donors as part of UNESCO's communications and showcasing UNESCO's brand on its website and social media. In addition to BSP/CFS's training now on offer to Sectors and Field Offices, investment in skills development and a management system for constituency relationships will improve engagement with donors.

This report includes eight recommendations, a number of which have been addressed as part of the Resource Mobilization strategy for 2016-2017 to be presented to the 197th session of the Executive Board.

Background

1. UNESCO is financed by assessed contributions from its Member States under the *Regular Programme and Budget* (C/5 document), approved by the General Conference for each biennium. To strengthen and complement the *Regular Programme and Budget*, UNESCO mobilizes extrabudgetary resources (EXB) in form of voluntary contributions.
2. Currently, UNESCO has unpaid assessed contributions that amount to \$353.5 million over past three years. Thus, extrabudgetary resources are increasingly important to support UNESCO's programme delivery.
3. The Complementary Additional Programme (CAP) is UNESCO's main tool for programming EXB activities and serves as a vehicle for dialogue with donors. This modality is complementary to the strategic objectives and programme priorities of the biennial *Regular Programme and Budget*. For 2014–2015, UNESCO follows its biennial resource mobilization strategy set forth in document 37 C/INF.28 "Implementing a sharpened resource mobilization strategy".
4. UNESCO considers funds mobilized when a donor signs an agreement for a given purpose and a budget code is created, or when an existing budget allocation is increased, following receipt of a donor's new contribution.

¹ As requested in the UN General Assembly resolution on the Quadrennial Comprehensive Policy Review (67/226, paragraph 46)

5. UNESCO receives contributions from: (i) bilateral donors such as governments, (ii) multilateral institutions such as development banks and the United Nations, and (iii) non-government organizations including the private sector and foundations.

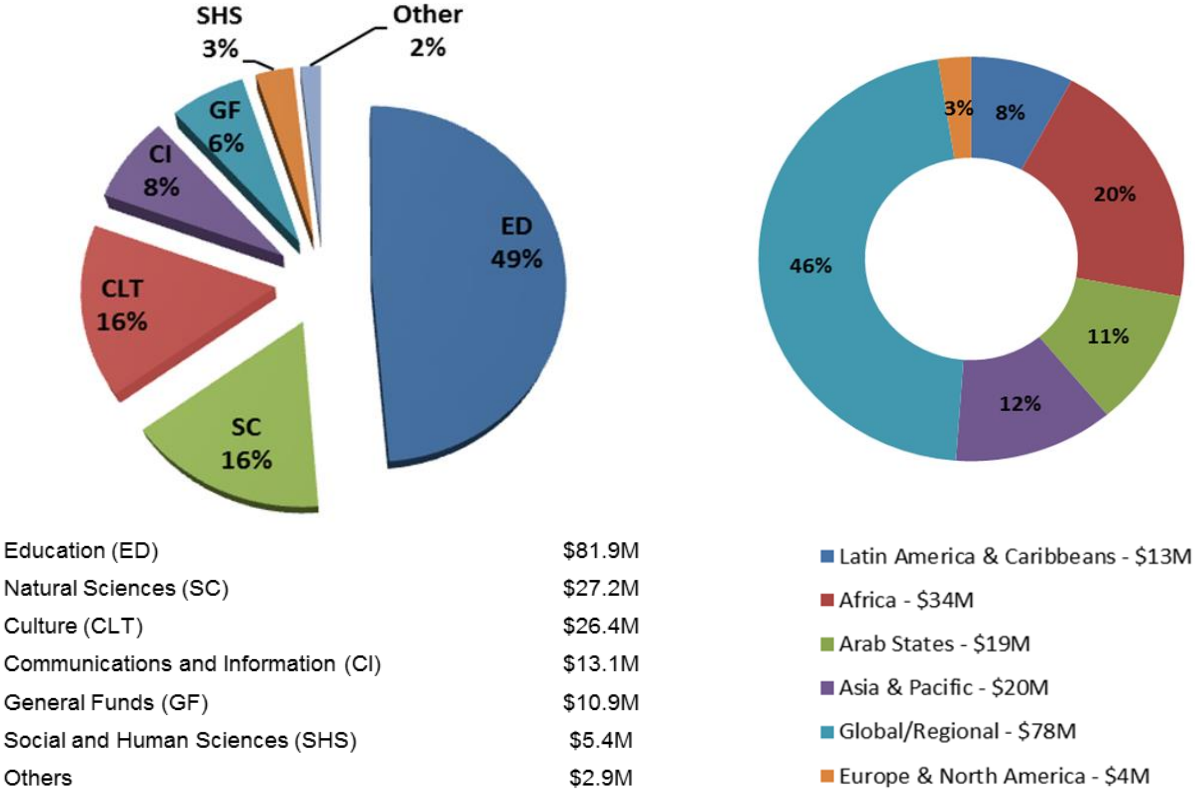
6. Resource mobilization includes resources in the form of funds, people, partnerships, and equipment. Voluntary contributions are mobilized using the following modalities:

