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Educational, Scientific and
Cultural Organization

Executive Board

Two hundredth session

200 EX/4 Part II

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EXECUTION OF THE PROGRAMME ADOPTED BY THE GENERAL CONFERENCE

PART II

BUDGETARY SITUATION OF THE ORGANIZATION FOR 2016-2017 (38 C/5 APPROVED AS ADJUSTED) AS AT 30 JUNE 2016, BUDGET ADJUSTMENTS ARISING FROM DONATIONS AND SPECIAL CONTRIBUTIONS RECEIVED

AND

MANAGEMENT CHART FOR PROGRAMME EXECUTION IN 2016-2017 (38 C/5 APPROVED AS ADJUSTED)

Status as at 30 June 2016

(No. 57)

SUMMARY

Part II of document 200 EX/4 contains:

A. Reports by the Director-General on the budgetary situation of the Organization for 2016-2017 (38 C/5) as at 30 June 2016, which includes:

- I. Report by the Director-General on budget adjustments authorized within the Appropriation Resolution for 2016-2017. In accordance with 38 C/Resolution 103, paragraphs (b) (d) and (e) , the Director-General presents to the Executive Board the reports on:
 - (i) adjustments to the approved appropriation for 2016-2017 from donations and special contributions received during the period 1 January to 30 June 2016,
 - (ii) transfers between MLA appropriation lines within a major programme and transfer between the five major programmes and staff movements during the period 1 January to 30 June 2016.
 - (iii) transfers from Part V of the budget (Anticipated Cost Increases)
- II. Action expected of the Executive Board: decision in paragraph 11.

B. The Management Chart for programme execution in 2016-2017 based on the accounts for the regular programme and extrabudgetary funds.



PART A

**REPORT BY THE DIRECTOR-GENERAL ON THE BUDGETARY SITUATION OF THE
ORGANIZATION FOR 2016-2017 (38 C/5) AS AT 30 JUNE 2016**

I

**REPORT BY THE DIRECTOR-GENERAL ON BUDGET ADJUSTMENTS
AUTHORIZED WITHIN THE APPROPRIATION RESOLUTION FOR 2016-2017**

- Part A provides a summary of analysis for the decision-making of the Executive Board.
- In accordance with paragraph (b) of 38 C/Resolution 103, the Director-General is authorized to accept and add to the approved appropriation for 2016-2017, voluntary contributions, donations, gifts, bequests and subventions, and contributions from governments taking into account the provisions of Article 7.3 of the Financial Regulations. Information on these additional appropriations is provided to the Members of the Executive Board at the session following such action.

New contributions received from donors for the period 1 January to 30 June 2016 amount to \$6,358,437.

The table below provides the summary of such actions by Sector/Bureau and the details are provided in Annex II of document 200 EX/4.INF.

Amts in USD		
Sectors/Bureaux	New contributions received as additional appropriation to the Regular programme	Weight %
Education (ED)	3,339,236	52.5
Natural sciences (SC)	845,132	13.3
Social and human sciences (SHS)	423,207	6.7
Culture (CLT)	658,147	10.3
Communication and information (CI)	251,257	4.0
Management of field offices	686,592	10.8
Coordination and monitoring of action to benefit Africa (AFR)	40,802	0.6
Coordination and monitoring of action to implement gender equality (Gender)	4,174	0.1
External relations and public information (ERI)	109,890	1.7
Total, donations and special contributions	6,358,437	100.0

TRANSFERS BETWEEN APPROPRIATION LINES

3. Paragraph (e) of the Appropriation Resolution for 2016-2017 states that “For the five major programmes, the Director-General may make budget transfers between MLA appropriation lines within a major programme up to an amount of 2% of the initial appropriation for the relevant major programme, informing the Members of the Executive Board in writing, at the session following such action, of the details and reasons for these transfers”. Accordingly, the Director-General informs the Executive Board of the following transfers:

(a) Major Programmes: transfers between Main Lines of Actions (MLAs).

