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**FINANCIAL SITUATION OF THE ORGANIZATION AND ITS IMPLICATIONS  
FOR THE IMPLEMENTATION OF DOCUMENT 36 C/5**

**PART I**

**REPORT BY THE DIRECTOR-GENERAL  
ON THE CASHFLOW SITUATION OF THE ORGANIZATION**

**SUMMARY**

In accordance with 36 C/Resolution 93.II, the Director-General submits to the Executive Board an update on the cash flow of the Organization.

There is no financial and administrative implication in this document.

Action expected of the Executive Board: proposed decision in paragraph 11.

## Introduction

1. In the last days of the 36th session of the Conference on 9 and 10 November 2011, the Director-General reported on the serious cash-flow shortfall currently being experienced by the Organization. She informed the General Conference that major contributions expected to be received before the end of 35 C/5 would not be paid by the end of 2011. This would increase the level of arrears with a significant impact on the cash position. She also stated that a delay could be expected in the receipt of major 2012-2013 contributions.

## Actions by the Director-General

2. On 2 November 2011, the Director-General took the following measures to address the issue of cash shortfall. She launched a thorough review of all activities planned for November and December 2011 in areas where there was an operational flexibility such as the use of consultants, temporary assistance, and travel on mission and meetings and conferences, publications and communications costs, material and equipment. This exercise was successful and resulted in reduction of expenditure of US \$31.2 million as reported in document 189 EX/4, Management chart, which amounts to 4.8% of the approved document 35 C/5. This is over and above the efficiency measures undertaken throughout 2010/2011 resulting in the redeployment of posts and financial resources from corporate services to priority programmes.

3. The Director-General has launched at the end of November a Voluntary Mutual Separation Programme to permit staff who so wish, to leave the Organization under conditions that are mutually beneficial to staff and the Organization. The objective of the programme was to generate staff costs savings, by keeping posts in abeyance for their redesign or abolition. 45 staff members have taken the package for a total cost of \$4 million, of which \$3 million is financed by the Regular Programme. Posts will be kept vacant until absorption of the payments, and/or abolished, depending on programme requirements and priorities. Further details and information on this programme are provided in document 189 EX/17.

4. A cross-sectoral working team including representatives from staff associations was established in early November to undertake an exercise aimed at seeking measures leading to cost reductions and efficiency gains, as well as building a culture of "cost consciousness" within the Secretariat. The purpose of the exercise was to reduce costs by reviewing all administrative mechanisms related to financial, procurement, human resources management and coordination processes. Suggestions were drawn from findings of previous taskforces, Internal Oversight evaluations, External Audit and JIU review, input from staff associations and individual input from staff members through the "UNESCO efficiency initiative" survey launched on 16 November 2011. The group has identified a number of measures as priority action with high financial impact and relatively easy to implement taking into account timelines for further review. The Director General is reviewing recommendations made, some of which have programmatic aspects. The impact of efficiency measures will be reported to the Executive Board on an ongoing basis.

5. To receive funds to meet the gap in core funding, the Director-General established the Emergency Multi-donor Fund for UNESCO Priority Programmes and Reform Initiatives (see detailed information in 189 EX/15 Part III). The Fund will finance Priority Programmes and Reform Initiatives, including, but not limited to, Africa, gender equality, EFA, ESD, TVET, science, technology and innovation, biodiversity, IOC, culture and development, World Heritage and intangible heritage, freedom of expression and the media.

6. At 31 January 2012 a total of \$26.1 million has been received including \$20 million from Qatar, \$5 million from Turkey, \$1 million from Congo, \$100,000 from Iceland, \$16,385 from Andorra, San Marino, Luxembourg, Monaco and Cyprus, as well as donations from private individuals through the online donation facility (\$32,212). Pledges have been made by Indonesia (\$10 million), Gabon (\$2 million), Congo (\$2 million), Timor-Leste (\$1.5 million) and Cameroon (\$290,000).

### Status of assessed contributions

7. As of 31 December 2011, 88% of contributions were received for the 2010-2011 biennium and for previous biennia and instalments due under payment plans. The percentage of unpaid contributions for the current biennium has significantly increased from 3% at the end of 2009 to 12% at the end of 2011. At the same time the percentage of arrears for previous biennia has decreased from 18% at the end of 2009 to 12% at the end of 2011 and the amounts of instalments deferred to future years has gone down from 12.8 million to 5.2 million. Overall the total unpaid contributions amount to \$98.7 million at 31 December 2011, twice the level of end of 2009. This has put unprecedented pressure on our cash flow position and highlighted the inadequacy of the current level of the Working Capital Fund.

US\$ '000s - Status of Contribution as of 31 December	2011		2009	
Assessed contributions for current biennium	653,026		631,022	
Contributions for current biennium received	571,878	88%	610,537	97%
Assessed Contributions for current biennium due	81,148	12%	20,485	3%
Contributions from previous years and instalments	35,035		71,496	
Contributions from previous years and instalments collected	30,917	88%	58,686	82%
Contributions from previous years and instalments due	4,118	12%	12,810	18%
Total contributions due in current year	85,266		33,295	
% of Assessed Contributions		13%		5%
Instalments deferred to future years	5,185		12,766	
Total Contributions due (contributions in EUR expressed at constant rate (0.869))	90,451		46,061	
<b>Total Contributions due</b> (contributions due in EUR were converted in US\$ at the rate of 0.664 at 31.12.2009 and at 0.737 at 31.12.2011)	<b>98,704</b>		<b>49,647</b>	

### Assessment action for 2012

8.1 To improve the cash flow of the Organization, the Director-General also sent early requests for 2012 assessed contributions.

8.2 Financial Regulation 5.5 states that “contributions and advances shall be considered as due and payable in full within 30 days of the receipt of the communications of the Director-General referred to in Regulations 5.3 and 5.4 above or as of the first day of the year to which they relate, whichever is the later. As of 1 January of the following year the unpaid balance of such contributions and advances shall be considered to be one year in arrears”.

8.3 Letters of assessment for 2012 were dispatched to 145 Member States and Associate Members on 1 December and to 56 Members on 31 December 2011. The letters of 1 December were addressed to Member States that have no outstanding 2010-2011 contributions at that date while the letters of 31 December were dispatched to Member States that still have outstanding contributions.

8.4 In her letters of assessment for 2012, the Director-General requested Member States to inform BFM of the probable date, amount and method of payment of forthcoming contributions for cash flow planning. A number of Member States have provided this information which has proved most helpful. The overall information received with regard to contributions due and likely to be

received, however, is still inadequate for efficient forward cash planning purposes. Consequently, the timing and amounts of expected contribution payments, reflected in cash forecasts, continue to be based partly on the experience of previous years which is not a reliable indicator. Member States are kindly requested to continue their efforts to provide information in an accurate and timely manner in the future.

8.5 As a result of early payment of 2012 contributions made by some Member States, the total of advance payments received at 31 December 2011 amounts to \$19.9 million compared to \$2.2 million at the end of 2009. As of 31 January 2012, \$88.4 million of 2012 assessed contributions have been received as compared to \$21 million in January 2010.

### Cash position

9. The table below shows the cash position of regular budget at the end of 2011 as well as cash forecast for the 2012-2013 biennium. The year-end position is much better than the estimate made at the time of the General Conference in 36 C/37 Add.2 as a result of the reduction in expenditure made by the Director-General and early payment of contributions by a number of Member States.

#### CASH POSITION OF THE ORGANIZATION AT HEADQUARTERS

(expressed in thousands of US dollars)

Year	End of month	Cash surplus (deficit) of regular budget	Cash balance available in Working Capital Fund	Net Cash surplus (deficit)
2011	September	38,077	30,000	68,077
	October	8,419	30,000	38,419
	November	611	30,003	30,614
	December*	-18,472	30,093	11,621
2012**	January	13,116	30,093	43,209
	February	39,466	30,093	69,559
	March	23,846	30,093	53,939
	April	10,240	30,093	40,333
	May	37,803	30,093	67,896
	June	68,430	30,093	98,523
	July	56,663	30,093	86,756
	August	45,698	30,093	75,791
	September	30,451	30,093	60,544
	October	8,844	30,093	38,937
	November	6,504	30,093	36,597
	December	-16,196	30,093	13,897

\* Provisional data pending the financial closing of accounts as of 31/12/2011

\*\* A preliminary forecast subject to change.

Contributions for the year 2012 are based on the 2010 payment experience or recent information received from Member States whereas forecasts for outgoing payments are based on past experience and factor in the reduction of the 36 C/5 expenditure by 29%.

The USD/EUR exchange rate used for the forecast is 0,774.

### Voluntary advances to the Working Capital Fund

10.1 By its 36 C/Resolution 93, the General Conference decided to maintain the Working Capital Fund at its current level of \$30 million, while inviting Member States to make voluntary advances to complement this level for a period of two years.

10.2 At the date of finalizing this report, three Member States (Azerbaijan, Côte d'Ivoire, Indonesia) made such advances for a total amount of \$92,645. A pledge of \$2,118 was made by Cambodia.

10.3 Such advances remain funds repayable to contributors. The overall position of the Working Capital Fund will be reviewed at the next session of the General Conference, depending on the financial situation of the Organization at that time. In the interim, the Executive Board will assess the current financial situation of the Organization at its forthcoming meeting in February 2012 (see 185 EX/15 Part II).

### **Action expected of the Executive Board**

11. Having regard to the above, the Executive Board may wish to adopt a decision along the following lines:

The Executive Board,

1. Recalling 36 C/Resolution 93.II,
2. Having examined document 189 EX/15 Part I,
3. Takes note of the efforts made by the Director-General to improve the cash position of the Organization;
4. Requests to the Director-General to report to the Executive Board at the 190th session on the financial situation of the Organization.



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**FINANCIAL SITUATION OF THE ORGANIZATION  
AND ITS IMPLICATIONS FOR THE IMPLEMENTATION OF THE 36 C/5**

**PART I**

**REPORT BY THE DIRECTOR-GENERAL ON THE CURRENT SITUATION  
AND ROADMAP FOR THE IMPLEMENTATION OF THE 36 C/5**

**ADDENDUM**

**SUMMARY**

Complementing Part I, the Director-General hereby submits a review of the current situation, together with a roadmap for future action by the Organization, addressing critical challenges and, more general, further measures to be taken.

Action expected of the Executive Board: proposed decision in paragraph 129.

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## Executive Summary

### **Actions taken to handle the current financial situation centre around four main themes.**

First, immediate measures achieved savings of \$31 million during the last two months of CY 2011 to counter an immediate cash shortfall resulting from the non-payment of member contributions. Second, a Special Emergency Fund was established to collect additional and voluntary contributions from Member States, holding a pledged amount of \$42 million as of the end of January 2012, of which \$26 million have already been received. Third, sectors and services were instructed to elaborate a first set of work plans assuming a reduced budget (\$465 million instead of the approved 36 C/5 budget of \$653 million). These work plans reflect the priorities approved by the General Conference and they will be reviewed and adjusted on a quarterly basis so that, over the course of the biennium, the priorities approved by General Conference can be achieved. Fourth, the Director-General continues the path of fundamental reform by aiming at more focus in programme delivery, achieving efficiencies, and implementing the endorsed action plan of the Independent External Evaluation (IEE).

**Immediate savings were realized at the end of the 2010-2011 biennium.** These savings resulted from: sharp travel and mission restrictions, cancellation of some non-essential activities, a stop on the use of external consultants and temporary assistance, and curtailing publications. In addition, staff vacancies were, and will remain frozen. In only a limited number of cases (i.e. less than one out of four) would vacancies be considered for recruitment, provided that sufficient funds are available and clear justification is provided. Furthermore, an Efficiency Working Group with broad participation, including the staff associations, formulated a wide range of efficiency and cost-saving measures that are being implemented to ensure continuing savings and efficiencies in the current biennium.

### **Provisional work plans were formulated by sectors and central services using the projected available resources of \$465 million as a working ceiling, assuming a worst-case scenario.**

This reduced the regular programme budget of \$653 million by 29%. The report details the strategy and approach taken by the sectors to deliver their work programme, respecting not only the global priorities but also targeting action for youth, least developed countries, small island developing States and countries in post-conflict and post-disaster situations. Work plans will be reviewed and adjusted periodically depending on the availability of resources and will reflect the priorities endorsed by the General Conference. The aim is to target full delivery on the objectives defined in document 36 C/5 in a more effective way with the support of our Member States, including extrabudgetary resources linked to our regular programme.

**The gap between the resources approved in document 36 C/5 (\$653 million) and the available resources in the amount of \$465 million will be covered** by: (i) ongoing programme focus and effectiveness in programme delivery; (ii) sustained mobilization of extrabudgetary resources and use of the contributed funds by Member States in the Special Emergency Fund; and (iii) ongoing systematic savings in staff costs as well in non-staff costs.

**In spite of the financial situation, the Organization has managed in the first quarter of 2012 to increase somewhat the decentralization ratio of the Major Programmes from 56% to 58%, and to preserve the regional ratios**, through a combination of drastic budget reductions and sharp efficiency improvements (by reducing travel, consultancies, temporary assistance and better targeting and reducing publications). Challenges are the reduction in operational support costs (formerly called activity costs) supporting the execution of projects. Ongoing efficiency measures, as, for instance, those spelled out in the efficiency and effectiveness targets in this report, will free up resources to cover a part of these shortfalls.

**Ongoing reform will centre on the five strategic directions of the Independent External Evaluation** with its 87 Executive Board approved and General Conference endorsed action plans. These reforms will achieve increased focus, better and more meaningful field presence, clearer definition of UNESCO's within the United Nations system, stronger and more meaningful



partnerships and a more streamlined governance system. We have already made substantial progress by implementing 26 out of 87 action points. On focus, we will continue to sharpen our programmatic choices, by consolidating programme activities, increasing the activity threshold and reducing or eliminating programme activities with few support resources allocated to them. The field reform will continue to be implemented starting with Africa, despite the financial constraints, with stronger staff presence to better respond to regional and country needs, and with clearer delegation of authority and also accountability. We will increasingly partner with United Nations organizations and participate actively in the United Nations common mechanism, demonstrating our comparative advantage and our niche.