- **Additional appropriations:** Subventions or financial contributions or non-cash items added to the Regular Budget Appropriation, including contributions of a recurrent nature.
- **Special accounts:** These are generally multi-donor accounts for a specific objective decided upon by the Director-General or the General Conference. When contributions to a special account are pooled, financial reporting is limited to the global receipts and expenditure of the special account, often in accordance with separate financial regulations, which must be reported to the Executive Board.
- **Funds-in-trust:** Voluntary contributions from governments, international, national or non-government organizations, foundations, private companies or other sources funding specific activities within UNESCO’s mandate. Expenditure is directly linked to the specific donation and there is individual donor reporting.

7. UNESCO’s Governing Bodies exercise regular oversight on the management of extrabudgetary resources. In line with Executive Board Decision 174 EX/INF.4 Rev., the Director-General reports annually to the Executive Board on the management of extrabudgetary funds. This reporting covers resource mobilization, programming, implementation, monitoring and evaluation.

8. In 2014, the Education Sector was the largest recipient of voluntary contributions, followed by the Natural Sciences and Culture Sector. Among the geographical regions, Africa received the largest share of voluntary contributions (see Figure 1) while global or multi-regional projects received close to half of the total voluntary contributions.

Figure 1: 2014 Distribution of voluntary contributions



Source: BFM Report on 2014 Voluntary Contributions. Excludes contributions received by UNESCO Brasilia Office, Category I Institutes and Additional Appropriations. Amount reported under General Funds corresponds to funds yet to be allocated to individual projects.

9. A number of actors including donors, programme sectors, institutes, field offices and central services have roles in the resource mobilization process. The Division for Cooperation with Extrabudgetary Funding Sources in the Bureau of Strategic Planning (BSP/CFS) provides overall coordination with partners and donors. BSP/CFS is currently staffed with 26 personnel comprising 15 Professionals, five General Service staff, four interns and two staff loaned from Member States. Functionally, these personnel are divided in two teams serving (i) bilateral governmental funding sources and (ii) multilateral and private funding sources. The 2014-2015 RP activity budget for the division totals \$150,000.

Scope, Objective and Methodology

10. The audit assessed the design and operation of UNESCO's resource mobilization strategy and framework from the point of planning and forecasting at the corporate level to the point of signed donor agreement and receipt of funds.

11. More specifically, the audit examined:

- Planning, targets and forecasts,
- Outreach, communication and contact management,
- Engagement of UNESCO's networks,
- Initiatives to increase funding and diversify funding sources,
- Extrabudgetary project formulation and negotiation.

12. The audit considered resource mobilization roles and responsibilities across UNESCO including those of BSP/CFS, Programme Sectors and Field Offices. The audit examined resources mobilized from January 2010 to December 2014 including funds-in-trust, special accounts and other arrangements such as additional appropriations, in-kind contributions and alternative funding initiatives.

13. The audit was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing*. The field work included:

- Review of relevant UNESCO reports and documents (e.g., strategic and governance documents, management reports, administrative guidance),
- Interviews and discussions with key personnel involved in resource mobilization,
- Assessment of workflows, roles, responsibilities and associated tools and templates,
- Benchmarking UNESCO's fund raising practices with comparable international organizations including consideration of best practices identified by the Joint Inspection Unit,
- Review of relevant analyses, conclusions and recommendations of past audits, evaluations and studies,
- Consideration of donor assessments and discussions with selected donors,
- Examination of synergies amongst UNESCO's communication, resource mobilization and partnership strategies.

Audit Conclusions

14. IOS conclusions are categorized under three topics: (i) Organizational Management and Development, (ii) Communicating and Prospecting, and (iii) Relationship Building. Each of these are complementary and interdependent with each other. Table 1 below summarizes strengths and areas for improvement as identified during the audit.