Funds Transferred		\$
From	Part II. A - Programmes	
	Major Programme I - Education	
	<i>MLA 2 - Empowering learners to be creative and responsible global citizens</i>	(436 000)
	<i>MLA 3 - Leading and coordinating the education 2030 agenda through partnerships, monitoring and research</i>	(990 000)
	Major Programme II - Natural Sciences	
	<i>MLA 5 - Strengthening the role of ecological sciences and biosphere reserves</i>	(600)
To	Part II. A - Programmes	
	Major Programme I - Education	
	<i>MLA 1 - Supporting Member States to develop education systems to foster high-quality and inclusive lifelong learning for all</i>	1 426 000
	Major Programme II - Natural Sciences	
	<i>MLA 6 - Strengthening freshwater security</i>	600
	Net Change	0

4. The explanations of the re-allocation of these funds are as below:

- Education \$30,000: This transfer relates to the decentralization of funds to Pakistan in order to support the development of national and provincial Education 2030 strategies along with relevant coordination and monitoring within the implementation of SDG 4 – Education 2030. This resulted in a transfer of \$30,000 of activity budget from Education MLA 2 to MLA 1.
- Education \$1,396,000: In order to meet the needs of the implementation of the new SDG 4 agenda, a new Section of Education for Inclusion and Gender Equality has been created with effect from 1 January 2016 in line with the modified structure of the Education Sector. Hence, the human resources have been re-distributed resulting in an increase in MLA 1 and reduction of MLA 2. In addition, MLA 3 has also been reduced as the heavy workload related to the organization of regional consultations has been completed by the end of 2015 and the staff time has been redistributed to the benefit of MLA1 in line with the main priority of the Sector.
- Natural sciences \$600: The transfer was made in order to enable UNESCO’s representation at the Mountain Futures Conference held in Kunming, China. The conference was jointly supported by Man and Biosphere (MAB) and International Hydrological Programme (IHP), with each programme making an equal contribution towards the mission cost.

(b) Staff comparative transfer

5. Following Director-General's decisions on the revised structure of the Bureau of Strategic planning and transfer of a G7 post, funds amounting to \$196,000 were transferred from Part II.B BSP to Part II.A Culture (CLT). Further, a G7 post with a standard cost of \$196,000 in Part II.A Culture (CLT) was transferred at equal grade to Communication and Information (CI).

Funds Transferred		Staff comparative transfer
		\$
From	Part II. B - Programmes-related services	
	Strategic planning, programme monitoring and budget preparation (BSP)	(196,000)
	Part II. A - Programmes	
	Major Programme IV - Culture	
	MLA 1 - Protecting, conserving, promoting and transmitting culture, heritage and history for dialogue and development	(111,720)
	MLA 2 - Supporting and promoting the diversity of cultural expressions, the safeguarding of the intangible cultural heritage, and the development of cultural and creative industries	(84,280)
To	Part II. A - Programmes	
	Major Programme IV - Culture	
	MLA 1 - Protecting, conserving, promoting and transmitting culture, heritage and history for dialogue and development	111,720
	MLA 2 - Supporting and promoting the diversity of cultural expressions, the safeguarding of the intangible cultural heritage, and the development of cultural and creative industries	84,280
	Major Programme V - Communication and Information (CI)	
	MLA 1 - Promoting an enabling environment for freedom of expression, press freedom and journalistic safety, facilitating pluralism and participation in media, and supporting sustainable and independent media institutions	80,360
	MLA 2 - Enabling universal access and preservation of information and knowledge	115,640
Net Change		0

6. In the past biennium, the appropriation resolution authorized the Director-General to make transfers between appropriation lines up to an amount of 2% of the initial appropriation. The 38 C/5 appropriation resolution specifies the authority of the Director-General to make transfers between MLA appropriation lines within a major programme and between major programmes up to an amount of 2% of the initial appropriation of the relevant Major Programme. The resolution is silent on transfer for non-programme sectors other than specifying that "the budget appropriations for the five major programmes, UNESCO Culture Convention, the UNESCO Intergovernmental Oceanographic Commission (IOC) and the UNESCO World Heritage Centre (WHC) shall not be decreased by transfers of funds to other parts of the budget" and "in the event of savings within the biennium, in any part of the budget, such savings shall be redirected to the major programmes in consultations with the Executive Board".

7. The details of these budget transfers by appropriation line (net impact \$0) are indicated in the revised Appropriation Table in Annex I of document 200 EX/4.INF and the tables above present the summary.