**Important organizational shifts have already been made in sectors, as well as in central services.** Almost all sectors have consolidated their structures to improve programme delivery and effectiveness. This process will continue especially with a view to reduce the complexities of procedures and to streamline our operations and delivery moving the Organization from a culture of control to a culture of accountability. Specific targets have been formulated to monitor and measure our progress and are presented in this report. These changes in organizational design, management systems, and policies will also set the stage for document 37 C/4.

**Finally, our responses to the new budgetary reality and the ongoing reform measures are an ongoing process** that will need to be adjusted as we go along and that only can be achieved through the active participation of all involved. The situation will be closely reviewed at the end of March 2012 and on a quarterly basis, to maximize the use of UNESCO's resources and its focus on core programme priorities, with a major review planned for the end of 2012. We will continue to consult with the Executive Board and Member States, as the situation evolves over time.

### **Key elements of the roadmap**

1. The goal is to execute document 36 C/5 as approved by General Conference within the constraints of a sharply reduced budget.
2. The Roadmap will focus on three complementary and mutually supportive approaches:
  - (i) sharper programme focus on areas of recognized comparative advantage and on assigned lead roles and mandates in the multilateral field;
  - (ii) sustained mobilization of additional resources under the emergency fund and extrabudgetary funds to implement the priorities identified in document 36 C/5;
  - (iii) systematic savings in administrative areas, staffing and non-staff costs (travel, publications, consultants, temporary assistance), and the streamlining of work practices.
3. Work programmes will be monitored closely and reviewed at the end of March 2012 and on a quarterly basis, to maximize the use of UNESCO's resources and its focus on core programme priorities, and a major review undertaken at the end of 2012.
4. Reform efforts will continue unabated over the biennium to ensure full implementation of the General Conference endorsed action plan under the Independent External Evaluation.
5. Changes in organizational design, management systems and policies will contribute to preparing UNESCO for the 2014-2021 Medium-Term Strategy (37 C/4).
6. The Executive Board and Member States will be continuously kept informed.

## Introduction

1. At the recently completed 36th session of the General Conference, Member States unanimously expressed support for the Programme and Budget for 2012-2013, thus reaffirming their commitment to the shared values of the Organization.

2. The current financial situation represents a serious challenge for the Organization. It is also an occasion for the Organization to examine itself critically and determine how it can adapt and achieve even greater efficiency and impact in the use of its limited resources. The Director-General's own reflections led her to the conclusion that what was needed was not to add and subtract on the margins, but rather to re-engineer the Organization, both its programmes and its management structure, but in a manner that does not jeopardize the capacities of the Organization to deliver on its core priorities over the long term. With the above in mind, the Director-General hereby submits to the Executive Board planned actions and approaches aimed at responding to the current resource constraints.

3. The Director-General's proposed measures and the recommendations of the Independent External Evaluation of UNESCO (IEE) are mutually supportive and both fit under the same reform umbrella. The Director-General's proposals, which identify specific targets and timelines, involve action to:

- focus the programme and target efforts even more specifically towards least developed countries, maintaining appropriate balance between UNESCO's global work and the need to provide services to individual member States;
- step up fundraising activities to complement regular budget resources available for core priority programmes;
- further decentralize UNESCO's work and resource mobilization activities to the regional and country levels to position UNESCO closer to the field;
- amplify UNESCO's impact by expanding alliances, partnerships and joint programmes with organizations/institutions sharing and contributing to similar goals;
- restructure the Secretariat at Headquarters in order to introduce a flatter and less fragmented management structure, with particular reference (at this time) to units charged with providing administrative and programme support services;
- shift the focus from resources to results and provide more flexible means of action by increasing the proportion of non-staff resources (which may be combined with an increase in resources available for acquiring specialized short-term expertise when needed);
- take full advantage of the potential of information and communication technologies;
- streamline business processes, introduce greater delegation of authority and clarify accountabilities;
- reinforce monitoring, evaluation and oversight of all programmes.

4. These efforts in particular lay also the ground for preparation of the next Medium-Term Strategy for 2014-2021 (37 C/4) and the four-year Programme (and Budget) for 2014-2017 (37 C/5).

5. Document 189 EX/15 Part II briefly takes stock of actions by the Director-General to address the issue of cash shortfall at the end of 2011. It then outlines the main features of the 36 C/5 document work plans and its process. Subsequently, it describes the Director-General's roadmap,

the implementation of which would clearly be influenced by the level of resources ultimately raised under the Emergency Multi-Donor Fund for UNESCO Priority Programmes and Reform Initiatives.

**Part I: Completing the 35 C/5: immediate cost-saving and adjustment measures**

6. Document 35 C/5 funding shortfall of \$72 million prompted severe austerity measures to meet the funding gap at the end of the 2010-2011 biennium through both expenditure cutbacks and efficiency measures. Part I of document 189 EX/15 describes various other steps taken by the Director-General in relation to accelerating the payment of assessed contributions, the collection of voluntary contributions to the working capital fund and the establishment of the Emergency Multi-donor Fund for UNESCO Priority Programmes Reform Initiatives and responses thereto.

7. The austerity measures taken during the period resulted in a total reduction of expenditure for document 35 C/5 of \$31.2 million, representing 8% (\$21.7 million) of activity budgets and 2% (\$9.5 million) of staff cost budgets. These economy measures entailed reductions in such objects of expenditure as temporary assistance, consultants for the Secretariat, official travel by staff members, contractual services and miscellaneous expenditure.

8. The Director-General imposed an expenditure reduction exercise, which required a review of existing commitments and planned activities with a view to maintaining only those activities constituting essential elements of the programme or stemming from legal obligations. In particular:

- (a) Continuous reviews of commitments to prioritize activities were carried out until year-end, resulting in a net reduction in amounts already committed for expenditure at 8 November by \$3.8 million. Efforts were also made to contain the total amount of unliquidated obligations (ULO) by more narrowly defining the dates by which the activities had to be fully delivered. As a result, the level of unliquidated obligations at the end of the biennial period stood at 0.7% of the total budget for 2010-2011, that is significantly lower than the 3.7% recorded for the 2008-2009 biennium.
- (b) Planned expenditure for furniture and equipment and general operating expenses and materials were reduced by \$7 million.
- (c) Travel entitlements were tightened and a strict planning and control of staff missions instituted resulting in a reduction of their costs (of over 65% compared to November-December 2010, from \$1.4 million for November-December 2010 to \$0.5 million in November-December 2011) and number (263 in December compared to 590 per month in the first 10 months of the year, with those funded from the regular budget falling from 319 to 70).
- (d) Difficult decisions had to be made resulting in large numbers of separations or non-extension of temporary staff (from 482 as at 1 December 2011, the number of persons employed under temporary assistance dropped to 160 in January 2012). These decisions did not affect the geographical distribution of staff, which applies only to established posts funded from the regular budget.

9. Expenditure reductions were balanced between the Major Programmes (48%, \$10.5 million) and the Corporate Services plus Governing Bodies (44%, \$9.5 million). Below are some examples of activities cancelled or postponed:

- (a) The strengthening of the Tunis antenna was postponed to 2012;
- (b) The merit promotion scheme of staff was suspended;
- (c) Only one out of 29 planned publications submitted to the Publications Board was retained for printing, with the others being cancelled, delayed or shifted to on-line publishing.

- (d) Evaluation activities scheduled to take place towards the end of the biennium were cancelled, including the evaluation of gender priority, the evaluation of AO training, field office audits, IT audits and a sector-requested evaluation.
- (e) Planned investment relating to organizational Knowledge Management (Unified Communication system, Microsoft Exchange Project and Electronic Records Management system) cancelled.
- (f) Investment in IT tools for Human Resources Management (such as competencies, self-assessment and career management tools and recruitment and consultant management tools) postponed.
- (g) With few exceptions, all programme related training activities were suspended.

10. All of the above economy measures, combined with the use of the entire working capital fund of \$30 million, enabled the Secretariat to manage the acute cash-flow problem at the end of the 35 C/5 document biennium. It is worth recalling here the circumstances in which these measures were taken and applied as the Secretariat had only six weeks to absorb a sudden funding deficit in the amount of \$72 million. Quick action was required to stop the financial haemorrhage – and it was accomplished.

11. The austerity measures introduced at the end of 2011 in respect of temporary assistance services, consultants for the Secretariat, staff travel on mission, publications, documents and other printed materials will be rigorously pursued in 2012-2013, as part of the overall efforts to address the combined impact of the 35 C/5 document actual shortfall and the 36 C/5 document anticipated shortfall in receipt of assessed contributions. Other measures decided at the end of 2011 to help bridge the 36 C/5 document funding gap include a voluntary separation scheme, a cost review exercise to identify opportunities for efficiency gains and cost reductions, and the establishment of the Emergency Multi-donor Fund for UNESCO Priority Programmes and Reform Initiatives (see detailed information in 189 EX/15 Part III).

12. A Voluntary Mutual Separation Package for staff was launched in November 2011 which generated 74 expressions of interest. From the 63 offers made to staff (11 were not supported for reasons of programme or function continuity), 45 accepted. The total cost of the scheme was in the amount of \$4 million, of which \$3 million financed from the regular budget. The package, which becomes effective on 31 January, will generate staff costs savings of \$5.99 million during the current biennium.

13. A cross-sectoral UNESCO Efficiency Group was established in early November 2011 to identify opportunities for efficiency gains and cost reductions and to promote a culture of efficiency and cost consciousness. The purpose of the exercise was to reduce costs by reviewing all administrative mechanisms related to financial, procurement, human resources management and coordination processes. Ideas and initiatives came from previous taskforces, Internal Oversight evaluations, external audit reports, reviews of the Joint Inspection Unit, as well as from input by the Staff Associations and individual staff. The Group identified a number of measures as priority action with high financial impact and relatively easy to implement, with particular reference to travel (with estimated savings of \$2 million), publications (with a target reduction of 50%) and printed materials (an IOS review concluded to an \$8.9 million potential cost savings).

**Part II: Delivering on document 36 C/5 programme objectives: preparation of the 36 C/5 document work plans**

14. Following the adoption of the Programme and Budget for 2012-2013 (36 C/5) by the General Conference, the Secretariat launched the preparation of the annual plans for the execution of the approved programme.

15. The Director-General's Ivory Note of 8 December 2011 on the preparation of the work plans factored in an average reduction of 29% of the 36 C/5 document budget envelope, leaving an amount of \$465 million that formed the basis for the formulation of the annual work plans. With this situation in mind, the Director-General requested all Sectors/Bureaux/offices to respond fully in all programmes to the Global Priorities of Africa and Gender Equality and to envisage targeted action in favour of youth, least developed countries, small island developing States and countries in post-conflict and post-disaster situations.

16. In order to reduce the 36 C/5 document funding gap, the Director-General also decided: (i) to keep in abeyance 75% of all vacant regular programme posts at Headquarters and in the field, as an initial measure; (ii) to continue applying strict austerity measures in respect of temporary assistance, consultancies, travel, meetings and conferences, publications and other printed materials; and (iii) to step up significantly the mobilization of extrabudgetary funds and to increase the programming and execution of available extrabudgetary resources.

17. Furthermore, the Director-General has decided to allot funds on a quarterly basis in 2012 in order to ensure a careful management of the cash flow situation and other uncertainties. Thus, in validating the work plans on a provisional basis on 4 February 2012, the Director-General has requested all Sectors and Bureaux to submit by end-March 2012 revised work plans which are in line with the expenditure ceilings set for the biennium, reflecting as well any recommendations resulting from the detailed work plan review.

18. An analysis of the provisional work plans as at end January 2012 shows the profound impact of the severe funding constraints across the entire Organization, which reaches into core priorities and operations. It also bears witness to the considerable efforts made in all areas to deal with an unprecedented challenge. Assistant Directors-General are facing considerable challenges in formulating credible work plans, in ensuring continued field delivery, in meeting statutory requirements, and in balancing present challenges and future needs (Part III of this report provides information concerning the impact of the current situation on Major Programmes and initial decisions to enhance strategic focus and organizational design in some core programme areas).

19. The different Sectors and services are still struggling to remain within the limits of assigned budgets based on available resources in the amount of \$465 million. The high level of fixed costs, including overheads, statutory meetings and staff costs, largely account for the budget overruns in the work plans of several Secretariat units. For a number of statutory commitments, alternative sources of financing will be explored through discussions with Member States. The provision in Part V for cost increases has been almost eliminated in the work plans, with implications for the financing of future payroll increases and associated increases in the contributions to the Medical Benefit Fund. Cost overruns will be gradually absorbed, essentially through a reduction of administrative costs and restructuring.

20. The overall decentralization rate for the five Major Programmes (MPs) has increased from 56.3% (36 C/5 Approved) to 57.9% in the work plan submission, in spite of the challenging circumstances. The ratio of staff to activity, which had been 61% in the last biennium and 62% in document 36 C/5 Approved, now stands at 70% in the 36 C/5 document work plans.

21. However, this ratio does not accurately reflect the direct contribution of staff to programme implementation, in all areas of UNESCO's activities, and not only in a programme-support role. This fact is not generally well understood by UNESCO partners. The staff-activity ratio should more accurately be replaced by a comprehensive approach, whereby "staff costs" and "operational costs" are understood to contribute together to the delivery of UNESCO's activities. These terms will therefore be used in the future in place of the current expressions "staff costs" and "activity costs".

22. Overall, the current situation demonstrates the need to pursue a continuous programmatic and staffing review at global and sectoral levels to sharpen programmatic focus, ensure the

attainment of expected results and achieve credible and sustainable levels of resources in programmatic areas of priority.

**Part III: Impact of the current budget reduction on Major Programmes, and initial efforts to improve strategic focus and organizational design in some core programme areas of document 36 C/5**

**Major Programme I: Education**

**I. Impact of the reduced budget**

23. The Sector's overall budget has been reduced by 31% as compared to document 36 C/5 Approved, bringing it from \$115.4 million to \$79.3 million. This has led to a 31% cut in the financial allocation to the institutes, an 18% reduction of staff costs and a 57% cut to the education activity budget. This activity budget (\$14.2 million) has been split between Headquarters and the regions, maintaining to the extent possible the previous decentralization rate and regional proportions.

24. In order to make an 18% saving on the staff costs of MP I, 49 of the 66 vacant posts have been put on hold and a further five posts will be put on hold on the retirement of staff members in 2012-2013. This will severely compromise the delivery capacity of the Education Sector.

