



United Nations
Educational, Scientific and
Cultural Organization

Executive Board

Hundred and ninety-fifth session

195 EX/5.INF.2
PARIS, 25 September 2014
English & French only

Item 5 of the provisional agenda

REVISED ACTION PLAN FOR IMPROVED MANAGEMENT OF EXTRABUDGETARY FUNDS

SUMMARY

The “Revised Action Plan” gives an updated presentation of the processes currently in place to implement the “guiding principles” in each of the main areas of the original Action Plan on the management of extrabudgetary funds (174 EX/INF.4 Rev.) issued in 2006 in response to a number of perceived weaknesses identified in performance audits undertaken by the External Auditor. The main areas covered by the initial Action Plan were programming, resource mobilization, implementation, monitoring and evaluation. As requested in the decision 192 EX/Decision 5 (III, D), the Revised Action Plan also introduces “Guiding principles” and updated processes for budgeting and cost recovery, not addressed in the original Action Plan.

Efforts of the Secretariat to reduce or simplify administrative processes and address challenges relating to the management of extrabudgetary activities are also highlighted in the present document.

1. The first iteration of the Action Plan proposed by the Director-General on the management of extrabudgetary funds was developed in response to a number of perceived weaknesses identified in performance audits undertaken by the External Auditor during the 2002-2003 and 2004-2005 biennia and the External Auditor’s recommendations thereon. The weaknesses related primarily to strategies and procedures for programming of extrabudgetary activities, resource mobilization, implementation and monitoring of extrabudgetary activities. Based on the findings of an internal working group and after discussion with senior management, the draft Action Plan was presented to the 174th session of the Executive Board (174 EX/INF.4 Rev), and thereafter further refined in the report to the subsequent session of the Executive Board (175 EX/35).

2. The Initial Plan (174 EX/INF.4 Rev.) set out policy decisions and implementation processes linked to guiding principles in each of the following areas: Programming of Extrabudgetary Activities, Resource Mobilization, Issues relating to Project/Programme Implementation, Substantive Monitoring and Narrative Reporting, Financial Monitoring and Reporting, Evaluation Tools for Monitoring of Extrabudgetary Activities by Senior Management and UNESCO’s

Governing Bodies. The policy decisions referred to in the document have been assumed by the Organization, and at a time when the high level of voluntary contributions is comparable to 2007 levels,¹ the guiding principles set out in the Action Plan, remain relevant today. What has changed over the seven years that have elapsed since the initial Action Plan was developed are processes in place to implement the guiding principles, and evolving challenges.

3. The Revised Action Plan gives an updated presentation of the processes currently in place to implement the guiding principles set out in the initial Action Plan and given in italics below, namely programming, resource mobilization, implementation, monitoring and evaluation.

4. As requested in the decision 192 EX/Decision 5 (III, D), the Revised Action Plan also introduces guiding principles and updated implementation processes for Budgeting and Cost Recovery. Efforts of the Secretariat to reduce or simplify administrative processes, as well as any challenges to be addressed in the various areas covered by the Revised Action Plan are also highlighted in the document as requested by the Executive Board.

1. Programming extrabudgetary activities

1.1 Guiding principles (174 EX/INF.4 Rev)

- *“Extrabudgetary activities must be planned in the context of the preparation of the C/5 documents; and there must be a “seamless” linkage between the two sets of activities;*
- *The definition of the SSFs, and the subsequent discussions in the sector/regional PRCs, must reflect UNESCO’s overall strategies and visions, but must also take sufficiently into account the “bottom-up” approach as represented by the contributions from the field offices in reflection of broadly approved national development strategies. An enhanced UNESCO participation in country level programming exercises such as the United Nations Development Assistance Frameworks (UNDAFs) and Poverty Reduction Strategies (PRSs) will be important factors in this process, as will the preparation of an increasing number of UNESCO country programming documents;*
- *The “up-front” planning of projected extrabudgetary activities, in the context of the preparation of the C/5 document, will remain the overall guide for UNESCO’s relations with extrabudgetary funding sources throughout the biennium. However, the planning process must allow for regular updates and adjustments to evolving needs of Member States, so that these needs may be met from extrabudgetary contributions as is currently the case”.*

1.2 Updated processes

- Benchmarks are established for regular programme and for extrabudgetary alike in a fully integrated manner for each expected result of the C/5. Targets for resource mobilization are also established by expected result. These benchmarks and targets are established for a two-year period corresponding to the budgetary period of the C/5. They are fully visible to Member States in SISTER.
- To ensure that targets are realistic and well founded, and to strengthen accountability for resource mobilization, Responsible Officers must consult closely with Headquarters divisions, field offices and category 1 institutes on analyzing key questions relating to the mobilization and management of resources. These include the actual needs under each expected result and the capacity that already exists to achieve a given benchmark, as well as an analysis of the additional capacity to be mobilized and financed through

¹ In 2013 voluntary contributions amounted to US \$362 million compared with US \$367 million in 2007.

extrabudgetary resources. Other factors taken into account are the opportunity for resource mobilization from pre-identified donors and partners and a preliminary identification of responsibilities for resource mobilization.