PROPOSED TRANSFERS FROM PART V OF THE BUDGET

8. Paragraph (d) of the Appropriation Resolution for 2016-2017 states that “the Director-General is authorized to make budget transfers from Part V of the budget (Anticipated Cost Increases) to the relevant appropriation lines in Parts I-IV of the budget, for the purpose of meeting increases in staff costs, in the costs of goods and services and technical adjustments”. Furthermore, in 38 C/Resolution 88, the General Conference “authorizes the Director-General (para. 2) to continue to apply to UNESCO staff, measures affecting salaries, allowances and benefits of United Nations common system staff that might be adopted by the United Nations General Assembly or the International Civil Service Commission (ICSC)”. Accordingly, the Director-General proposes the transfer of funds from Part V to other parts of the budget to cover increases in staff cost and in cost of goods and services arising from statutory and inflationary factors.

9. **Salary and allowance adjustment for staff in the General Service and National Professional Officers category in the Field (38 C/Resolution 88):** The salary scales for locally recruited staff members in the field duty stations are updated regularly in line with the methodology established by ICSC for surveys of prevailing conditions of employment at duty stations other than headquarters (by comprehensive surveys normally taking place every 5 years or through an interim adjustment mechanism). Since January 2016 the revisions of salary scales for Antananarivo, Almaty, Baghdad, Cairo, Dar es Salaam, Dhaka, Hanoi, Islamabad, Kigali, Kingston, Montevideo, Nairobi, Ramallah, Suva and Tashkent, where UNESCO has locally recruited staff, have been implemented. This represents an additional requirement of \$120,891 as at 30 June 2016.

10. Resident Coordinator (RC) cost-sharing arrangements (2017 contribution): For 2016/2017 biennium, UNESCO contribution to the Resident Coordinator Cost sharing arrangements was estimated at \$4.4M. A sum of \$3,878,600 was included in the 38 C/5 Approved budget of \$667M. The expenditure plan (\$518M) included an amount of \$1.4M. The amendment signed with UNDP for the United Nations Agency contribution agreement amends UNESCO’s share for 2016-2017 from \$4.4M to \$2.8M, with 2017 contribution subject to a review of available funds, thus resulting in an unfunded gap of \$1.4M. In this regards, as UNESCO is committed to pay \$2.8M for the current biennium of which \$1.4M budgeted in the 38 C/5 expenditure plan is towards annual contribution for 2016, the amount of \$1.4M for 2017 is requested to be transferred from Part V.

Total requirements proposed for transfer from Part V

\$1,520,891

II

ACTION EXPECTED OF THE EXECUTIVE BOARD

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

The Executive Board,

1. Having examined the Director-General's report on donations and special contributions received during the period January-June 2016 and appropriated to the regular budget and the transfers made between appropriation lines, in accordance with the terms of the Appropriation Resolution approved by the General Conference at its 38th session (38 C/Resolution 103, para (b) (d) and (e)), in document 200 EX/4 Part II,
2. Takes note that the Director-General has, as a consequence of these donations and special contributions, increased the appropriations to the regular budget by a total amount of **\$6,358,437 for period 1 January to 30 June 2016** as detailed in Annex II of 200 EX/4.INF and summarized as follows:

	\$
Part II.A - Education (ED)	3 339 236
Part II.A - Natural sciences (SC)	845 132
Part II.A - Social and human sciences (SHS)	423 207
Part II.A - Culture (CLT)	658 147
Part II.A - Communication and information (CI)	251 257
Part II.A - Management of field offices	686 592
Part II.B - Coordination and monitoring of action to benefit Africa (AFR)	40 802
Part II.B - Coordination and monitoring of action to implement gender equality (Gender)	4 174
Part II.B - External relations and public information (ERI)	109 890
Total	<u>6 358 437</u>

3. Expresses its appreciation to the donors listed in Annex II of document 200 EX/4.INF;
4. Takes note of the revised 38 C/5 Appropriation Table in Annex I of 200 EX/4.INF.;
5. Takes note that the Director-General has made transfers between appropriation lines for reallocation of regular programme resources and for staff movements effected during the period January-June 2016 (net impact \$0), as detailed in paragraphs 3, 4 and 5 of document 200 EX/4 Part II.A;
6. Approves the transfer of **\$1,520,891** from Part V to Parts I-IV of the budget to cover increases in staff costs and in the costs of goods and services due to statutory and other factors as detailed in paragraphs 9, and 10 of document 200 EX/4 Part II.A.