25. This reduction in budget has significantly affected the **education activities** planned for 2012-2013. The Sector had intended to pursue the strategy initiated in document 35 C/5 to provide additional support to 18 new "target" countries identified from among those least likely to achieve EFA, bringing the number of targeted countries to 38 over the two biennia. However, the reduction in budget will not allow this support to be funded through the regular budget. Support will therefore be funded from extrabudgetary sources alone, in particular through the CapEFA programme, which at this time will allow the Sector to reach out to 11, rather than 18, additional countries.

26. The Sector has decided to pursue activities within each of the 12 thematic areas identified in document 36 C/5 in order to safeguard a comprehensive and holistic approach. However, the budget restrictions are severely affecting the scale and scope of activities. For example, fewer countries will be supported in the field of ESD, with no activities planned in the Arab region. Thematic areas that benefit from significant extrabudgetary funding, such as HIV and AIDS, will receive only limited amounts of regular programme funding. Many planned capacity development activities will no longer take place.

27. Moreover, while key global events such as the Third International Congress on TVET will be maintained, UNESCO's presence will no longer be ensured in several international and regional events. This will reduce the Organization's visibility and capacity to guide policy decisions. The number of publications will be significantly reduced and made available in only a limited number of languages. This will weaken UNESCO's function as a clearinghouse and its efforts to promote linguistic diversity and multilingualism. The reduced budget will therefore undoubtedly compromise UNESCO's capacity to meet in full the expected results set out in the Approved Programme and Budget (36 C/5).

28. The 31% reduction will also have a severe impact on category 1 institutes, particularly the small institutes that rely on UNESCO's contribution mainly for staff costs.

**II. Programmatic focus and organizational design**

29. At this stage, adjustments are being made to the implementation of activities and staffing in order to achieve better focus and improve efficiency. The following specific actions are being or will be taken:

**(a) Teachers**

30. The four priority areas identified in document 36 C/5 to accelerate progress towards EFA (sector-wide policy and planning, literacy, teachers and TVET) will be maintained, with teachers becoming the “priority of priorities” following strong demand from Member States. The Sector will therefore revise programme implementation approaches and modalities in this area to ensure better effectiveness and efficiency. In particular, the Teacher Training Initiative in Sub-Saharan Africa (TTISSA) will be terminated and replaced by a new programme focusing on global policy advocacy, norms and national capacity-building for teacher development, in particular in Africa. A number of TTISSA outcomes, such as the diagnostic tool, will feed into this programme. It will be complemented by the work of the International Task Force on Teachers for EFA, with IICBA playing a key role at the country level in Africa. Extrabudgetary resources, through the CapEFA programme and recent Chinese funds-in-trust targeting teachers in Africa, will supplement regular programme resources.

**(b) Education planning**

31. A more efficient use of resources between Headquarters and category 1 institutes is being put in place: in the area of support to education planning, all technical backstopping work at country level will be mainly conducted by IIEP, while Headquarters will carry out overall coordination. The structure of the ED Sector at Headquarters is being adjusted accordingly.

**(c) Preparing for EFA after 2015**

32. Preparations for the post-2015 period, including the 2015 event, in which UNESCO must play a lead role, will be initiated in 2012-2013. In response to the request of the African Group during the 36 GC, the Sector is currently considering ways to mobilize extrabudgetary resources to support nationally-led EFA assessments, in preparation for the 2015 global EFA assessment. An internal task force is therefore currently being set up to initiate these preparations, and UNESCO is reaching out to all EFA partners – in particular the Global Partnership for Education – to jointly support these actions.

**(d) Resource allocation**

33. Given the limited activity budget available for each region, the Sector has moved away from the past practice of allocating budget envelopes to each field office, focusing rather on the identification of regional and sub-regional activities. In Africa, regular programme funding for education has been allotted only to five subregional offices (Dakar, Abuja, Nairobi, Windhoek and Yaoundé) covering the countries and sub-regions as defined in the field network reform. These activities will be implemented by the relevant offices and education staff in Africa. In addition, significant extrabudgetary funding aligned to regular programme activities will be implemented through all field offices.

**(e) Adjustments to ED’s structure at Headquarters and redeployment of field staff**

34. Although the “frozen” posts may be partially compensated for by hiring ALD staff with extrabudgetary resources, it is necessary to restructure the ED Sector at Headquarters and redeploy field staff in order to reflect the new programme orientation and improve efficiency.

35. The Education Sector has therefore proposed to merge three sections in order to strengthen human resources working on teachers and make savings on vacant Chief of Section posts.

36. In the field, the Sector has initiated a global mobility exercise for all staff, with special emphasis on those currently stationed in Africa.

37. As part of the same process, human resources in IICBA will be strengthened. In addition, the current ED post in the Addis Office will be maintained in order to carry out the liaison function with

the African Union, while an additional ED post will be located in the same office and assigned to IICBA to work on teachers. In the future, a senior post assigned to this area of work may be decentralized from Headquarters to IICBA.

38. Until final decisions are made regarding the field network reform in Africa, national professional staff will carry out their assignments in liaison with the regional bureaux. Furthermore, the Education Sector will continue ensuring its presence in a number of countries such as Chad, Lesotho and Togo, with long-term senior ALD staff responsible for implementing major extrabudgetary-funded projects.

**(f) Review of category 1 education institutes and UNEVOC**

39. The Education Sector, in cooperation with IOS, will launch an overall review of the programme, staffing, governance and financial sustainability of category 1 education institutes and UNEVOC. Focus will be placed on those institutes that over the past years have lacked a critical mass of diversified funding in view of formulating specific recommendations on their future.

**Major Programme II: Natural Sciences**

**I. Impact of the reduced budget**

40. In light of the ongoing financial situation, the Sector's work plan budget was reduced by 31% as compared with document 36 C/5 Approved, to \$40.4 million. The current budgetary situation has very serious consequences for the Natural Sciences Sector. Had the sector not freeze or abolish vacant posts, the cut in the regular programme budget would have been represented in a net negative allocation for regular programme activities. However, by delaying the recruitment of over 20 posts (for varying time periods), the Sector generated savings under the staff costs, which in turn were used to create budget for programme activities. Consequently for the 2012-2013 biennium, the activity budget for the Natural Science Sector amounts to \$3.2 million, which includes an allocation of \$700,400 to ICTP, and \$792,200 for IOC.

41. For IOC the work plans activity budget of \$792.200 represents a 77% reduction from the \$3.4 million in the approved 36 C/5 document. Consequently, a number of new areas in the IOC programme and budget could not be accommodated e.g.: coastal hazard assessment; a tsunami warning system for the Caribbean; climate change adaptation in coastal areas; decentralized approach to capacity development in marine sciences; advocating global actions and inter-agency coordination for oceans and coasts in the Rio+20 process. The programmatic choices made by IOC with the reduced activity budget focus on core IOC activities to ensure basic programme continuity, and largely rely on available extrabudgetary resources. However, a number of important engagements could only be maintained at minimal level.

42. The Sector also set aside \$1.0 million for statutory commitments related to the intergovernmental science programmes (IBSP, IGCP, IHP, MAB, IOC), to be used for the organization of the statutory meetings in particular. However, given the limited funds, saving measures had to be proposed which include a reduction in length of the meetings, co-funding, reduction of working languages, reduction of the length of documents, and the elimination of complimentary delegates' travel, etc.

43. Furthermore, the Natural Sciences Sector undertook a comprehensive restructuring in 2011, aimed at enhancing strategic focus, promoting greater interdisciplinary collaboration, and more effectively meeting the needs of the Member States. A key feature of the restructuring is the creation of "cross-cutting thematic units", on topics of strategic priority, including natural disasters, biodiversity, science education and engineering. Two of the existing Divisions were merged, in the creation of a new Division of Science Policy and Capacity-Building.



44. This restructuring, and the concomitant tailoring of document 36 C/5, met with strong support of the Member States, culminating in their enthusiastic endorsement of the draft programme and new structure in the Science Commission of the General Conference.

45. The Sector foresees 96 SC posts (excluding IOC) in Headquarters and 48 in field offices (excluding those from FITOCA and FIT posts). This makes a total of 144 posts under the regular budget. For IOC, 22 posts are foreseen at Headquarters and 5 in the field. The total number of SC staff is a critical mass for the delivery and further reform of the Organization. SC staff are a critical repository of knowledge, networks and institutional memory for its programmes. It should be noted that the reduction in posts and the decimated regular programme budget could threaten the stability of the science team and its extrabudgetary resource mobilization capacity.

## II. Programmatic focus and organizational design

46. **Overall target:** with its new resource mobilization effort and new modalities of working, the Sector aims to attain 50-60% of its approved expected results under document 36 C/5 and is confident that this can be achieved based on the results of the previous biennium's CAP and extrabudgetary resource mobilization record. The Sector was successful in the past biennium in generating more than \$33 million in extrabudgetary funds, and is confident that it can be yet more successful in the future.

47. **Resource mobilization:** The Sector will set a target for the biennium of a 30% increase over document 35 C/5 resources mobilized. To this end, the Sector is exploring full possibilities, including standard FIT, Special Accounts and Additional Appropriation (AA). Since the beginning of the year AA growth has been substantial. Over \$461,000 has been received and allocated to 36 C/5 document SC regular programme activities in Headquarters and the field (mainly to MLAs V (water) and VII (disasters)).

48. The current CAP data, which is increasing daily, includes 121 proposals totalling \$185 million, compared to the target of \$301 million that was set for the CAP. The objective is to have one CAP outline for each area for which no regular programme funding can currently be allocated. A full SC action plan on fundraising is currently being prepared, following the CAP structure, with synergy between Headquarters divisions and the field offices, including for regional flagship projects.

49. **Improved use of UNESCO-affiliated institutions for programme delivery:** Measures will be taken for the full use (and visibility) of category 1 institutes toward document 36 C/5. These include UNESCO-IHE (Institute for Water Education), ICTP (Abdus Salam International Centre for Theoretical Physics), TWAS (Academy of Sciences for the Developing World) and WWAP (World Water Assessment Programme). The work plans of these institutions will be fully visible in SISTER, the EX/4 reporting and in the CAP. Not only will this be coherent with SC's work plans, but it will greatly reinforce programme delivery, particularly in water and capacity-building in the basic sciences. Furthermore, SC will explore the ways to improve the coherence, planning, accountability and reporting of its large networks of category 2 centres and SC-related Chairs, in coordination with BSP.

50. **New modalities of working and focus:** As UNESCO programmes are more in the hands of its Member States (stronger ownership and participation compared with many United Nations counterparts), the use of UNESCO staff and expertise will give more on upstream issues through policy consultation and advisory services at global level. The Sector will try to energize Member State partners to implement a greater portion of the programmes.

51. At this point in the planning process, SC has already identified four out of the 27 MLA expected results for possible merging. During the first half of 2012 the Sector will closely monitor the progress in resource mobilization and partnership development and will further reduce the work plans according to the Member States and donor interest.

52. SC is working on the redeployment of its key staff, particularly in line with the priority for Africa region field office reform, but also toward the full achievement the new functions for the cross-cutting thematic units. Senior SC staff from Headquarters and other regions will be called to actively identify the opportunities for working in the Africa region within the new field office network. Thematic teams working on resource mobilization and specific flagship projects will be established to bring together field and Headquarters staff before the end of April. This will, where possible and useful, include colleagues from other sectors and even other United Nations agencies.

53. Greater effort will be placed towards the six Intersectoral Platforms.

54. SC will endeavour to improve the articulation of deliverables (services and products) from the science programmes and communication of the comparative advantages of the Organization, in particular concerning UNESCO-designated sites (MAB biosphere reserves, Geoparks, natural World Heritage sites), disaster early warning systems and new platforms for policy dialogue and improvement within UNESCO's science fields. Concerning UNESCO-designated sites, UNESCO is the only United Nations agency to designate such sites, which provide institutional and cross-cutting platforms and commitment for cooperation and are UNESCO's access to national development agenda related to environmental sustainability, biodiversity and cultural diversity, regional and local governance change and science education. These sites are massive assets of the Organization in terms of fund mobilization, partnership development and integrating with United Nations country programmes.

55. The new structure SC adopted in 2011 may be adjusted further during the course of the biennium, in light of the field office reform, outcomes of the United Nations Conference on Sustainable Development (Rio+20), including new sustainable development goals and delivering modalities.

### **Major Programme III: Social and Human Sciences**

#### **I. Impact of the reduced budget**

56. With respect to SHS, the overall work plan budget amounts to \$20.1 million and represents a 31% (\$9 million) decrease as compared to document 36 C/5. In its work plan submission, the Sector was able to reduce its staff costs by \$2.7 million by abolishing one D-1 Regular programme post and freezing 11 posts. Through these measures, the Sector was able to secure a total of \$2.3 million for activities.

#### **II. Programmatic focus and organizational design**

57. In carrying out its programme mandate under document 36 C/5, SHS will focus on four priority areas: bioethics, social inclusion, social dimensions of global environmental change and youth-led social innovation.

58. The underpinning mandate for SHS is precisely the promotion and strengthening of the social and human sciences capacities in the agendas and policy formulations of Member States. Therefore, the two Management of Social Transformations (MOST) Programme priorities, social inclusion and social dimensions of global environmental change, are considered not only thematic, but programmatic drivers for MP III evolving alongside the development and promotion of the social and human sciences in the framing of public policies.

59. Building on these related spheres, SHS will address: (a) social inclusion; and (b) the social dimensions of global environmental change, in particular where applicable, incorporating youth demographics:

- In promoting **social inclusion**, SHS will focus specially in three categories of vulnerable populations: indigenous youth, youth living with disabilities and migrant youth. As a tool for

development and community-building, sport has proven to be a vehicle for social inclusion. The Social inclusion team will aim at developing a systematic approach to monitoring, evaluating and benchmarking the impact of social inclusion policies in Member States, with a particular reference to UPR recommendations. .