Table 1: Strengths and areas for improvement

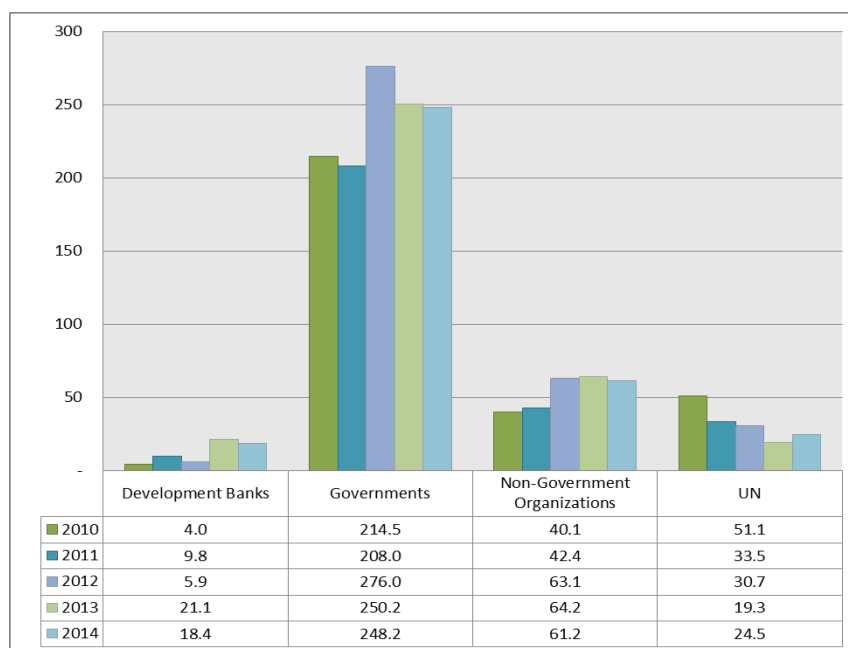
| Areas | Organizational Management and Development | Communicating and Prospecting | Relationship Building |
|------------------------------|--|---|---|
| Strengths | <ul style="list-style-type: none"> Resource mobilization is strategically aligned with Regular Program priorities BSP/CFS has recently undertaken a mapping of donor priorities | <ul style="list-style-type: none"> UNESCO has a wide range of donors There is a steady increase in number of non-government donors | <ul style="list-style-type: none"> Majority of resources are implemented in the field BSP/CFS has introduced Resource Mobilization training to Field Offices |
| Proposed improvements | <ul style="list-style-type: none"> Strengthen the Complementary Additional Programme process (Issue 1) Clarify leadership and responsibilities for resource mobilization (Issue 2) Improve the formulation of offers/proposals to donors (Issue 3) Strengthen performance monitoring of resource mobilization (Issue 4) Improve internal clearance process for EXB projects (Issue 5) | <ul style="list-style-type: none"> Better manage donor interaction and information (Issue 6) Better leverage ERI's communication and branding efforts (Issue 7) | <ul style="list-style-type: none"> Invest in resource mobilization skills and capacity (Issue 8) Proactively adapt to evolving donor and country priorities (Issue 9) More systematically engage with non-traditional donors (Issue 9) |

15. These strengths and areas of improvement are further elaborated below:

Strengths

16. The scope and depth of UNESCO's partnerships, contributing to a wide range of programme work, attest to UNESCO's relevance and ability to attract diverse partners. In 2010, the Director-General's Reform Roadmap established mobilizing funds from the corporate sector and foundations as a priority, and funding from these sources have increased from \$40.1 to \$61.2 million since 2010 (see Figure 2).

Figure 2: Breakdown of revenue by funding source (2010-2014) in \$ million



Source : Data supporting UNESCO's Financial Statements

17. BSP/CFS's donor mapping is an important step towards building a comprehensive data source that lists donor interest against programme sectors' funding needs. This can serve as a

solid basis to initiate resource mobilization actions. BSP/CFS has also adopted UNESTEAMS as a common depository to store agreements, training material, and donor data. This is a good step towards building a knowledge center to improve resource mobilization efforts across UNESCO.

18. Following the recent decrease in the Regular Programme contributions, UNESCO has broadened its approach to resource mobilization. For example, UNESCO has concluded multi-year Programme Cooperation Agreements for significant amounts with donors enabling better planning and programme delivery. Further, leveraging its experience in Post Conflict Post Disaster situations, UNESCO has mobilized funds to support projects and meet urgent needs in culture, education and natural sciences. Furthermore, UNESCO is seeking partnerships with BRIC countries to promote South-South cooperation and support self-benefitting projects. Similarly, in emerging economies, UNESCO is partnering with private organizations to fund long term projects in areas such as ICTs and agreements with some of these governments to second personnel to UNESCO are being established.

19. With a multi-sectoral mandate, UNESCO is uniquely placed to provide composite development solutions. For example, UNESCO recently partnered with European Union to implement a \$12 million multi-sector project (NET-MED Youth Project) across the Eastern and Western basins of the Mediterranean to develop youth capacities in political, social, economic, educational and cultural policy and planning processes.