PART B

REPORT BY THE DIRECTOR-GENERAL ON THE EXECUTION OF THE PROGRAMME ADOPTED BY THE GENERAL CONFERENCE

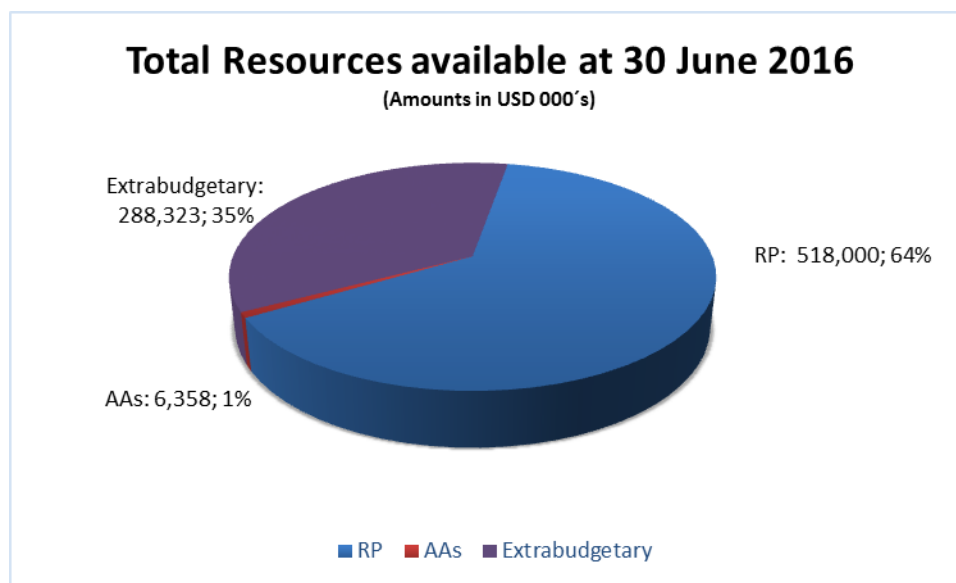
MANAGEMENT CHART – Programme execution as at 30 June 2016

12. The Management Chart provides the overall budget and expenditure situation for regular budget and extrabudgetary resources.

OVERALL BUDGET AS AT 30 JUNE 2016 – STATUS OF RESOURCES BY FUNDING SOURCE AND RESULTS OF OPERATIONS – (Ref: 200 EX/4 INF.)

A. TOTAL RESOURCES (\$812.7M) AVAILABLE AT 30 JUNE 2016 comprised as follows:

- a. Regular Programme (RP): \$518M based on an expenditure plan level approved by the General Conference.
- b. Additional Appropriations (AAs) of \$6.35M representing new contributions. This is an increase of \$1.18M or 23% in relation to the same period last biennium (excluding allocations from the Emergency Fund in the 37 C/5).
- c. Extrabudgetary resources (XB): Allotment of \$288.3M as of 30 June 2016.