- Working on the **social dimensions of global environmental change**, the SHS Global Environmental Change Team will work in four complementary directions: (a) To identify the ethical and social challenges arising from global environmental change, including particularly climate change, biodiversity loss and freshwater scarcity – that would produce among other effects population displacements and governance threats - by supporting the production of social and human science knowledge within an intra-disciplinary science framework; (b) to reflect on ethical principles that can make sense of environmental challenges and offer a normative basis to address them; (c) to support ethically and scientifically grounded national policies in selected countries to adapt to global environmental change and build resilience, with particular reference to assessment methodologies and policy design; and (d) to understand holistically how ethics of development can advance UNESCO's ethics mandate. The next World Social Sciences Report 2013 will be devoted to GEC.
- The work on **youth in Africa** is a main priority for this biennium. The Youth team will focus on promoting the development of young women and men, emphasizing youth-led social innovation and leadership, namely in terms of ensuring sustainable transitions to democracy, preventing violence affecting young women and men and developing employability skills through promotion of social entrepreneurship. The team will pursue the implementation of the **Strategy on African Youth**. The necessary financial resources (at least \$3 million) will need to be sourced essentially through the mobilization of funds from bilateral, multilateral and private sector partners. Furthermore, building on the 7th UNESCO **Youth Forum**, the Organization will transform the forum into a permanent platform for youth engagement. Active participation of diverse partners, high profile personalities, including UNESCO Goodwill Ambassadors will be maintained.

60. SHS will also place emphasis in 2012-2013 on the strengthening of the social and human sciences and the advancement of the ethics mandate:

- **Ethics** is a mandate that can contribute to further advancing the agenda setting for the reflection and implementation of the internationally agreed development goals. Ethics and human rights are at the core of social inclusion, sustainable development and a culture of peace. **Bioethics**, stemming from the promotion of human rights, is at the cutting edge of science and technology. Capacity-building on bioethics and anticipatory reflection on the new ethical challenges are a focus of this normative work that calls for both, philosophical and pragmatic approaches. Organization of **statutory meetings** which provide global platforms for reflection and debate on ethical issues from an interdisciplinary, multicultural and pluralist approach through its advisory bodies: the International Bioethics Committee (IBC), the Intergovernmental Bioethics Committee (IGBC) and the World Commission on the Ethics of Scientific Knowledge and Technology (COMEST). **Capacity-building programmes** and activities by establishing bioethics committees at national level; education in bioethics, through face-to-face and on-line modalities, including a work-in-progress for training journalists to enable them to communicate pluralistic, informed reports on bioethical challenges (time frame: two-year work plan, partly decentralized to the field).
- With regard to **Anti-doping and Sport**, the deliverables include capacity-building projects funded by the Anti-doping Convention Fund (timeframe: two years), organization of the fifth International Conference of Ministers and Senior Officials responsible for Physical Education and Sport (MINEPS V) in 2013 funded through extrabudgetary funds.

61. In the context of reduced work plan budget, SHS has consolidated its structure, moving from three Divisions to two and from six thematic teams to five. The grade pyramid structure has therefore improved, with the abolition of one D-1 post.

62. Within the framework of the **field network reform in Africa**, the Sector's main focus will be on youth, within the framework of the African Youth Strategy. This respond to a need expressed by Member States and confirmed at the AU summit. SHS is planning to assign one P-4 post per multi-sectoral regional office in Africa. The Sector plans to prioritize three offices: Dakar, Nairobi and Yaoundé in 2012, followed by Abuja and the Southern African office in 2013. An NOB post will be redeployed from Bujumbura to Abidjan. There is a funding gap for National Programme Officers positions in these offices. Once funds become available for the four frozen posts, they will be redeployed for posts in the field.

63. **Extrabudgetary projects:** The current on-going extrabudgetary projects in SHS amount to some \$25 million, the majority of which pertain to self-benefiting projects in Brazilia. Given the need to enhance the mobilization of extrabudgetary resources 39 CAP outlines (for a total of \$134.5 million, including \$125 million for Brazilia) are proposed for the current biennium, which would be a considerable increase when compared to the resources mobilized during the last biennium.

## **Major Programme IV: Culture**

### **I. Impact of the reduced budget**

64. The current work plan budget for the Culture Sector amounts to \$36.3 million, which represents a 30% cut vis-à-vis document 36 C/5 Approved. Within its work plan submission the Sector froze 19 posts, in order to generate as much savings under the staff costs as possible. Due to these efforts, some \$3.6 million could be assigned to activities, of which 46% is to be decentralized. However, the current budgetary situation is having a profound impact on the Culture Sector, and is compromising its ability to fulfil its statutory obligations in respect of the Conventions under its responsibility.

65. With regard to the activity budget, the Sector applied the same rate of reduction to all MLAs and fully respected the maintenance of decentralization rate required by the Director-General's Ivory Note of 8 December 2011. As many of the expected results in MLAs 5 and 6 had been put onto extrabudgetary financing in order to respect the decisions of the General Conference, this meant that the cuts fell very heavily on Biennial Sectoral Priority I, leaving a deficit of some \$1.4 million on the direct financing necessary for the Statutory meetings required over the biennium. Proposals for amending the financing mechanisms and working methods of these meetings will be discussed with the respective States Parties during the current biennium. The aim will be for a greater proportion of the funding of statutory meetings to come from extrabudgetary sources in order to focus the regular programme on capacity development and policy advice.

### **II. Programmatic focus and organizational design**

66. As requested by Member States, activities at Headquarters will concentrate on discharging the statutory functions of the Conventions' respective governing bodies, while field offices will focus on mainstreaming the principles of the Conventions into national policies and legislation, with a particular emphasis on capacity development, benchmarking functions and operational projects. An underpinning strategic thrust will be to demonstrate the links between the implementation of the Conventions and sustainable development.

67. Greater efforts will be undertaken to work with partners and networks such as National Commissions for UNESCO and category 2 centres in the fields of tangible and intangible heritage in delivering the programme.

68. (a) **Structural adjustments at Headquarters:** In line with the priorities clearly expressed by Member States during the 36th session of the General Conference, the Sector will make further adjustments to its structure at Headquarters in order to put ever greater focus on the implementation of the Conventions, as well as the revitalization of the Slave Route project. This will include:

- reducing the number of Directors from five to four, thereby continuing the concentration of resources begun in the preceding biennium;
- reinforcing the human resources dedicated to implementing the six principal cultural Conventions through the internal redeployment of appropriately skilled staff;
- strengthening resource mobilization activities in particular in areas not previously concerned by extrabudgetary funding, such as statutory meetings;
- rationalizing the number of personnel and budget dedicated to administrative functions across the CLT Divisions;
- refocusing the work on museums more closely to that on the 1954 and 1970 Conventions;
- reviewing the current arrangements concerning the General History of Africa (GHA) and coordination of the Slave Route project in order to increase and capitalize on the involvement of other programme sectors, in these high visibility projects.

69. (b) **Structural adjustments in the field:** The CLT structure in the field will be adapted in line with the roll out of House-wide reform, with an initial focus on Africa. This will require the reclassification of a number of posts and the redeployment of others both in the field and from Headquarters. This work is being undertaken in close cooperation with BFC and HRM. A sectoral mobility questionnaire will be sent to all professional staff in the coming weeks to assist the Sector in this exercise and seek to match staff preferences to the extent possible.

## **Major Programme V: Communication and Information**

### **I. Impact of the reduced budget**

70. The work plan envelope for the Communication and Information Sector amounts to \$22.0 million, representing a 31% or \$10 million cut as compared to document 36 C/5 Approved. In an effort to reduce its staff cost requirements, the Sector froze (for various durations) a total of 17 posts, and postponed the planned upgrading of nine posts in the field. As a result of these efforts, a total of \$4.0 million was earmarked for programmes of which 55% is decentralized. Given the limited funds available for activities, many of the core programme areas will need to be partly or entirely financed from extrabudgetary funds. The Sector currently has 271 ongoing extrabudgetary projects for a total 2012 allotment of \$6.7 million.

71. Of the regular programme activity budget, \$311,466 has been earmarked for the organization of statutory meetings, i.e. IPDC, IFAP and the Memory of the World Committee, which is \$11,000 lower than the budget envelope for statutory meetings included in document 36 C/5 Approved. The proposed savings were achieved by organizing the January 2012 IFAP Bureau meeting online.

### **II. Programmatic focus and organizational design**

72. Furthermore, the CI Sector will concentrate on specific priorities through the work of its two Divisions at Headquarters, while ensuring synergies with the field offices. Particular focus has been placed on the two global priorities – Africa and Gender Equality – while mainstreaming gender in all programmes and activities, wherever possible.

73. In light of the current situation, the CI Sector has decided to put forward strategic activities that are core to UNESCO's mandate and represent its comparative advantage on a country level. In this regard, the Sector has ensured strategic focus both in Headquarters and in the field. This focus is continually ensured through:

- The use of extrabudgetary funding to fund activities in order to meet CI programmatic objectives; extrabudgetary resources will be actively sought, with particular focus on fundraising for Community Radio and Open Access. Target countries for the implementation of extra-budgetary projects include countries in transformation, as well as eight West African Countries within the framework of a project to build ICT infrastructure in higher education in the UEMOA region.
- The concentration on priority areas while ensuring the continuity of ongoing projects. The optimization of in-house expertise and the reduction to nil of the use of consultants.
- Key budget ratios (field-Headquarters, % of activities addressing the two global activities, balance across MLAs) have been maintained.
- Synergies with other Sectors, as well as with other United Nations agencies on the ground, will be actively sought in order to ensure CI's continuous contribution to the United Nations common country programming including the UNDAFs, and the international development agenda at large.

74. As far as the regular programme is concerned, the Sector's programmatic focus will be on the following areas:

- Under "Freedom of Expression and Media Development", efforts will focus on: (i) the celebration of the World Press Freedom Day (3 May) and the Safety of Journalists, including the United Nations Plan of Action; (ii) PCPD, including media legislation and regulation; and (iii) Media development, particularly in the framework of the IPDC and with a particular emphasis on community radio.
- Under "Knowledge Societies", focus will be on activities related to: (i) ICT's for education, including OER and the ICT CFT; (ii) the strengthening of the Memory of the World Programme, including the 20th Anniversary of the Programme and the Digital Preservation Conference; and (iii) the WSIS Review in 2013.

75. The areas for which extrabudgetary resources will be actively sought, in addition to those mentioned above, include:

- Communication for Development (C4D) in the United Nations System;
- Gender-sensitive indicators for public service broadcasting;
- Model curricula for journalism education;
- Science journalism;
- Media and information literacy;
- User-generated content standards;
- Internet-related issues, including participation in the Internet Governance Forum and multilingualism;
- Access to knowledge for people with disabilities;
- Open Access to scientific information.

#### **Part IV: Designing a Roadmap for the Implementation of the 36 C/5**

76. The current situation is the point of departure for the development of a roadmap with some key targets, which shall advance further the reform process of the Organization and also address the structural problems of the Organization. The principal challenge facing the Secretariat is how to attain in the new budgetary context the objectives and expected results and what will be the impact on Sectors, programmes and work methods. Undeniably, sacrifices will have to be made but they will strengthen, not weaken, the Organization in the long run. This will require a focus not only on the budgetary dimensions, but also on work methods, processes and staff/office structures. In this context, strong emphasis will be given to the implementation of the recommendations of the Independent External Evaluation (viz document 189 EX/11) and of various recommendations of the External Auditor.

77. This moment is an opportunity to build a sharper UNESCO, a UNESCO with greater impact, a UNESCO with better delivery, in tune with the ambitions of its mandate and in sync with the needs of the 21st century.

78. The Director-General's approach will be guided by three core principles for action:

- (a) We must focus on programme delivery and safeguard the Organization's leadership in priority programme areas.
- (b) We must transform the way we work, reducing sustainably the relative weight of administration over programme and achieving sustainable efficiency gains.
- (c) We must better mobilize extrabudgetary resources and partnerships.

79. Special emphasis is being given to lighten bureaucratic practices with a culture of less control and more accountability and inherent coordination costs through a streamlining and simplification of procedures, a better overall planning of the different activities by Sector and office and avoidance of dispersed responsibilities.

80. These measures have been developed with the welcome and constructive contribution and participation of staff at all levels and with the staff associations in meetings with the Director-General and through a dedicated working group. They have yielded a host of efficiency measures and improvement in procedures, which highlight the emergence of a culture of cost-consciousness that must and will continue to be nurtured. The ultimate aim is to facilitate the transition from a culture of control to a culture of accountability.

81. The Director-General is also determined to accelerate the move towards digitization of documentation, a review and renegotiation of existing commercial and service contracts, such as utilities, telecommunications and cleaning services which entail substantial costs, a rationalization of facilities management and office space utilization, as well as the introduction of new systems and digital tools. The attainment of these objectives will require vision, leadership and commitment at all levels throughout the Organization.

82. The Roadmap is concentrating on key areas where concerted efforts need to be made in terms of programmes, field presence, human resources, administration and support services on a longer-term basis as well as a tighter linkage and integration between regular and extrabudgetary resources.

83. This Roadmap is consistent with the five strategic directions identified in the Independent External Evaluation (IEE):

- Increasing UNESCO's focus;
- Positioning UNESCO closer to the field;

- Strengthening participation in the United Nations;
- Strengthening governance;
- Developing a partnership strategy.

84. The following recommendations aim at accelerating and deepening work in all of these areas, which constitute the core of the UNESCO reform process. Of the 87 agreed action points in the follow up to IEE, 27 have been implemented. Despite the challenging overall situation, the reform clearly proceeds and will further help to stabilize the financial situation of the Organization.

## **1. Strategic Focus: programmatic choices and organizational design**

85. The Director-General's Roadmap will concentrate on the following areas in order to achieve as full an implementation of document 36 C/5 as possible:

### **(a) Making choices: focusing on priority programme areas**

86. Choices must be made to enable the Organization to cope with the current financial situation. The Organization cannot maintain all existing programmes but needs to concentrate on areas of clear comparative advantage in the international system. It must also review the current approaches to policy development and a range of other activities and services, so as to ensure their pertinence and cost-efficiency.

87. When preparing the work plans for 2012-2013, programme sectors were mandated to conduct an internal programmatic review of their activities and structures. ADGs and heads of central services have accordingly made efforts to prioritize and concentrate programmes and to improve planning and programming, especially in areas where UNESCO enjoys a clear comparative advantage in the multilateral field and has demonstrated impact. Overlaps have been minimized. Yet, more needs to be done.