- The definition of targets takes into account the need to prioritize programme areas highlighted in the “Resource Mobilization Strategy”² linked a given C/5.
- Targets and benchmarks are updated on a two yearly basis.
- For each C/5 a pipeline of priority proposals is developed to profile a select number of proposals linked to themes in the “Resource Mobilization Strategy” relating to that C/5. The proposals are profiled on the “Partnerships” page of the UNESCO web site. The pipeline of proposals available through the web site are regularly updated and enriched.
- Attention is given to quality at entry. This involves a peer review involving Headquarters and field office staff that looks at coherence with RP, the sound application of RBM, the mainstreaming of gender equality, the articulation of UNESCO’s added value, as well as presentational aspects of the proposals.

1.3 Procedures simplified/Challenges to be addressed

- Priority proposals are developed through a dynamic peer review process involving the relevant Headquarters divisions, field offices and BSP.
- The review and validation process of the final extrabudgetary projects in SISTER has been streamlined and simplified
- Challenges ahead include the need to find ways of defining targets for resource mobilization which are realistic, but at the same time, not too cautious, and to simplify procedures relating to the mobilization of resources for crisis and transition situations.

2. Resource mobilization

2.1 Guiding principles (174 EX/INF.4 Rev)

- *“The basis for UNESCO’s extrabudgetary resource mobilization strategy is the above described “additional programme” in direct extension of the C/5 documents, reflecting both UNESCO’s overall strategic visions and contributions flowing from relevant country programming exercises, and also taking into account the policies and priorities of the funding sources;*
- *Extrabudgetary resource mobilization is a joint responsibility of the programme sectors, field offices, institutes and BSP/CFS; but adequate coordination must be ensured by BSP/CFS through a consistent exchange of information. All formal presentations to funding sources of programme/project outlines/proposals should preferably take place through BSP/CFS on condition that modalities be identified to ensure that this would not represent an administrative bottleneck;*
- *The specific role of the field offices in resource mobilization from field oriented multilateral funding sources – mainly the European Commission, the multilateral development banks, and the United Nations funds and programmes – will be further developed through targeted training, and more effective modalities for exchange of information with ERC/CFS”.*

² “Sharpened Resource Mobilization Strategy” in the case of the 37 C/5.

2.2 Updated processes

- Every four years and in parallel with the finalization of each C/5 and the elaboration of resource mobilization targets for each expected result of the C/5, a “Resource Mobilization Strategy”. The strategy sets out the thematic priorities for resource mobilization with particular reference to areas where UNESCO has leadership. It also describes approaches to resource mobilization from different types of donor and partner. It may refer to strategies for cooperation with government donors including emerging donors, the mobilization of domestic resources through country cooperation frameworks, cooperation with the private sector, joint United Nations programming and multi-donor trust funds, and programmatic partnerships with multilateral organizations. It may also refer to South-South cooperation. The strategy also sets out the arrangements and tools that need to be in place to support the effective implementation of the resource mobilization strategy including print and web-based communication, capacity-building and relationship management tools. It may also explore the opportunity for exploiting social media. Regional or subregional strategies for resource mobilization may also be developed if required.
- To facilitate resource mobilization, information on the policies and priorities of donors and partners is posted by BSP/CFS on the “Extrabudgetary work space” on UNESCO’s intranet site, and regularly updated.
- A tailored approach is applied to adapt messages about UNESCO’s offer to different types of donor and partner in appropriate formats, including print-based materials about UNESCO’s priorities for resource mobilization. The material is made available to UNESCO field offices for adaptation and replication in their decentralized resource mobilization efforts.
- The role of field offices in resource mobilization is set out in the following Ivory Notes of the Director-General: “Enhanced Delegation of Authority to UNESCO Field Offices and Revised Reporting Lines” and “UNESCO Reformed Field Network in Africa”, both dated 3 January 2014. The capacity of field offices to mobilize from decentralized funding sources including embassies, the European Union, the multilateral development banks, the United Nations programmes and funds, and private sector companies, is strengthened through targeted training and the timely dissemination of relevant information by BSP/CFS.
- Updated result based templates for concept notes and project documents are refined and made available through the “Extrabudgetary work space”.