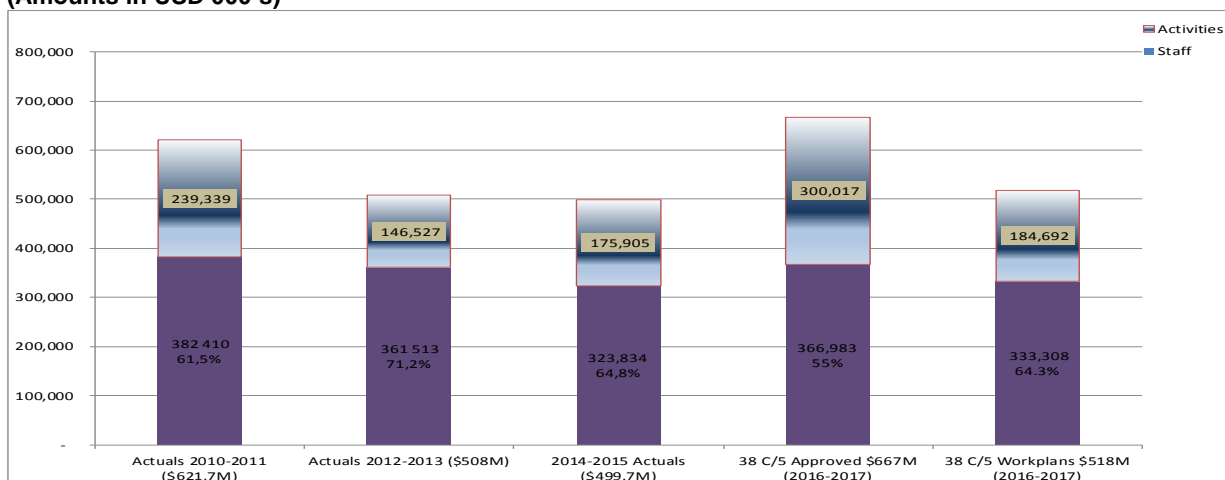


Please refer to 200 EX/4.INF, which sets the accompanying tables to this text. The analysis below refers to the relevant tables in the INF document.

B. REGULAR PROGRAMME RESOURCES AND EXPENDITURES

13. The \$518M expenditure plan represents a decrease in resources of \$149M or 22.3% in relation to the 38 C/5 Approved of \$667M and \$103M or 17% in relation to the 2010-2011 expenditures. The graph below shows the trends in expenditures from 2010 through 2015 and the budget and work plans level of resources for the current biennium (excluding Additional Appropriations).

(Amounts in USD 000's)



14. At end of June 2016, global expenditure stood at 26.3% (including AAs) of the original approved Expenditure Plan as compared to the target rate of 25%. The rate for the same period last biennium was 24.4% (including AAs). The table below (in thousands of US Dollars) provides the breakdown of the Original approved expenditure plan vs. expenditure as of June 2016.

<i>in thousands of USD</i>	38 C/5 Expenditure Plan as adjusted (2016-2017)	TOTAL EXPENDITURES	% EXP. RATE vs. Allocation
			25,0%
PART I - GENERAL POLICY AND DIRECTION - + JUNM			
PART I.A Governing Bodies	9 796	1 883	19,2%
PART I.B Direction	18 435	4 000	21,7%
Directorate & Executive Office of DG	7 608	1 736	22,8%
Internal Oversight	5 677	1 361	24,0%
International Standards and Legal Affairs	4 393	771	17,6%
Ethics Programme	757	132	17,4%
PART I.C Participation in the Joint Machinery of the UN System	16 160	5 836	36,1%
Total Part I	44 391	11 719	26,4%
PART II.A - PROGRAMMES			
MP1 - Education	83 259	24 356	29,3%
MP2 - Natural sciences	48 308	11 385	23,6%
MP3 - Social and human sciences	25 458	5 361	21,1%
MP4 - Culture	43 668	10 072	23,1%
MP5 - Communication and information	23 848	6 010	25,2%
UIS	7 695	3 847	50,0%
Management of Field offices	80 827	21 057	26,1%
Total Part II.A	313 063	82 088	26,2%
PART II.B - Programme-related services			
Coordination and monitoring of action to benefit Africa	4 173	962	23,1%
Coordination and monitoring of action to benefit Gender Equality	1 609	375	23,3%
UNESCO's response to post-conflict and post-disaster situations	975	216	22,2%
Strategic planning, programme monitoring and budget preparation	4 996	1 232	24,7%
Organization-wide knowledge management	4 718	1 253	26,6%
External relations and public information	19 705	5 091	25,8%
Field support & Coordination	1 123	285	25,4%
Total Part II.B	37 299	9 414	25,2%
PART II.C - Participation Programme and Fellowships	13 550	2 265	16,7%
PART III - CORPORATE SERVICES			
Human resources management	29 159	7 142	24,5%
Financial Management	12 341	3 042	24,6%
Management of support services	36 221	9 189	25,4%
Management of Information Systems and Communications	9 669	2 486	25,7%
Total Part III	87 390	21 859	25,0%
Reserve for Staffing Adjustments	-	-	-
Reserve for ASHI	3 406	3 406	100,0%
PART IV - LOAN REPAYMENTS	14 082	3 446	24,5%
PART V - ANTICIPATED COST INCREASES	4 819	-	0,0%
GRAND TOTAL	518 000	134 197	25,9%
Additional Appropriations	6 358	3 905	61,4%
GRAND TOTAL	524 358	138 102	26,3%

* includes comparative transfers \$196K from BSP to CLT and from CLT to CI for the same amount.

15. The overall expenditure rate is in line with the target rate except for: Participation in the Joint Machinery of the United Nations system, Education, and UIS as a result of United Nations dues, and the full annual allotment to UIS and Education category I institutes.