- Target 1: Bearing in mind the current number of work plans, the Director-General has given instructions to reduce the overall number of work plans by 20% by end-2012 in an effort to focus and foster accountability.
- Target 2: The number of work plans with minimal operational costs (with the exception of those benefitting from extrabudgetary funds) shall be reduced by 30% by end-2012.
- Target 3: The minimum budget level for a work plan shall be increased to \$25,000 to the extent practicable.

88. All Major Programmes are also undertaking a pre-2015 (target date of MDG attainment) review of flagship programmes (e.g. EFA and in particular teacher training, TVET, ESD, concentrating on cross-cutting thematic focus, disaster, IOC, freshwater, science and technology, biodiversity, ethics of science and technology, youth, cultural diversity, WHC, freedom of expression and WSIS implementation) and their response to the global priorities Africa and gender equality, so as to preserve and enhance the relevance of the Organization for the future. Here the intention is to recalibrate and to reinforce the identity of the Organization's strategic role in the multilateral framework.

89. Core criteria and rating scales for evaluating programmes will be developed to make more informed programmatic choices across the Organization. Evaluations of programmes will become systematic.

90. Key category 1 institutes will be programmatically reinforced and their relation to Headquarters and field work sharply enhanced through joint programming and joint programmes.



**(b) Focusing on key functions**

91. UNESCO must preserve its focus on assistance to Member States in the formulation of policies and activities in education, science, culture and the media. It needs to enhance its offer of related capacity development, with enhanced focus on institutional capacity development, especially through recognized flagship initiatives and programmes, especially with respect to normative functions. The monitoring of progress and of normative commitments must also be preserved and enhanced across the entire range of activities.

92. All programme sectors are expected to make proposals in the second quarter of 2012 to enhance their approaches in the area of policy advice, capacity development and monitoring or benchmarking. Special attention will be paid to the operationalization and monitoring of norms, standards and conventions. Non-focus areas shall be abandoned.

**(c) Field network reform: positioning UNESCO closer to the field**

93. UNESCO must ensure a close relation between normative and operational activities, firmly anchored in the reality of robust and credible country-level programmes. Despite the financial constraints, UNESCO will intensify its work as a field-based organization and will continue to implement the reform of its field network beginning with Africa, as approved by the General Conference. Indeed, the Director-General is ring-fencing the implementation of the new Africa field network through a mixture of both regular programme funds and extrabudgetary resources from the Emergency Fund. This must be accompanied by an increase in decentralization of activity funds. Closer attention will also be paid to bottom-up programming in developing countries, in particular by better identifying UNESCO's programmatic contributions and partners. The preparation of UNESCO country programming documents consistent with the global C/5 will be accelerated.

- Target 4: Implement in full the field reform in Africa by the end of 2013.
- Target 5: By end-2013, UNESCO Country Programming Documents (UCPDs) will have been prepared for each country in which UNESCO is active.

94. A more significant proportion of staff will work in the field, with a higher proportion of resources (both regular programme and extrabudgetary). The staffing structure will also be enhanced and professionalized, with a diverse mix of profiles responding to regional and country needs, the assignment of qualified programme staff, including for PCPD areas, and providing for senior backstopping from Headquarters and other field offices.

- Target 6: The overall ratio of field to Headquarters staff shall move from approximately 35/65 at present to 40/60 by end-2013, with special emphasis on increasing professional staff in the field through an enhanced mobility policy.

95. Enhanced delegation of authority will be clearly vested in the heads of field offices and units, with clear accountability lines.

96. Synergies and efficiencies of scale will be an important factor in determining the field network. Thus, field offices, where the ratio of running costs to programme is higher than a certain level – taking into account both activity cost budgets and levels of extrabudgetary resources mobilized, will be assessed.

97. In order to reduce the costs to the Organization, UNESCO will review and, if necessary, renegotiate host-country agreements.

**(d) Strengthening participation in the United Nations**

98. UNESCO will increasingly partner with United Nations organizations and participate actively in United Nations common mechanisms, demonstrating its comparative advantage, and developing joint programmes, building on demonstrated synergies. All programmes will engage in active coordination, outreach and advocacy with the United Nations at interagency, regional and national levels. Overall, UNESCO will be committed to contributing to the larger United Nations reform – mirroring its own reform efforts described in this document.

99. Complementarity and synergy with other United Nations organizations will be encouraged and valued, whether at Headquarters or in the field, and extending from joint agreements to joint work and to secondments and loans.

- Target 7: UNESCO will review by end-2013 all its global memoranda of understanding with the funds and programmes of the United Nations and other select United Nations organizations.

100. Participation in UNDAF and equivalent processes will be systematic and serve to focus the Organization's programme on a limited range of activities at country level in areas of clear comparative advantage and thus to underline its impact and relevance in response to national priorities. UNESCO will also continue to engage systematically at the level of United Nations Development Group (UNDG) governance globally and at the regional levels.

- Target 8: UNESCO will continue to devote 2% of its programme resources to participation and insertion in common United Nations country programming exercises at the field, regional and global levels.

101. In education, negotiations will be conducted with EFA partners, in particular UNICEF and UNFPA but also WHO to achieve an enhanced distribution of tasks at global and country levels and to avoid redundancies.

**(e) Better aligning structures on the programme**

102. A review of structures and their staffing has begun and first planks were discussed at the 6 February retreat of the senior management. The principal objectives of the Secretariat's exercise are to attain better the strategic objectives, to ensure delivery capacity globally, regionally and in the field, to promote effectiveness, to realize cost-efficiency both in programme sectors and in Secretariat administrative and support structures and to accelerate the UNESCO reform as a whole. This will extend also to the development of stronger synergies (such as between Headquarters and category 1 institutes and between Headquarters and the field), the implementation of the field network reform as a major pillar of UNESCO's reform programme and supportive human resource measures, such as transfer of staff in line with the mobility policy as approved by the Executive Board. Further measures, such as a recourse to the creation of horizontal thematic groups (as have been created in SC, for example) may also have an impact on the current Secretariat structure and may require adjustments in strategies that may need to be considered in the context of the preparation of the next C/4 document.

103. Organizational design should follow function. The number of Divisions and Sections will be examined and reduced as necessary. This process has already begun by reducing the number of divisions in SHS to two; CI is able to build on the concentration recently achieved (from three to two Divisions); etc.

**(f) Reaching out to partners and communicating effectively**

104. The conclusion of partnerships is being encouraged through the entire range of the Organization's functions and delivery modalities, including the intersectoral platforms. Such

partnerships shall not be limited to the mobilization of financial support, but extend also to programme execution, programmatic initiatives, advocacy, outreach, and one-time single-purpose partnerships (such as observation of anniversaries). The strategy is will be reviewed by the Executive Board.

105. In terms of promoting the visibility of UNESCO and its activities, determined moves are under way to strengthen branding of the Organization in innovative ways, to strengthen media relations in key markets worldwide, to ensure digital delivery and distribution which are most cost-efficient and effective than traditional means, and to introduce revenue-generating programmes and special events. Overall, the objective is to create a more communicating organization in support of UNESCO's strategic objectives.

## **2. Mobilizing the full potential of extrabudgetary resources**

106. With respect to extrabudgetary resources, efforts will be intensified globally and at the field level to mobilize resources in a more strategic and innovative manner and to overcome past planning and implementation deficiencies so as to deliver quality expected results complementing regular programme activities, especially those with high strategic relevance.

- Target 9: Efforts shall be made to increase the number of public-private partnerships by 10% by end-2012 and to focus in particular on resource-generating partnerships, both at Headquarters and in the field.

107. A determined push for extrabudgetary resources will be made for the Special Emergency Fund and for funds-in-trust benefitting all core priority programme areas, with dedicated Action Plans, consistent with the CAP. As regards the Emergency Fund, its resources are intended to support priority areas and reforms, such as the field network reform.

108. Fundraising will become a responsibility of all ADGs and EOs, and of all field offices. Cost-recovery efforts will be stepped up by implementing a transparent charge back system thus allowing a cost recovery of all direct costs of implementation. Furthermore, the execution of extrabudgetary projects will be closely monitored and enhanced, also using available regular programme staffing resources.

## **3. Enhancing efficiency and reducing administrative costs**

109. Driven by the budgetary reductions imposed on administrative and support services, efforts have also been initiated to streamline administration and to introduce new ways of doing business, including the outsourcing of activities, the realization of efficiencies due to an optimization of available management and information systems and the management and control of common charges, such as for computer licenses, which are then passed on to Sectors.

### **(a) Realigning staff resources to programmatic delivery**

110. Overall, the principal objective is to realign staff resources to programmatic delivery thus amending the staff composition and reducing the ratios in the central services and the overall cost of administrative and operations of the Organization. Accordingly, the following targets are being established:

- Target 10: A better balance shall be achieved in the frozen 75% of vacant posts between posts in programmes and in administration.
- Target 11: Additional voluntary separation schemes will be offered as required before the end of 2013.

- Target 12: Overall administrative costs should be reduced by 15% with a target of end-2013, through reductions in corporate services and administrative unit costs, retirements particularly in the administrative support area, and redeployment of staff through investment in cost-efficient tools.
- Target 13: The number of posts in Executive Office (EO), Administrative Office (AO), secretarial services to be reduced throughout UNESCO by 10% by end 2013, by regrouping.
- Target 14: The current balance of one General Service staff per one Professional staff shall move towards a ratio of 0.9 General Service staff per 1.1 Professional staff by end-2013.
- Target 15: More efficient use and allocation of available office space, with a view to free up over 300 office spaces in the medium-term.

111. UNESCO will reinforce its commitment to excellence and performance in its staffing policies, to ensure the highest quality of service and advice to its Member States in its core priority programme areas, at and away from Headquarters.

112. An Organization-wide staffing review will be undertaken over the next months resulting in decisions including redeployment of staff through a redeployment group with the participation of Staff Associations. This is to be undertaken with a view to decentralize staff with the highest level of competence and expertise to the field.

113. The hiring of temporary assistance including consultants will be sharply limited and a fully transparent selection mechanism is being set up (delayed by the reduction on available resources but of high priority) to avoid long-term consultancies, duplication of functions and selection of quality expertise.

114. Staff development will be established, with proper career-pathing and identification of specific competencies and skills, as well as the definition of desired profiles.

115. A regrouping of Administrative Officers across the Organization will be undertaken to arrive at an efficient and cost-effective arrangement in support of an accountability culture. A review of organization of administrative units between sectors and corporate services will be conducted in order to reduce duplication of tasks.

116. Grade levels may need to be adjusted as necessary, also to be reviewed in the context of the staffing review mentioned above.

117. However, great care must be taken to avoid the mechanical application of ratios across the board as this may hinder our delivery as they may not capture the diversity and dynamics of UNESCO's activities. Ratios should be viewed as indicators.

118. Short-term secondments and rotation of three months and more are being pursued with other United Nations agencies and between Headquarters and field, such as the recent short-term initiative for AO positions in the field in support of building stronger working relations and information exchange, however cost implications will need to be evaluated to determine the number of initiatives possible.

119. Training has been suspended due to lack of funds. Learning activities to address the need for competencies in management, partnering and fundraising will be developed based on a needs analysis. Language training is under review and could be reduced or suspended.

### **(b) Streamlining and simplifying governance**

120. Governance needs to be simplified and strengthened at various levels of the Organization. To this end, discussions will be held with Member States to improve the efficiency of the governing bodies, and to enhance the interaction of programme sectors with the Member States.

121. To enlist the support of Member States in this period of austerity, the Director-General intends to work with Member States to sharply reduce the administrative burden and cost of conventions and international/intergovernmental programmes with a view to financing these mechanisms increasingly from contributions by States Parties or through voluntary contributions, as is the practice by the United Nations. Discussions will therefore be held with Member States concerning the governance of Conventions, International Science Programmes and category 1 institutes, with a view to sharply reducing transaction costs, administrative support, travel costs, and to enhancing the operational budgets in these areas.

- Target 16: All costs associated with the governance of the Conventions, International Science Programmes, category 1 institutes and other intergovernmental programmes will be reviewed in the coming biennium, with a view to sharply reducing transaction costs, administrative support, travel costs. The savings effected will be ploughed back into the operational budgets for these areas.

122. Following discussions during the 189th session of the Executive Board, and in line with the guidance given, the Director-General is ready to provide detailed proposals at the 190th and subsequent sessions, as the case may be, covering such areas as: (i) rationalization of Executive Board reporting documentation and frequency; (ii) use of languages; (iii) official records arrangements; (iv) Executive Board representatives travel and DSA entitlements; (v) rearrangement of General Conference agendas in line with the future C/5 document programming cycle; (vi) simplification of General Conference procedures; (vii) study of best practices and harmonization of governance arrangements, rules and procedures in all governance structures of UNESCO.

- Target 17: More effectively and efficiently deliver services for governing bodies and Member States to lower costs, remove duplication, increase coordination, and create synergies to be done by the end of 2013.

123. In consultation with Member States, efforts will be made to enhance the interaction of ADGs of Major Programmes with the Executive Board and its Ad Hoc Group on the broad range of issues related to the programme and management of their MP: programme implementation, results, impact, evaluation and audits, trends and challenges, structures and cost efficiency, especially in the context of the discussion of EX/4 and C/3 documents.

124. The Director-General is also confident that Member States will support a call for concentrating the Participation Programme resources on least developed countries. The Director-General is also inviting Member States to help finance the regional consultations for the next C/4 and C/5 through extrabudgetary and other support measures.

### **(c) Modernizing IT tools**

125. As part of the Knowledge and Information Management vision several projects will be defined and executed to modernize UNESCO's IT tools. The focus for biennium will be on projects that lower transaction costs and enhance the effectiveness of programme delivery. The extent to which the vision can be executed is heavily dependent on additional funding.

- Target 18: Implementation over the biennium of a number of IT projects, to reduce transaction costs and enhance effectiveness: integrated system to manage staff costs; a

procurement tool; a travel management tool; expanded human resources workflows; a correspondence tool. For some of these projects funding still needs to be secured.

### Coordination mechanism

126. The Director-General emphasizes the dynamic and fast changing nature of the process of adaptation to the new context, which will call for constant internal review and improvement as well as well-orchestrated actions to ensure that changes are introduced with minimum disruption to UNESCO's substantive work.