2.3 Procedures simplified/Challenges to be addressed

- An updated resource mobilization strategy is elaborated every four years in parallel with the finalization of the C/5, instead of every two years.
- The main challenges ahead are to boost the capacity of UNESCO field offices to mobilize resources, to establish a balance between the delegation of authority for resource mobilization and the need for overall coordination in approaching potential donors and partners.

3. Issues relating to project/programme implementation

3.1 Full budgeting and cost recovery

3.1.1 Additional guiding principles (NEW)

UNESCO is promoting full budgeting principles at the budget planning stage and through the proper application of the cost recovery policy to ensure that all the resources and direct costs that are needed to ensure the sustainable implementation of a given project or programme are provided for in the project budget

3.1.2 Updated processes

To facilitate the application of full budgeting principles at the budget preparation phase, budgets are prepared in the “Budget for UNESCO” tool (B4U). To ensure transparency and accuracy in budget preparation, standard costs are embedded in B4U.

Any co-financing or in kind contributions financed from regular programme can also be explicitly costed in project budgets through the B4U tool.

3.1.3 Procedures simplified/Challenges to be addressed

- The SISTER workflow for extrabudgetary was simplified through the delegation to sectors and field offices’ Administrative Officers the responsibility to review and validate budgetary coherence and compliance for project proposals up to \$250K, which represents today approximately 60% of extrabudgetary projects.
- An enhanced B4U tool was officially launched in early 2014 to facilitate budget preparation. In the next Phase 2 of B4U enhancement, it is foreseen to integrate some reporting components with a view of improving overall follow-up and monitoring of actuals against amounts originally budgeted.
- It is also to be noted that the budget format which is now presented in the enhanced B4U tool has been aligned with the UNESCO Financial Statements classification of expense. The budget format which is used in B4U for budget preparation and also for budget submission to donors for their approval has been aligned to the current reporting format; both formats are now in line with the presentation of expenses in the Financial Statements of the Organization.
- One of the main challenges ahead is to strengthen and harmonize the level of knowledge on extrabudgetary processes throughout the Organization following the high turnover of staff observed over the past two years in several implementing units. This will be addressed in the latter part of 2014 through the organization of intensive training sessions on budget preparation, B4U tool, overall budget monitoring and reporting of extrabudgetary activities will be organized for Administrative Officers and programme specialists.
- Another challenge is to be in a position whereby it would be possible for the Organization to adjust the standard programme support cost rate to align with other United Nations specialized agencies. By increasing the amount of direct and indirect variable costs charged directly to extrabudgetary projects and with the improved mechanism being developed to measure the implications, the Organization will be able to review and determine the most appropriate percentage of Programme Support Costs (PSC) to apply to extrabudgetary project. In this context, discussions are ongoing to appropriately adjust

standard programme cost rate for future projects also with a view to aligning with the practices of other United Nations specialized agencies.

3.2. Substantive monitoring and narrative reporting

3.2.1 Guiding principles (174 EX/INF.4 Rev)

- *“Substantive monitoring and narrative reporting regarding extrabudgetary activities must be given higher priority, both in response to the expectations of the donors and the beneficiaries, but notably as UNESCO’s own tool to monitor developments, and take remedial action as necessary. UNESCO’s standard formats for narrative reporting must be respected, as must the timeline for the preparation and distribution of the reports, based on an effective centralized monitoring system. Sufficient quality control must be exercised by the programme ADGs/Directors of field offices. Regular reviews must be carried out by the project manager of the continued adequacy of the project design; and modifications proposed to the funding source and the beneficiary as necessary”.*

3.2.2 Updated processes

- *Extrabudgetary projects and programmes funded by multiple donors through pooled funds are monitored in SISTER. Completion of monitoring information on a six-monthly basis is mandatory. For each project, responsible officers are required to fill in progress on expected outputs and results, challenges and lesson learnt in the implementation, cost-effectiveness and efficiency measures, and contribution of the project to C/5 expected results.*
- *An assessment of progress towards the achievement of expected results funded through regular programme and extrabudgetary resources is also given in the EX/4 on a six-monthly basis, so as to define how these results have contributed to the attainment of higher-level results, and identify challenges and lessons learned, including cost-effectiveness/efficiency measures.*
- Detailed monitoring is also provided in accordance with the schedule for submission of reports laid out in the individual funding agreements. Donors require progress reports and financial reports on a regular (generally yearly, or biannual, quarterly) basis depending on their particular legal and financial requirements or by the nature of the grant. On completion of a project, a final report is submitted to the donor including an assessment of the results of the project. Narrative reports are reviewed by the Executive Office of the relevant programme sector prior to the submission to the donor. Alerts can be programmed in SISTER to facilitate the timely preparation of reports
- When a donor holds a portfolio of projects with UNESCO, or cooperates with UNESCO on a large-scale project, whenever possible a mechanism is set up for the joint review and monitoring of cooperation. This may take the form of annual review meetings or steering committee meetings.
- Standard result-based templates for progress and final reports with a strong focus on RBM, risk management and sustainability are available for download on CFS on the “extrabudgetary work space” on UNESCO’s intranet site.