16. **Table 1** of 200 EX/4.INF presents the overall implementation by principal appropriation line, in line with the Appropriation Resolution. 160 EX/Decision 3.1.1 and 164 EX/Decision 3.1.1, invited the Director-General “to identify and explain, those activities that vary from expected expenditures by a rate of more than 15%”. It should be noted from this table that expenditures rates fall between 10% and 40% with the exception of the following:

- Reserve for after Service Health Insurance (100%): The transfer to the ASHI reserve is made at the start of the year resulting in full consumption of the budget. This is due to the timing of the transfer and does not pose any risk of overspending.
- The higher expenditure rate (50%) for UNESCO Institute for Statistics, as well as other Institutes under Education and Science reflects the annual allotments to these Institutes.

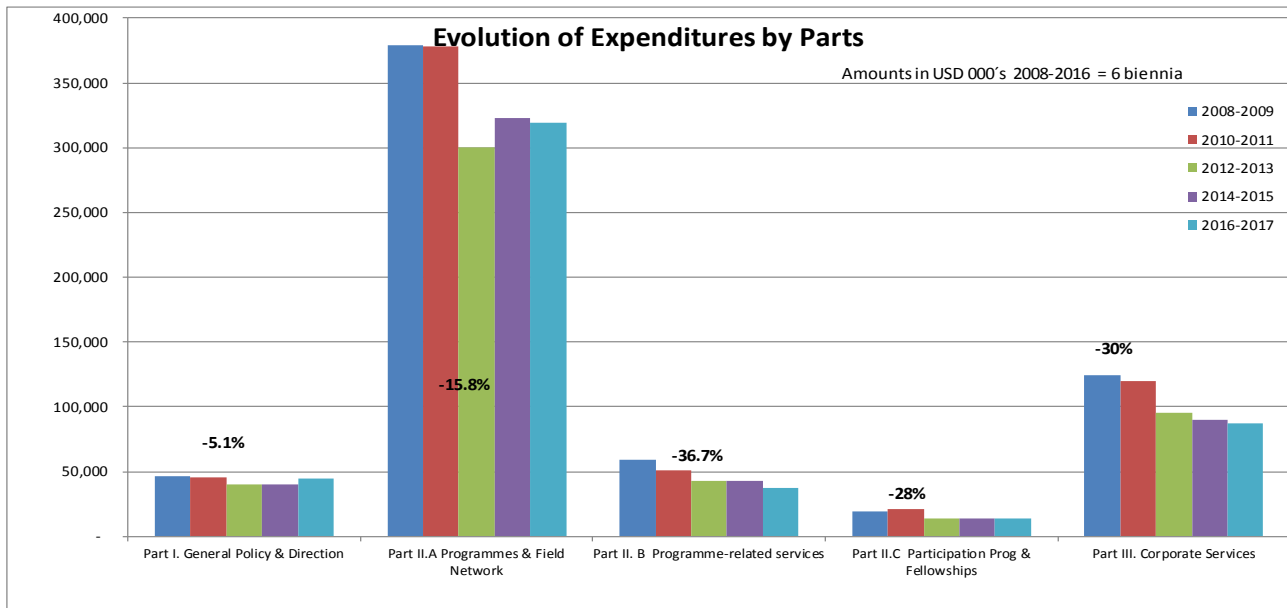
17. **Table 2** of 200 EX/4.INF provides information on the programme execution by expected results and MLAs for Regular Programme and Extrabudgetary resources for the five Major Programmes.

18. **Decentralization for RP and XB: Table 3** of 200 EX/4.INF presents the field office situation of Regular Programme for major programmes as at 30 June 2016. In terms of decentralized funds for Regular Programme activities to major programmes, the status of expenditure of regular programme resources including Additional Appropriations (AA) reflects an expenditure rate of 28%. Regarding implementation by region, Latin American and the Caribbean (LAC) region has the highest expenditure rate 46.7%, followed by Africa 23.2%, Asia and the Pacific 22.7%, Europe and North America 20.9% and Arab States 14.6%. High expenditure rate for LAC region is due to the high level of AA mobilized and implemented, particularly by Chile. These AAs for LAC region amount to close to \$3M (out of a total of \$6.4M total for UNESCO). A significant portion of the additional appropriations is already committed on contract for services – especially for Santiago office, resulting in overall higher expenditure rate for LAC region. The total amount of Extrabudgetary decentralized funds allotted to the Field represent 60.4% (\$174.3M) of the overall allotment distributed for the period January to June 2016. The decentralized extrabudgetary funds is slightly higher as compared to the same period for 2015 (57.7% or \$173.7M).