127. Consistent with DG/Note/11/24 of 3 August 2011 on "Follow-up to the Implementation of IEE Recommendations and Field Network Reform", the Director-General has entrusted the Deputy Director-General with the responsibility for coordinating the overall implementation of the measures put forward in the roadmap, including through the Programme Management and the Corporate Services Committees, dedicated working teams or other appropriate means, and for ensuring that they are carried forward in sync with the implementation of the IEE recommendations and the Field Network Reform.

128. All these efforts will have a bearing on the preparations, content and focus of the next C/4 document. Yet, in spite of all measures and initiatives, an assessment will have to be made at the end of 2012 about the likely funding level for the Organization and about the tangible achievements. Should the current constraints persist, it may be necessary to take more drastic measures, including further abolition of occupied established posts.

### Draft decision:

129. The Executive Board may wish to adopt the following draft decision:

The Executive Board,

1. Having considered document 189 EX/15 Part I Add.,
2. Expresses its appreciation to the Director-General for the effective actions taken to cope with the cashflow problem in closing the 35 C/5;
3. Further expresses its appreciation for the work carried out to implement the objectives of the programme and budget adopted by the General Conference at its 36th session (document 36 C/5 Approved) within the available resources;
4. Welcomes the Roadmap outlined by the Director-General for the implementation of document 36 C/5, and the various targets specified and encourages the Director-General to ensure that the objectives outlined in this Roadmap be implemented;
5. Underscores the importance, in the current situation, of ensuring sharper programme focus on areas of recognized comparative advantage and on assigned lead roles and mandates in the multilateral field, takes note with interest of the proposals made in this regard in the Roadmap, and further takes note with interest of the actions taken by Major Programmes to face the budget cuts and to enhance their strategic focus and organizational design;
6. Expresses its appreciation to the Director-General for her efforts to mobilize additional resources under the emergency fund and extrabudgetary funds, and calls on her to step up this effort;
7. Expresses its thanks to the Member States who have already contributed to the emergency fund, to those who have paid their 2012-2013 contributions ahead of time,

and to those Member States and individuals who contribute in other ways to the Organization in this time of need;

8. Strongly encourages the Member States of UNESCO to increase their support to the Organization in the coming months through voluntary contributions to the emergency fund, contributions to priority programmes, in-kind contributions, zero-interest loans, flexible use of existing donations and other possible means, and recalls the need for extrabudgetary resources to serve the objectives of the Programme and budget of the Organization (document 36 C/5);
9. Expresses its full support to the Director-General in her efforts to reduce administrative expenditures, and to further efficiency gains through restructuring and process improvement while maintaining delivery of the approved programme, and encourages her to continue these efforts along the lines proposed in the Roadmap, and taking into account the discussion at the Executive Board at its 189th session;
10. Further encourages the Director-General to pursue efforts in favour of field reform, in particular to the benefit of the Africa region;
11. Calls on Member States to review the cost-effectiveness of governing bodies, and the costs associated with the governance of the Conventions, International Science Programmes, category 1 institutes, and other intergovernmental programmes, with a view to sharply reducing transaction costs, administrative support, travel costs, and to enhancing the operational budgets in these areas.
12. Welcomes the Director-General's intention to monitor the situation closely on a quarterly basis, in order to maximize the use of UNESCO's resources and its focus on core programme priorities, and requests the Director-General to hold information meetings periodically to inform Member States of the evolving situation, as well as to provide a status report at the 190th session of the Executive Board.

## **Annex I**

### **Targets**

- Target 1: Bearing in mind the current number of work plans, the Director-General has given instructions to reduce the overall number of work plans by 20% by end-2012 in an effort to focus and foster accountability.
- Target 2: The number of work plans with minimal operational costs (with the exception of those benefitting from extrabudgetary funds) shall be reduced by 30% by end-2012.
- Target 3: The minimum budget level for a work plan shall be increased to \$25,000 to the extent practicable.
- Target 4: Implement in full the field reform in Africa by the end of 2013.
- Target 5: By end-2013, UNESCO Country Programming Documents (UCPDs) will have been prepared for each country in which UNESCO is active.
- Target 6: The overall ratio of field to Headquarters staff shall move from approximately 35/65 at present to 40/60 by end-2013, with special emphasis on increasing professional staff in the field through an enhanced mobility policy.
- Target 7: UNESCO will review by end-2013 all its global memoranda of understanding with the funds and programmes of the United Nations and other select United Nations organizations.
- Target 8: UNESCO will continue to devote 2% of its programme resources to participation and insertion in common United Nations country programming exercises at the field, regional and global levels.
- Target 9: Efforts shall be made to increase the number of public-private partnerships by 10% by end-2012 and to focus in particular on resource-generating partnerships, both at Headquarters and in the field.
- Target 10: A better balance shall be achieved in the frozen 75% of vacant posts between posts in programmes and in administration.
- Target 11: Additional voluntary separation schemes will be offered as required before the end of 2013.
- Target 12: Overall administrative costs should be reduced by 15% with a target of end-2013, through reductions in corporate services and administrative unit costs, retirements particularly in the administrative support area, and redeployment of staff through investment in cost-efficient tools.
- Target 13: The number of posts in Executive Office (EO), Administrative Office (AO), secretarial services to be reduced throughout UNESCO by 10% by end 2013, by regrouping.
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- Target 15: More efficient use and allocation of available office space, with a view to free up over 300 office spaces in the medium-term.



- Target 16: All costs associated with the governance of the Conventions, International Science Programmes, category 1 institutes and other intergovernmental programmes will be reviewed in the coming biennium, with a view to sharply reducing transaction costs, administrative support, and travel costs. The savings effected will be ploughed back into the operational budgets for these areas.
- Target 17: More effectively and efficiently deliver services for governing bodies and member states to lower costs, remove duplication, increase coordination, and create synergies to be done by the end of 2013.
- Target 18: Implementation over the biennium of a number of IT projects, to reduce transaction costs and enhance effectiveness: integrated system to manage staff costs; a procurement tool; a travel management tool; expanded Human Resources workflows; a correspondence tool. For some of these projects funding still needs to be secured.

## Annex 2

## Summary of document 36 C/5 resources

				<i>(in millions of US\$)</i>
	Provisional Workplan Envelope (\$465M)	36 C/5 Approved (\$653M)	Gap (36 C/5 Approved - Provisional Workplan Envelope)	Extrabudgetary resources (information based on 36 C/5 Approved)
	\$	\$	\$	\$
<b>PART I - GENERAL POLICY AND DIRECTION</b>				
A. Governing bodies	10,6	13,2	2,7	-
B. Direction	18,8	20,4	1,6	2,5
C. Participation in the Joint Machinery of the United Nations System	4,8	12,0	7,2	-
<b>TOTAL, PART I</b>	<b>34,2</b>	<b>45,7</b>	<b>11,5</b>	<b>2,5</b>
<b>PART II - PROGRAMMES AND PROGRAMME-RELATED SERVICES</b>				
<b>A. Programmes</b>				
Education Sector (ED)	79,3	115,4	36,2	117,5
Natural Sciences Sector (SC)	40,4	58,7	18,3	204,2
Social and Human Sciences Sector (SHS)	20,1	29,2	9,1	71,9
Culture Sector (CLT)	36,3	52,2	15,9	42,6
Communication and Information Sector (CI)	22,0	32,0	10,0	75,0
UNESCO Institute for Statistics (UIS)	6,3	9,1	2,8	-
Intersectoral Platforms	2,8	7,1	4,3	-
Field office implementation of decentralized programmes	62,1	79,9	17,7	1,8
Supplementary Funding for the Field Network Reform	4,9	9,0	4,1	-
<b>Total, IIA</b>	<b>274,3</b>	<b>392,7</b>	<b>118,4</b>	<b>513,0</b>
<b>B. Programme-related services</b>	<b>35,3</b>	<b>49,5</b>	<b>14,2</b>	<b>9,8</b>
<b>C. Participation Programme and Fellowships</b>	<b>14,4</b>	<b>20,7</b>	<b>6,3</b>	<b>1,6</b>
<b>TOTAL, PART II</b>	<b>324,0</b>	<b>462,9</b>	<b>138,9</b>	<b>524,3</b>
<b>PART III - CORPORATE SERVICES</b>				
A. Human resources management	26,6	34,5	7,9	0,4
B. Financial Management	10,9	13,5	2,5	2,9
C. Support services management	54,3	72,1	17,8	10,7
<b>TOTAL, PART III</b>	<b>91,8</b>	<b>120,1</b>	<b>28,3</b>	<b>14,1</b>
<b>TOTAL, PARTS I - III</b>	<b>450,0</b>	<b>628,7</b>	<b>178,7</b>	<b>540,8</b>
Reserve for reclassifications / merit recognition	-	1,3	1,3	-
<b>PART IV - LOAN REPAYMENTS FOR THE RENOVATION OF THE HEADQUARTERS PREMISES &amp; THE IBE BUILDING</b>	<b>14,0</b>	<b>14,0</b>		<b>-</b>
<b>PART V - ANTICIPATED COST INCREASES</b>	<b>1,0</b>	<b>9,0</b>	<b>8,0</b>	<b>-</b>
<b>TOTAL, PARTS I - V</b>	<b>465,0</b>	<b>653,0</b>	<b>188,0</b>	<b>540,8</b>



United Nations  
Educational, Scientific and  
Cultural Organization

**Executive Board**  
Hundred and eighty-ninth session

**189 EX/15**  
**Part I Add.2**

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Original: English

Item 15 of the revised provisional agenda

**FINANCIAL SITUATION OF THE ORGANIZATION  
AND ITS IMPLICATIONS FOR THE IMPLEMENTATION OF THE 36 C/5**

**PART I**

**REPORT BY THE DIRECTOR-GENERAL ON THE  
CASH FLOW SITUATION OF THE ORGANIZATION**

**ADDENDUM 2**

**SUMMARY**

The Director-General provides an update on the cash position of the regular budget.

**10. Cash position**

10.1 The table below gives an update of the cash position of the regular budget at the end of December 2011 as well as a forecast for 2012 after the closing of 2011 accounts. The final cash deficit at the end of December amounts to US \$20.3 million. The forecast for 2012 has also been revised on the basis of recent information on contributions and arrears. It shows an improvement all along the year and particularly during the first months of the year due to advanced payment of contributions by several Member States.

**CASH POSITION OF THE REGULAR BUDGET**  
(expressed in thousands of US dollars)

Year	End of month	Cash surplus (deficit) of regular budget	Cash balance available in Working Capital Fund	Net Cash surplus (deficit)
2011	<i>December</i>	<b>-20 296</b>	<b>30 093</b>	<b>9 797</b>
2012*	<i>January</i>	<b>39 685</b>	<b>30 093</b>	<b>69 778</b>
	<i>February</i>	<b>74 652</b>	<b>30 108</b>	<b>104 760</b>
	<i>March</i>	<b>65 440</b>	<b>30 108</b>	<b>95 548</b>
	<i>April</i>	<b>48 158</b>	<b>30 108</b>	<b>78 266</b>
	<i>May</i>	<b>55 812</b>	<b>30 108</b>	<b>85 920</b>
	<i>June</i>	<b>86 086</b>	<b>30 108</b>	<b>116 194</b>
	<i>July</i>	<b>73 069</b>	<b>30 108</b>	<b>103 177</b>
	<i>August</i>	<b>58 916</b>	<b>30 108</b>	<b>89 024</b>
	<i>September</i>	<b>40 428</b>	<b>30 108</b>	<b>70 536</b>
	<i>October</i>	<b>18 796</b>	<b>30 108</b>	<b>48 904</b>
	<i>November</i>	<b>13 747</b>	<b>30 108</b>	<b>43 855</b>
	<i>December</i>	<b>-9 083</b>	<b>30 108</b>	<b>21 025</b>

\* *Forecast subject to change.*

*Contributions for the year 2012 are based on the 2010 payment experience or recent information received from Member States whereas outgoing payments have been estimated on the basis of the revised budget ceiling of US \$465 million and the payment patterns during the previous Biennium.*

*The USD/EUR exchange rate used for the forecast is 0.763.*



United Nations  
Educational, Scientific and  
Cultural Organization

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**FINANCIAL SITUATION OF THE ORGANIZATION  
AND ITS IMPLICATIONS FOR THE IMPLEMENTATION OF THE 36 C/5**

**PART I**

**REPORT BY THE DIRECTOR-GENERAL ON THE  
CASH-FLOW SITUATION OF THE ORGANIZATION**

**ADDENDUM 3**

**SUMMARY**

In accordance with Item 9.2.7 of the UNESCO Human Resources Manual, the International Staff Association of UNESCO (ISAU) comments on the financial situation of the Organization and its implications for the implementation of document 36 C/5, Report by the Director-General on the cash-flow situation of the Organization.

Executive Board: 189th session  
Finance and Administrative Commission

1 March 2012  
AIPU/12/011/SC/nb

Item 15 of the provisional agenda

**ISAU's views on the "Financial situation of the Organization and its implications for the implementation of the 36 C/5: Report by the Director-General on the current situation and roadmap for the implementation of the 36 C/5" (189 EX/15, Part I Add.)**

**I. GENERAL COMMENTS**

1. The global financial crisis and UNESCO's current budgetary constraints are undoubtedly serious issues. This, however, should not be used as a pretext to cover up the "**staff confidence crisis**" concerning the Secretariat's current governance. This was revealed by a recent ISAU survey to which 277 members of staff responded. This represents over 12% of the 2,300 permanent staff members, a considerable proportion for an opinion poll.

2. The trend revealed by this poll clearly shows that the "*confidence crisis*" has both moral and intellectual dimensions and reaches to the heart of the mandate of the Organization, founded on "*the intellectual and moral solidarity of mankind*". ISAU, with 436 members as at last December, regrets the Administration's failure to take account of and respect the overwhelming majority of Secretariat staff who, in spite of everything, still have faith in the Organization's ideals.

3. Furthermore, we consider that Member States are responsible for ensuring that UNESCO has the necessary funding for its regular budget so that it may function effectively and carry out its mandates. They must pay their assessed contributions in full and in a timely manner. Therefore, any exceptional action or measure regarding the obligation to pay contributions to the regular budgets under documents 35 C/5 and 36 C/5, already approved by the General Conference, should not be used to justify holding the Organization to ransom, now leaving it short of resources and forcing its staff to make sacrifices.