20. The draft 38 C/5 (2016-2017) Resource Mobilization Strategy aims to address several issues raised in this report. The strategy provides steps to address (i) strengthening and clarifying CAP process, (ii) developing timely business intelligence and information sharing, (iii) building staff capacity, (iv) exploring synergies with the Communication Strategy and (v) reviewing processes of proposals and agreements. In addition, the strategy provides guidance on how UNESCO staff can apply proven approaches to resource mobilization and how UNESCO can leverage a mapping of expected results by donor category to help better monitor resource mobilization efforts. IOS welcomes the draft strategy, which aims to address some of the issues raised in this report.

Areas of improvement

21. At UNESCO, staff invest significant time developing and following multiple resource mobilization strategies and plans at various levels. These separate strategies and plans are in addition to the Complementary Additional Programme and often not aligned with UNESCO's biennial resource mobilization strategy². For example, independent of biennial strategy targets, UNESCO personnel also pursue country targets set out in the United Nations Development Assistance Framework (UNDAF) and UNESCO Country Programme Document (UCPD). This results in inefficient, time-consuming and fragmented fundraising efforts but also risks distorting UNESCO's priorities in the eyes of its donors.

22. BSP/CFS's role in resource mobilization is not clearly established and consistently understood across the Organization. While the Director-General assigned DIR/BSP/CFS the responsibility to increase the mobilization of extrabudgetary resources and implement the action plan to improve the management of extrabudgetary resources, these tasks have not been effectively operationalized. Further, UNESCO's administrative guidance on management of extrabudgetary projects details BSP/CFS's coordination roles but does not elaborate resource mobilization roles. Donors cite interaction with BSP/CFS staff in a positive light, yet internal stakeholders often expect BSP/CFS to be more proactive in mobilizing resources instead of coordinating dialogue between donors and sectors. BSP/CFS needs to exercise strong leadership, facilitate priority setting and more effectively engage with Senior Management with regard to resource mobilization.

23. The process of formulating offers to donors supported by BSP/CFS is gradually improving. In this regard, the 2014–2015 Complementary Additional Programme centres on Sectoral Priority Themes. Based on these themes, BSP/CFS has introduced and published concept notes to facilitate the preparation of project proposals and to evoke donor interest. While this is a good initiative, more than half of project proposals prepared in 2014 did not use the concept notes.

² Implementing a sharpened resource mobilization strategy (37 C/INF.28)

Further, most donors are unaware of BSP's website showcasing the concept notes for donor consideration.

24. Senior management and BSP/CFS's ability to monitor resource mobilization progress and trends is limited by an absence of analytical reporting. Current reporting focuses mainly on receipt of cash contributions. Introducing reporting metrics such as donor diversification, average revenue from donors, and analysis of pipeline projects will significantly improve performance monitoring and also allow optimal use of resources while providing better forecasting capacities.

25. Project proposals are subject to lengthy sequential clearance processes and bottlenecks delaying donor negotiations. With donors increasingly delegating funding authority to their field presences, UNESCO's headquarter-centric administrative controls should be critically examined for their relevance and ability to mitigate risks. Further, establishing a Project Approval Committee potentially under the oversight of the Programme Management Committee would facilitate the collaborative examination of high risk projects and the performance of due diligence before UNESCO enters into agreements with funding partners.

26. More should be done to disseminate key information on fundraising leads and prospects to key personnel across UNESCO. While BSP/CFS shares donor and project proposal information using IT platforms such as UNESTEAMS and in forums such as meetings and workshops, better information sharing would improve internal coordination and communication with potential donors. For example, introducing a Constituency Relationship Management System as a shared platform at both Headquarters and in the Field Offices would facilitate dynamic information sharing.

27. UNESCO under-invests in resource mobilization capacity, and the related Organization-wide costs are unknown. Little training is available for staff on how to effectively mobilize resources, thus some opportunities get lost early on. A structured approach to develop resource mobilization capacity at Headquarters and in the field needs to be developed. A dedicated knowledge center can nurture resource mobilization expertise in various ways. For example, benchmarking practices of comparator organizations, specialized training, disseminating success stories, and developing training toolkits can all form such a knowledge center.

28. UNESCO aims to maintain its leadership in areas where it has a global coordination role, recognized expertise and comparative advantage in the context of the post-2015 Development Agenda. These areas should be recognized as an Organizational priority for resource mobilization efforts.