19. **Tables 4 and 5** of 200 EX/4.INF show the allotments and expenditures of extrabudgetary projects by funding source and the execution of extrabudgetary programmes by donor and by region. Table 5 shows that excluding interregional and global projects, the Latin America and the Caribbean region is the main beneficiary of extrabudgetary resources in terms of allotments due to the large scale of self-benefitting funds in Brazil and Peru.

C. EVOLUTION OF EXPENDITURE AND COMPARISON WITH CURRENT BUDGET BY PARTS OF THE BUDGET

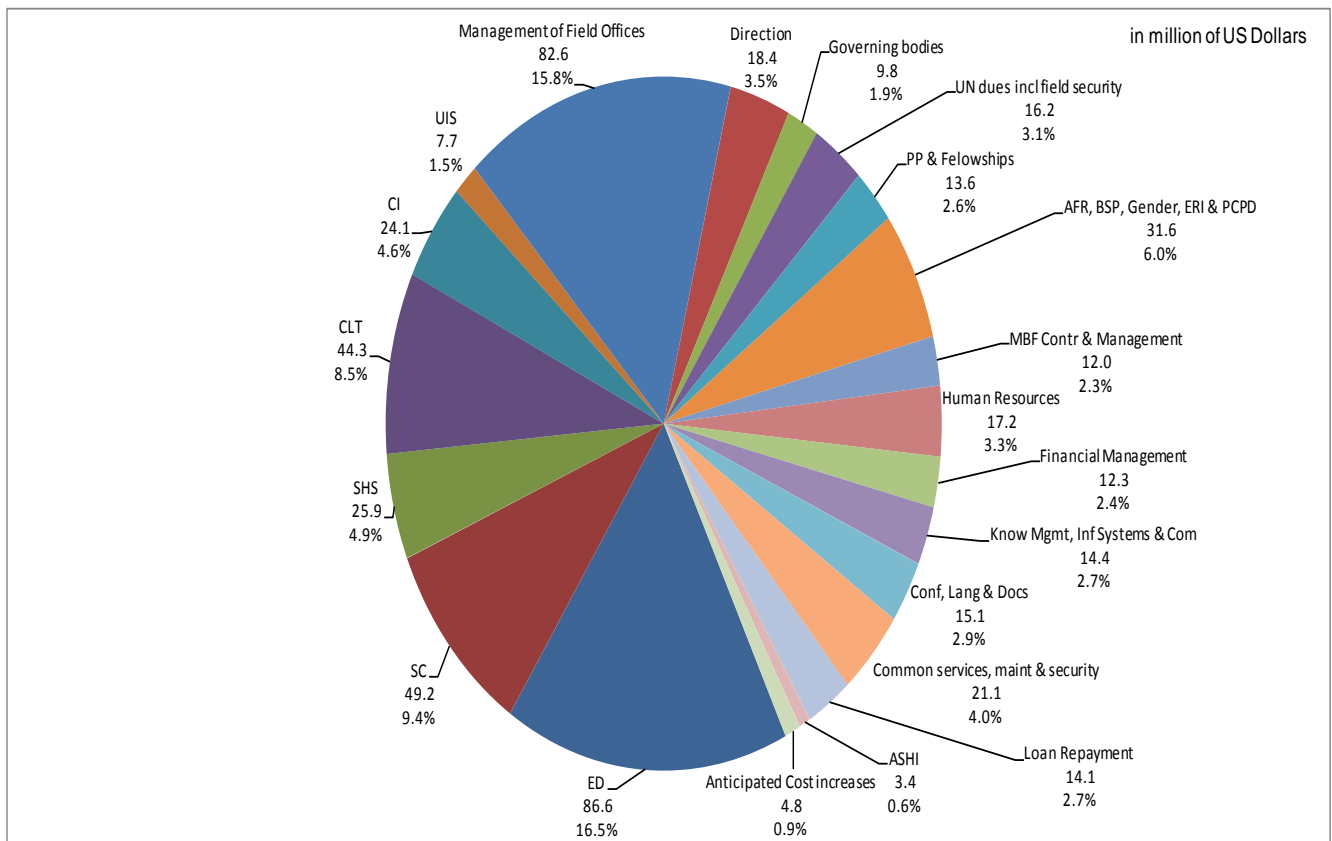
20. In terms of the evolution of expenditure by Parts of the budget (including donations), the 38 C/5 Work plans represent a decrease of \$117.5M or 18.3% in relation to 2008-2009 actuals. This same comparison by parts of the budget shows reductions of 5.1% in Part I (General Policy and Direction), 15.8% for Part II.A (Programmes and Field Network), 36.7% for Part II.B (Programme Support), 28% for Part II.C (Participation and Fellowships) and 30% for Part III (Corporate Services). Decreases in Part I and Part III have been a significant challenge given the level of fixed charges, the need to support a constant level of extrabudgetary projects, and the increasing amount of United Nations Dues (including field security) and Medical Benefits contributions for retirees.