4. Consequently, ISAU must, on principle, oppose the budget cuts which will certainly make the Secretariat less effective and compromise the employment and working conditions of its staff. In these comments, ISAU would like to express a number of specific concerns over the austerity measures set out in document 189 EX/15, entitled, "*Financial situation of the Organization and its implications for the implementation of the 36 C/5 Part I Add. Report by the Director-General on the current situation and roadmap for the implementation of the 36 C/5*".

5. This document was not communicated to our Association until late afternoon on Monday 20 February, for us to examine and submit our written comments to the Director of the Bureau of Human Resources Management (DIR/HRM) by the following Friday. This late consultation, which is increasingly frequently HRM practice, is deplorable. It leaves us very little time to comment on this important and complex document, with a view to presenting these comments to the Member States present at the current session of the Executive Board.

6. DIR/HRM is therefore requested henceforth to strictly adhere to Item 9.2.E.7 of the Human Resources Manual, according to which, "*Representative associations may make written comments on documents submitted by the Director-General to the General Conference or to the Executive Board when items on the provisional agenda of those bodies concern the terms of employment and working conditions of staff. To that end, **those documents are communicated to the associations sufficiently early to enable them to draft their comments**, which they submit to the Director-General as quickly as possible so that he/she may in turn prepare the observations that he/she considers necessary...*".

## **II. SPECIFIC COMMENTS**

### **A. Immediate cost-saving and adjustment measures**

7. With regard to the immediate measures aiming to help bridge the document 35 C/5 funding gap, the document under consideration lists haphazardly reductions in administrative costs and the postponement or cancellation of programme activities. Elements considered to be key priorities in the construction of a modern personnel management system for the Organization have been penalized inter alia through the suspension of the merit-based promotion scheme, investments in human resources management computer tools and training programmes and the cancellation of gender priority evaluation activities and training for Administrative Officers.

8. Furthermore, printing of 28 out of the 29 planned publications was cancelled despite prior approval by the Publications Board in accordance with the publications reform adopted by the Member States and implemented by the Secretariat, with a view to focusing the activity on the production and dissemination of knowledge.

9. ISAU would like to use these examples to draw attention to the need to better distinguish between reducing administrative costs and undermining the very mandate of the Organization. We consider that this crucial distinction was not made at the end of 2011, when there were a large number of separations from service and non-renewals of temporary assistance contracts.

10. Rightfully, document 189 EX/15 underscores the need to review administrative mechanisms related to management processes in order to reduce costs. However, to accomplish this task, it is essential to keep as a guiding principle the safeguarding of UNESCO's missions and mandate, and to consider priorities concerning the programme and human resource management as an asset to be preserved and not as a financial "loss" to be reduced.

### **B. Impact of the reduced budget on work plans**

11. In her Ivory Note of 8 December 2011, the Director-General requested the sectors to formulate their provisional work plans using \$465 million as a working ceiling, which reflects a reduction of 28.5% of the \$653 million budget in the Draft Programme and Budget for 2012-2013 (36 C/5). This request does not seem to have originated from in-depth analysis of the programmes and structures, but rather from a response to the emergency, under pressure from the realities of the budget shortfall. The time given to the sector managers was not sufficient to allow them to fully prepare their work plans.

12. No overall strategy or particular instructions were given to the sectors concerning the cross-cutting implementation of productivity measures. Therefore, the proposals are the ad hoc result of a variety of choices made from the available means of saving money. For example, the proposed reductions in staff costs sometimes concern posts in the Professional and General Service and related categories, and sometimes the freezing and/or abolishing of Professional-category posts.

13. There has been no mention of reviewing the administrative hierarchy pyramid or focusing the abolishing or freezing of posts on senior management positions. Nor has there been mention of ending the increasingly common practice of prolonging the employment contracts of senior management beyond retirement age, which nonetheless would allow both significant and lasting financial savings and a considerable reduction in the freezing and/or abolition of posts directly linked to programme implementation.

14. Moreover, it is impossible to have an overview of austerity measures, as savings and cost reductions are documented for all programme sectors but not for the Directorate or for the central services and support services. Indeed, there is no information in document 189 EX/15 regarding the budget cuts and efficiency gains achieved in the work plans of ODG, LA, IOS, HRM, GBS, BFC, BSP or MSS.

15. ISAU considers this to be a very serious omission, preventing a full analysis of the Organization's financial situation and depriving the Member States of the full information necessary for informed decision-making. Therefore, further information should be given on each of these central services.

16. We acknowledge the fact that many of the posts proposed for freezing or abolition are currently vacant. The extent of the downsizing and the savings to be made on staff costs is nonetheless alarming. We consider it essential for the consequences of any post abolitions, either at Headquarters or in the field, to be managed in the strictest compliance with the applicable rules and procedures.

17. Finally, ISAU hopes that extrabudgetary funds and most of the allocations from the Special Emergency Fund will be spent on sectoral programmes. That would avert, as far as possible, the abolition of staff posts that contribute to the implementation of sectoral activities.

### **Roadmap for the implementation of document 36 C/5**

18. The goal of the first round of measures announced is to lighten in a sustainable manner the weight of administrative bureaucracy on programme services, to rationalize and streamline procedures, and to cultivate the principle of individual accountability at all levels. That goal has not, however, been effectively reflected in the document under consideration, which does not give any information whatsoever on the central services and proposes to group together Executive Office (EO), Administrative Office (AO) and secretariat services, without showing how that would lead to efficiency gains.

19. As to the goals of reforming the field network in Africa, restructuring the Organization and redeploying staff, ISAU is ready to examine carefully the measures proposed to those ends. It will spare no effort to protect the rights and conditions of employment of the staff members concerned.

20. We believe, too, that the goals of strengthening and professionalizing the staff "*with a diverse mix of profiles*" can be set only within the context of a genuinely international civil service, sole guarantor of real diversity within the Secretariat. The above-mentioned discontinuation of the training programme runs counter to that goal.

21. To conclude, we believe that, if it is to be reliable, a roadmap must have references, benchmarks and clear stages. Above all, however, it must have a destination. ISAU is concerned that decisions on budget cuts as substantial as those proposed in document 189 EX/15, which have already led to the discontinuation of what have suddenly been decreed to be "*non-focus areas*", are being adopted and implemented within such short time frames. That can only give rise to mistakes and difficulties for everyone.

22. Our Association therefore requests delegations at this session of the Executive Board not to take any immediate decision on the document in question and not to authorize any budget cut, save under an overall plan that takes into account the potential impact of budget cuts on the staff and on the Organization's capacity to accomplish its mandates. We request that the relevant procedures in force be followed and that significant cuts to document 36 C/5 be discussed with official staff representatives before any decision is taken.

For the Executive  
Sidiki COULIBALY  
Président of ISAU





United Nations  
Educational, Scientific and  
Cultural Organization

# Executive Board

Hundred and eighty-ninth session

# 189 EX/15

## Part II

PARIS, 1 March 2012  
Original: English/French

Item 15 of the provisional agenda

## FINANCIAL SITUATION OF THE ORGANIZATION AND ITS IMPLICATIONS FOR THE IMPLEMENTATION OF DOCUMENT 36 C/5

### PART II

### FINDINGS OF THE WORKING GROUP SET UP BY THE GENERAL CONFERENCE AT ITS 36th SESSION ON THE NEED TO INCREASE THE LEVEL OF THE WORKING CAPITAL FUND ON A VOLUNTARY BASIS

#### SUMMARY

By 36 C/Resolution 93, the General Conference decided to delegate to the Executive Board the authority to examine and, if appropriate, decide upon at its 189th session a new level of the Working Capital Fund to ensure the financial stability of the Organization, with inputs from a Working Group convened by the President of the General Conference.

The present document contains the findings of the above-mentioned working group.

There is no financial implication in this document.

Action expected of the Executive Board: proposed decision in paragraph 14.

**The President of the General Conference**

**Ms Alissandra Cummins**  
Chairperson of the Executive Board

22 February 2012

Ref: PGC/12/008

Dear Chairperson,

I am writing to you in connection with the mandate entrusted to me by 36 C/Resolution 93 to convene a working group to provide advice to the Executive Board, at its 189th session, on the Working Capital Fund.

As you know, according to the terms of the above-mentioned Resolution, and following consultations with all Electoral Groups, I set up a Working Group composed of 24 members (the Chairs of the six Electoral Groups plus three members per Group upon their proposal) and open to the participation of all Member States. The Group met three times under my chairpersonship between December 2011 and February 2012. You will find attached a concise document containing the main thrust of the debates held by the Group, its key findings, and the resulting recommendation addressed to the Executive Board in the form of a draft decision. I understand that this document will be issued as 189 EX/15, Part II.

I take the occasion to inform you about the excellent and inspiring spirit of cooperation that has marked the work of this Group. I am very thankful to all its members, as well as to those of other delegations (almost 80) that participated on an equal footing with Group members in its meetings, for their hard work and valuable contributions, which have greatly contributed to facilitating my task as Chairperson, thus allowing me to fulfil the mandate entrusted to me by the General Conference. I would also like to thank the Director-General for the full and helpful collaboration of the Secretariat throughout the work of the Group.

I would also like to use this opportunity to stress the need for the three organs of UNESCO to work closely together in a transparent and inclusive manner. The open deliberations and exchanges of ideas that took place during the Working Group sessions, as later conveyed to me by many participants, contributed to building mutual confidence and trust among the Countries that are represented on the Executive Board and the ones that are not, as well as between the Member States and the Secretariat. I am very much looking forward to working in tandem with you, and with the Director-General towards promoting free flow of communication and openness within the Organization.

I remain at the disposal of the Executive Board for any possible information required concerning the work of the Group and the contents of the attached document.

Please accept, Madam Chairperson, the assurances of my highest consideration.

Yours Sincerely,

(signed)

Katalin Bogyay

1. By 36 C/ Resolution 93, the General Conference *decided to delegate to the Executive Board the authority to examine and, if appropriate, decide upon at its 189th session, a new level of the Working Capital Fund to ensure the financial stability of the Organization, with inputs from a Working Group composed of Member States from all electoral groups convened by the President of the General Conference, and open to all Member States. Should the Executive Board find it necessary to increase the level of the Working Capital Fund, its implementation will be on a voluntary basis.* The General Conference also decided to provisionally suspend Financial Regulation 6.2 until its 37th session (36 C/Resolution 93, paragraph 7)
2. The President of the General Conference proposed that the above-mentioned Group be composed of 24 members and, on 29 November 2011, wrote to the Chairs of the six electoral groups inviting them to participate in this group and to designate three other members from their respective groups. Resulting from this consultation, the composition of the group was the following: Albania, Algeria, Azerbaijan, Australia, Brazil, Burkina Faso, Chile, Congo, Dominican Republic, Egypt, Germany, Japan, Kuwait, Mexico, Morocco, Netherlands, Norway, Pakistan, Republic of Korea, Russian Federation, Serbia, Switzerland, Uganda and Zimbabwe.
3. Under the Chairpersonship of the President of the General Conference, the Working Group held three half-day meetings, on 21 December 2011 and on 19 January and 15 February 2012. All 24 members of the group, as well as representatives of 78 other Member States participated in the work of the Group.
4. The first meeting of the Group, held on 21 December 2011, was a fact-finding session which afforded the opportunity to receive information from the Secretariat as well as to convey the concerns and views of Member States to the Director-General. After a general presentation on the impact of the current financial constraints on financial management covering the 35 C/5 and 36 C/5 budget shortfall and on ongoing initiatives to address this situation, the Secretariat explained the nature of the Working Capital Fund (WCF), including its definition and functioning, present cash position and forecast for the next biennium, as well as a comparison of working capital funds in other agencies. The Deputy Director-General also expressed the Director-General's appreciation of the efforts made by several Member States to pay in advance their assessed contributions, and of those who have made a voluntary advance to the WCF. It was stressed that, 90% of the budget being paid by the top 25 contributors, the Organization was at risk when one of them delayed its payment. The US \$30 million WCF was the only reserve available to face delays in the payment of contributions. This reserve belongs to Member States and is not meant to finance programmes.
5. The Working Capital Fund is established by the General Conference in accordance with Article 6.2<sup>1</sup> of the Financial Regulations. The objective of Working Capital Fund is to provide finance for budgetary appropriations pending the receipt of assessed contributions from Member States.
6. Advances to the Fund are made by Member States when they join the Organization, in accordance with their assessment rate. These advances are reviewed up or down at every General Conference in accordance with the ceiling decided for the WCF and the rates of assessment of contributions. The WCF is used when budgeted expenditure exceeds cash available and restored when the assessed contributions are received. The Fund is a cash reserve for the Organization against a short-term cash shortfall and is not meant to finance activities when there is a budget shortfall. The present level of the Working Capital Fund is based on the regular budget ceiling and the pattern of receipt of assessed contributions in the past. The current level of US \$30 million represents 4.59% of the C/5 budget of \$653 million (i.e. 9% of the annual budget, thus above the recommended 8% benchmark – see below). This percentage has been sufficient for the last biennia considering the historical pattern of contributions received.

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<sup>1</sup> Article 6.2 of the Financial Regulations: "*There shall be established a Working Capital Fund in an amount and for purposes to be determined from time to time by the General Conference*".

7. The Secretariat also provided Member States document JIU/REP/2007/3 containing the United Nations Joint Inspection Unit (JIU) review of the level of the Working Capital Fund of the World Meteorological Organization (WMO). The key findings of this report are the following:

- The United Nations system organizations have a common definition of Working Capital Fund, a “fund established by the appropriate legislative organ to finance budgetary appropriations pending receipt of Member’s contributions and for such other purposes as may be authorized.
- The WCF should be used mainly to bridge short-term cash flow problems, resulting from late payments of assessed contributions. In other words, the Working Capital Fund should only be used to cover a temporary deficit pending receipt of contributions. Bearing in mind other financial provisions for each organization, the Working Capital Fund should not represent, as a principle, more than one-twelfth of the overall level of the regular budget for one year, or approximately 4% of a biennial budget (in the case of other budgetary periods, to be calculated accordingly).
- The main purpose of the Working Capital Fund is not designed to cover chronic arrears in assessed contributions. Chronic arrears should be considered at the policy level by legislative bodies. Moreover, an extraordinarily high level of Working Capital Fund may cause complacency in the payment of contributions, which may further compound the problem of delayed payments.”
- Although United Nations system organizations have common characteristics, they are different legal entities, and may have organization-specific factors that affect the level of their WCFs. Therefore, in any assessment of the level of WCF in a given organization, the benchmark of 8% of annual budget should be used to complement a detailed analysis of the external and internal factors that may have an impact on the level of WCF; JIU points out that there is no magic formula to calculate precisely the appropriate level of Working Capital Fund for any organization.”