3.2.3 Procedures simplified/Challenges to be addressed

- One of the challenges ahead is finding means and ways of rationalizing and harmonizing substantive reporting on the use of extrabudgetary resources.

3.3 Financial monitoring and reporting

3.3.1 Guiding principles (174 EX/INF.4 Rev)

- *“Financial monitoring and reporting must be improved, and adequate financial reports presented in a more comprehensive, timely and user-friendly manner. Since quantitative disbursement reports do not provide the full picture of the (in)adequate implementation of a project/programme, the reports must reflect the relationship between the funds received, allocations and disbursements, and the activities implemented. At least once a year, the budget and payment schedule must be reviewed, and revisions proposed as necessary. Existing provisions to ensure a timely closure of the project account after termination of the project must be respected”.*

3.3.2 Updated processes

- The possibility of financial reporting by activity allowing for alignment of financial reporting with narrative reporting is implemented.
- BFM established dash boards to facilitate live monitoring of financial status of projects by sectors and field offices.
- The Secretariat is closely monitoring project implementation through a regular reporting mechanism shared with the Programme Management Committee (PMC) for discussion on a quarterly basis. Projects at risk are identified and solutions are proposed to mitigate the risks.

3.4 Evaluations

3.4.1 Guiding principles (174 EX/INF.4 Rev)

- *“Evaluations, whether mid-term or final, of all major and/or innovative projects/programmes must be ensured, implying that the original project design must lend itself to such evaluation, and that the budget must contain adequate financial provisions. A central database must be established to keep track of all major lessons learned; and project managers must consistently consult the database when preparing new proposals in the same field”.*

3.4.2 Updated processes

- Clear guidelines on the evaluations of extrabudgetary projects are published and available, including guidelines for the development of the terms of reference of external evaluation.
- Templates with a sharper RBM focus were introduced for final reports including self-assessments and are available on the “Extrabudgetary work space” on UNESCO’s intranet site.
- A common repository with email alerts was established for BSP/CFS and IOS to stock final reports/self-assessments.

3.4.3 Procedures simplified/Challenges to be addressed

- Challenges ahead include the need for further improvement of existing guidelines, backstopping and communication about the evaluation of extrabudgetary activities.
- Project officers must be sensitized to plan for evaluation at the project design phase.

- It is also necessary to provide for the maintenance of a database of self-evaluation reports as a means to better draw on the extensive repository of knowledge on performance and results, and the learning potential, contained in such final reports and evaluations.

3.5 Tools for monitoring of extrabudgetary activities by Senior Management and UNESCO's Governing Bodies

3.5.1 Guiding principles (174 EX/INF.4 Rev)

- *“Regular monitoring of extrabudgetary activities will be institutionalized in UNESCO at several levels with the main focus on the sector ADGs. Overall monitoring will be undertaken, at least twice a year, by the College of ADGs, and at least once a year by the Directorate;*
- *Adequate monitoring/reporting modalities, including both quantitative and qualitative “Sector Alert Systems” will be developed to provide for early warning and remedial action. Summary reports will be presented to the College of ADGs and the Directorate prior to their reviews;*
- *Consideration will be given to the possibilities of making UNESCO's internal and external reporting on extrabudgetary activities more “visual”, thereby further enhancing the Organization's outreach and visibility;*
- *An INF document on extrabudgetary activities will be presented, under the overall coordination of BSP/CFS, to each spring session of the Executive Board (since reliable statistical data on extrabudgetary activities during the preceding year will not be available in time for the preparation of a fully-fledged report to that session), with a more in-depth discussion to take place during the fall session if desired by Member States;*
- *An overall report on extrabudgetary activities, and their interplay with the regular programme, will be presented to each session of the General Conference”.*

3.5.2 Updated processes

- A monthly financial report is presented to the Senior Management Team (SMT) with analysis of implementation of extrabudgetary resources.
- The Programme Management Committee and Corporate Services Committee proceed with periodic review of the implementation status of extrabudgetary activities.
- Results of extrabudgetary activities are regularly reported in the EX/4 documents.
- A specific report on the Director-General's Action Plan for the management of extrabudgetary activities is submitted to every autumn session of the Executive Board.
- A biennial report on the implementation of the Comprehensive Partnership Strategy is presented to the Executive Board.
- A biennial report on extrabudgetary resources is submitted at each session of the General Conference.