29. Three to four percent of UNESCO's donors provide 60 to 70 percent of its voluntary contributions, and sustained effort is needed to diversify the funding base while also maintaining the support of traditional donors. The Third International Conference on Financing for Development held in Addis Ababa during July 2015 adopted a renewed global financing architecture to support the Sustainable Development Goals of the post-2015 Development Agenda. UNESCO needs to factor these evolutions in its future resource mobilization strategy. Similarly, in line with the UN General Assembly resolution on the Quadrennial Comprehensive Policy Review (67/226), UNESCO should also introduce long-term structured dialogues³ with its donors to improve predictability and flexibility of funding.

30. To diversify its funding sources, UNESCO should continue and reinforce its efforts to increase partnerships with non-traditional donors such as the private sector and middle-income countries and by improving its participation in joint UN funding initiatives. While Multi-Donor Trust funds (MDTF) are an important financing tool for the UN, UNESCO's engagement in these funds has been declining. UNESCO should proactively and strategically engage with the most pertinent MDTFs by designing multi-sectoral projects and leveraging its field presence in beneficiary countries.

31. Finally, the audit notes that improved coordination of resource mobilization efforts with the Organization's communication and public information functions can help promote UNESCO's image as a valued partner in the eyes of its donors and potential partners.

³ 195 EX Decision 5 invites the Director-General, on the basis of the action plan, to explore the possibility of introducing structured dialogues on financing

Table of Recommendations

Recommendation 1: BSP in coordination with key internal stakeholders to strengthen the Complementary Additional Programme by clarifying and communicating the coherence of UNESCO's multiple resource mobilization strategies and plans.

Recommendation 2: BSP to clarify resource mobilization roles, authorities, accountabilities, and leadership by: (i) clearly establishing and communicating BSP/CFS's role as resource mobilization leader responsible to deliver on the resource mobilization plans, (ii) clarifying the associated roles and responsibilities of other parts of UNESCO, (iii) elevating the strategic importance of resource mobilization by regularly reporting to the SMT on progress achieved and (iv) improving administrative guidance by consolidating the various administrative texts and addressing gaps and inconsistencies.

Recommendation 3: BSP to streamline the proposal preparation process by: (i) taking steps to improve Sector/Field Offices use of programme concept notes when designing project proposals linked to the priority themes in the resource mobilization strategy and (ii) harmonizing documents and terminology used when establishing long-term agreements.

Recommendation 4: BSP in collaboration, with BFM and KMI, to strengthen performance monitoring and reporting on resource mobilization by: (i) adopting a set of key performance indicators, (ii) establishing reporting dashboards that allow Headquarters and Field Offices to regularly track resource mobilization performance and (iii) including resources mobilized by Category I Institutes and in-kind contributions in performance monitoring reports.

Recommendation 5: BSP to strengthen proposal clearing processes by: (i) including a project risk assessment matrix in the administrative guidance to better enable Programme Sectors and Field Offices to identify project proposals involving high risks, (ii) establishing a Project Approval Committee, potentially under the oversight of the Programme Management Committee, to assess and advise on projects with identified high risks prior to their approval, (iii) improving the project agreements processes through better standardization of agreements, including developing a set of optional standard clauses as warranted, and ensuring that project agreements include provisions of key UNESCO policies (e.g., cost recovery, evaluation and risk management), (iv) incorporating service standards in SISTER for improved accountability to reduce proposal clearance delays, and (v) in conjunction with improved training and monitoring, increasing the delegation of project funding decisions for locally mobilized funds to Heads of Field Offices.

Recommendation 6: BSP to finalize the funding proposal for a Constituency Relationship Management system and seek funding to implement the system as a priority.

Recommendation 7: BSP to develop and propose alternate budget scenarios for increasing resource mobilization capacity and expertise in UNESCO. These may include enhanced staff training, increased professional development of BSP/CFS staff and establishing a resource mobilization knowledge center. A projected Return on Investment should be included as part of the proposal.

Recommendation 8: BSP in coordination with key internal stakeholders, to further explore resource mobilization opportunities taking account of the evolving global financing architecture by: (i) increasing resource mobilization efforts directed towards Middle Income Countries through modalities such as self-benefitting funds and government-private sector collaborative funding, (ii) applying a more proactive and focused approach to private sector funding, including an increased participation in the UN global compact, (iii) introducing a long-term structured dialogue with UNESCO's donors to improve predictability and flexibility of funding, (iv) establishing framework agreements with multilateral institutions such as IADB and ADB using mutually agreeable contractual frameworks, (v) targeting multi-donor trust funds through a focused approach in areas where UNESCO has a field presence and for global priorities such as gender and (vi) routinely taking feedback from a cross section of donors in order to continuously improve the efficiency and effectiveness of UNESCO's resource mobilization activities.