8. The Secretariat also provided information about the respective roles and functions of the WCF and the newly set up Emergency Fund. The WCF addresses short term liquidity needs whereas the Emergency Fund has been set up to finance the 36 C/5 budget shortfall.

9. While expressing its support to the Organization and welcoming the measures taken by the Director-General so far to alleviate the current financial difficulties, the Group deemed it necessary to obtain detailed information concerning the intended actions by the Director-General aimed at maintaining the most important assets, such as human resources, who play a crucial role in implementing these programmes. To meet these demands, Member States requested to be provided with a logical roadmap of coordinated priority-setting with regard to the overall programme implementation under the current financial circumstances, in order to enable the Executive Board to make an informed decision concerning the feasibility and desirability of a new level of the Working Capital Fund.

10. At its second meeting, held on 19 January 2011, the Group received updated information on the status of receipts/pledges on 2012 contributions, voluntary advances to the Working Capital Fund, and contributions to the Emergency Fund, showing that the cash position at that date had improved thanks to the early payment of some significant 2012 contributions. Concerning the use of resources available under the incentive scheme for prompt payment of contributions, the Group was informed that the resources of the 2008-2009 incentive scheme were fully paid to Member States by deduction of their 2011 contributions and the distribution of those for 2010-2011 had been postponed by the last General Conference owing to the cash-flow situation of the Organization. Finally, the Group also received information on the voluntary agreed separation programme set up by the Director-General in order to face the current financial situation.

11. The Group concluded that, the main objective of the WCF being to bridge short-term cash flow gaps pending the receipt of contributions, an increase of its level would not be an appropriate long-term solution to address the issue of the withholding of funding owed to the Organization. In this connection, it was underlined that punctual payment of their assessed contributions is a legal obligation for all Member States and recommended that an appeal be launched to all Member States holding arrears to fulfil their statutory financial obligations.

12. Although it seemed clear that the level of the UNESCO WCF is in line with that of other United Nations agencies and within the benchmark recommended by the JIU in its 2007 report, taking into account that the underlying issue was in fact a long-term structural one – resulting from the Organization’s cash position’s reliance on a small number of large contributions, with payment patterns involving significant payments made towards the end of the year or later – the Group considered that it would be useful for the Executive Board to consider requesting a study – to be enriched if possible by external expertise – for submission at a later Board session, concerning possible long-term proposals to remedy underlying structural weaknesses through changes in the functioning and/or level of the Working Capital Fund. The Board might then wish to make recommendations to the General Conference, at its 37th session, in this regard.

13. At the end of the second meeting, and upon the proposal of the President of the General Conference, it was decided that an open-ended drafting group would meet in order to draft a recommendation. Twenty-five delegates from all Electoral Groups participated in this drafting group. The text drafted at this meeting was examined by the Working Group at its third and last meeting, which took place on 25 February 2012. The text adopted by the Group is contained in the draft decision recommended by the Working Group to the Executive Board in the following paragraph. It is to be noted that the Working Group decided to leave in brackets part of paragraph 7 of this draft decision, thus placing before the Executive Board itself for decision – upon provision by the Secretariat of further information on any costs involved – different options on which entity (the Internal Oversight Service, the External Auditor or the United Nations Joint Inspection Unit) would be the most appropriate to carry out an in-depth study concerning the appropriate level of the UNESCO Working Capital Fund on a long-term basis.<sup>2</sup>

#### **Action expected of the Executive Board**

14. The Executive Board may wish to adopt a decision along the following lines:

The Executive Board,

1. Recalling 36 C/Resolution 93,
2. Stressing that the prompt payment of assessed contributions is an obligation incumbent on Member States under the Constitution and Article 5.5 of the Financial Regulations of the Organization,
3. Having examined the report of the working group established by the 36th session of the General Conference relating to the level of the Working Capital Fund,
4. Noting that, thanks to the early receipt of assessed contributions from some Member States, UNESCO’s current cash flow situation is better than anticipated at the 36th session of the General Conference,
5. Considering that:
  - (i) the Working Capital Fund, which is an interest-free loan from Member States, is intended to provide finance for expenditure against the approved budget of the

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<sup>2</sup> The annex to the present document contains the requested information on the extra costs involved.

Organization (document C/5), pending the receipt of assessed contributions from Member States;

- (ii) the Working Capital Fund should only be used to bridge short-term cash flow difficulties due to temporary arrears in assessed contributions and not to finance budget shortfalls or cover chronic or long-lasting arrears for which policy decisions by the governing bodies must be sought;
  - (iii) the current level of the Working Capital Fund is comparable to that of other United Nations agencies and has been adequate so far given historical patterns on when assessed contributions have been received;
  - (iv) this level might be insufficient to address exceptional cash flow difficulties and, therefore, other mechanisms might be considered in such cases;
  - (v) an appropriate level of the Working Capital Fund should be determined in the light of a number of related internal and external factors affecting the vulnerability of the Organization, including the mechanisms at its disposal to face cash flow difficulties;
  - (vi) a review of the Working Capital Fund should be based on a thorough assessment of the financial situation and reliable projections of the cash flow situation;
6. Decides to maintain the level of the Working Capital Fund for 2012-2013 at US \$30 million, as established by 36 C/Resolution 93 II. 1.a;
  7. Invites the Director-General to present to it, at its 191st session, a report containing a review by [the Internal Oversight Service (IOS), the External Auditor, the United Nations Joint Inspection Unit (JIU)] of the appropriate level of the UNESCO Working Capital Fund on a long-term basis, with a view to forwarding its recommendations thereon to the General Conference at its 37th session;
  8. Recalls the invitation to Member States to make voluntary advances to the Working Capital Fund for a renewable two-year period, as decided by the General Conference in 36 C/Resolution 93 II. 2;
  9. Expresses its appreciation to those Member States which have already paid their assessed contributions for 2012;
  10. Urges those Member States which have not yet paid their assessed contributions to fulfil their financial obligations towards the Organization;
  11. Furthermore, encourages Member States to contribute to the Emergency Multi-Donor Fund in order to facilitate the full implementation of UNESCO's Approved Programme and Budget for 2012-2013.

## ANNEX

### COST ESTIMATES OF A REVIEW STUDY BY EXTERNAL ENTITIES

The following estimates were provided to the Secretariat by the External Auditor and by the United Nations Joint Inspection Unit (JIU)

#### External Auditor

The External Auditor has estimated the maximum cost of this specific audit to be €8,000 (approximately US \$9,206 at the current exchange rate) for 10 working days. He would be able to deliver a report on the matter for the end of June 2012, meaning that the report would be available to the Executive Board at its 190th session (autumn 2012). He draws the Board's attention to the fact that the report would be drawn up under the conditions provided for by Article 12.6 of the Organization's Financial Regulations, which enables the Executive Board, acting under the authority of the General Conference, to request the External Auditor to perform certain specific examinations and to issue separate reports on the results.

He states that should the Board decide to entrust this mission to the External Auditor, the draft decision would have to be amended and he suggests inserting two additional paragraphs after paragraph 8 of the draft decision which would read as follows:

*Requests the External Auditor to submit to it a report on the appropriate level of the UNESCO Working Capital Fund on a long-term basis;*

*Approves the payment to the External Auditor of additional fees for a maximum amount of \$10,000, for carrying out the audit provided for in the paragraph above;*

#### United Nations Joint Inspection Unit (JIU)

The JIU informed the Secretariat that while it might potentially carry out such an assignment, it would not be able to meet the time requirements.



United Nations  
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# Executive Board

Hundred and eighty-ninth session

## 189 EX/15 Part III Rev.

PARIS, 29 February 2012  
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Item 15 of the provisional agenda

### FINANCIAL SITUATION OF THE ORGANIZATION AND ITS IMPLICATIONS ON THE IMPLEMENTATION OF THE 36 C/5

#### PART III

#### SPECIAL EMERGENCY MULTI-DONOR FUND FOR UNESCO PRIORITY PROGRAMMES AND REFORM INITIATIVES UNDER THE 35 C/5 AND 36 C/5

##### SUMMARY

In accordance with Articles 6.5 and 6.6 of UNESCO's Financial Regulations, the Director-General submits herewith, for consideration by the Executive Board, special Financial Regulations to govern the operation of the following Special Account:

- Special Emergency Multi-Donor Fund for UNESCO Priority Programmes and Reform Initiatives under the 35 C/5 and 36 C/5.

There are no additional policy implications of a financial or administrative nature.

Action expected of the Executive Board: proposed decision in paragraph 6.

1. By 161 EX/Decision 7.10, the Executive Board approved a standard model text for the financial regulations of special accounts that are not related to institutes or similar bodies and requested that the Director-General apply the standard model text in the future. In this document, the Director-General is presenting Financial Regulations of a Special Account (Annex) in accordance with Articles 6.5 and 6.6 of UNESCO's Financial Regulations, showing deviations from the standard model text.

2. On 10 November the Director-General of UNESCO Irina Bokova launched an appeal to help fill a shortfall resulting from the withholding of dues by certain Member States. To receive funds to



meet the gap in core funding, UNESCO's Director-General established the Emergency Multi-Donor Fund for UNESCO Priority Programmes and Reform Initiatives.

3. The Fund will finance Priority Programmes and Reform Initiatives as defined by the 35 C/5 and 36 C/5.

4. Contributions from donors and partners to the Emergency Fund can be formalized through a simple exchange of letters. Individuals can also contribute to the Fund through the online donation facility on UNESCO's website.

5. This standard text shall be applied to the new Special Account for the Special Emergency Multi-Donor Fund for UNESCO Priority Programmes and Reform Initiatives under the 35 C/5 and 36 C/5.

### **Proposed decision**

6. Having regard to the above, the Executive Board may wish to adopt a decision along the following lines:

The Executive Board,

1. Recalling Articles 6.5 and 6.6 of UNESCO's Financial Regulations,
2. Having examined document 189 EX15 Part III Rev.,
3. Takes note of the Financial Regulations (annexed hereto) of the following Special Account:  

Special Emergency Multi-Donor Fund for UNESCO Priority Programmes and Reform Initiatives under the 35 C/5 and 36 C/5;
4. Requests the Director-General to report regularly to the Executive Board on the allocations made from the Emergency Fund.

## ANNEX

### FINANCIAL REGULATIONS OF THE SPECIAL EMERGENCY MULTI-DONOR FUND FOR UNESCO PRIORITY PROGRAMMES AND REFORM INITIATIVES UNDER THE 35 C/5 AND 36 C/5

(Deviations from the standard text model (161 EX/Decision 7.10) are shown in italics.)

#### Article 1 – Creation of a Special Account

1.1 *In view of a possible shortfall in funding of the 35 C/5 and 36 C/5 a mechanism must urgently be established so that UNESCO can mobilize resources to meet the funding gap to enable the Organization to deliver its Priority Programmes and Reform Initiatives determined by its Member States.*

1.2 *Priority Programmes and Reform Initiatives*

1.3 In accordance with Article 6, paragraphs 5 and 6, of the Financial Regulations of UNESCO, there is hereby created a “*Special Emergency Multi-Donor Fund for UNESCO Priority Programmes and Reform Initiatives under the 35 C/5 and 36 C/5*” hereafter referred to as the Special Account.

1.4 The following regulations shall govern the operation of the Special Account.

#### Article 2 – Financial period

The financial period shall correspond to that of UNESCO.

#### Article 3 – Purpose

*The purpose of the Special Account is to mobilize resources so as to meet the shortfall in funding of the 35 C/5 and 36 C/5 funding gap and to deliver its Priority Programmes and Reform Initiatives as determined by Member States in the 35 C/5 and 36 C/5 documents.*

#### Article 4 – Income

The income of the Special Account shall consist of:

- (a) Voluntary contributions from States, international agencies and organizations, other entities, *the private sector, non-governmental organizations as well as private citizens;*
- (b) Such subventions, endowments, gifts and bequests as are allocated to it for purposes consistent with the object of the Special Account;
- (c) *Funds raised by collections and receipts from events organized for the benefit of the Special Account, including online fundraising;*
- (d) Miscellaneous income, including any interest earned on the investments referred to in Article 7 below.

#### Article 5 – Expenditure

5.1 The Special Account shall be debited with the expenditure relating to its purpose as described in Article 3 above. *Programme support costs (PSC) shall not be applied to contributions to the Special Account. The full cost of programme implementation will be borne by the fund.*

5.2 *Donations requiring financial reporting for specific activities or financial reporting additional to the standard reporting framework developed for the fund will attract a PSC.*

#### **Article 6 – Accounts**

6.1 *The Chief Financial Officer shall maintain such accounting records as are necessary.*

6.2 Any unused balance at the end of a financial period shall be carried forward to the following financial period.

6.3 The accounts of the Special Account shall be presented for audit to the External Auditor of UNESCO, together with the other accounts of the Organization.

6.4 Contributions in kind shall be recorded outside the Special Account.

#### **Article 7 – Investments**

7.1 The Director-General may make short-term investments of sums standing to the credit of the Special Account.

7.2 Interest earned on these investments shall be credited to the Special Account.

#### **Article 8 – Reporting**

The Director-General will report on the receipt of contributions and their use at each of the two annual sessions of the Executive Board.

#### **Article 9 – Closure of the Special Account**

The Special Account may be closed upon the decision of the Director-General. *The Special Account shall remain open for four years and its existence can be extended by the Director-General. The Director-General may also close the Special Account if a minimum threshold of US \$5 million has not been mobilized. Any balance of funds remaining on the Special Account will be transferred to the Special Account for Voluntary Contributions.*

#### **Article 10 – General provision**

Unless otherwise provided in these Regulations, the Special Account shall be administered in accordance with the Financial Regulations of UNESCO.