D. REGULAR PROGRAMME REVISED EXPENDITURE PLAN \$524.4M (INCLUDING AA) BY BUDGET COMPONENT

21. The major budget recipients, as shown in the graph below, are Education (16.5%), Management of the Field Network (15.8%), Natural Sciences (9.4%) and Culture (8.5%). In terms of fixed costs, 2.7% of total expenditures relate to the loan repayments, 2.3% to the Medical Benefit Fund (MBF) management and contributions for retirees, 3.1% for the Joint UN System, and 4% for common service charges, and maintenance and security at Headquarters.

Total work plans \$524.4M (with AAs) by Sector/bureaux:



E. POST SITUATION

Breakdown of posts vacant between 31 December 2015 and 30 June 2016

YEAR	MONTH	Number of OCCUPIED posts			Number of VACANT posts										TOTAL POSTS
		HQ	Field	TOTAL	HQ				Field				TOTAL		
					D	P	GS	Total	D	P	NO	GS		Total	
2015	December	776	531	1,307	8	56	26	90	5	26	12	27	70	160	1,467
2016	January	764	526	1,290	8	56	27	91	6	35	26	46	113	204	1,494
	February	761	525	1,286	8	56	29	93	6	36	26	46	114	207	1,493
	March	763	524	1,287	7	53	29	89	5	38	28	45	116	205	1,492
	April	761	528	1,289	7	53	31	91	5	36	27	43	111	202	1,491
	May	762	529	1,291	6	51	36	93	5	34	28	43	110	203	1,494
	June	765	528	1,293	6	45	39	90	5	35	26	39	105	195	1,488

Evolution of the vacancy rate (RP only)

	2015			2016			
	December	January	February	March	April	May	June
HQ	10%	11%	11%	10%	11%	11%	11%
Field	12%	18%	18%	18%	17%	17%	17%
Total	11%	14%	14%	14%	14%	14%	13%

22. Between December 2015 and May 2016, the vacancy rate of Regular Programme posts increased from 11% to 14%. This was mainly due to the creation of local field posts (General Service and National Professional Officer posts) in the 38 C/5, which were formerly funded under the Emergency Fund, the majority in Africa. The vacancy rate of Regular Programme posts is at 13% as of June 2016, marginally lower than in January 2016 (14%) but still higher as compared to December 2015. As at 30 June 2016, considering that majority of posts in HQ and field (62% and 55% respectively) are under recruitment/being filled, this rate should decrease in next months. From the total vacant posts filled in 2016, 63% were filled internally (52% in the field and 69% at HQ).

F. UNFUNDED RISKS

23. As of 30 June 2016, the Organization faces an unfunded risk of some \$22M, mainly comprising the 5% lapse factor¹ (\$17M), the UN Resident Coordination dues (\$1.4M), \$1.1M for the security and safety action plan based on decision 199 EX/Decision 17, the updating of the telephone system (\$0.4M), the implementation of the ICSC compensation package (\$0.3M) and maternity leave (past estimate around \$1.6M). In addition, unquantified unfunded risks included separation costs and replacement for long term sick leave with pay. The actual separation costs to date is \$1.1M for the first 6 months, indicating a conservative risk of \$4.4M per biennium. Of these \$1.4M has been proposed as a transfer from Part V for anticipated UN Resident Coordination dues.

24. As there is no reserve for unfunded risks, these are to be mainly mitigated by management of staff cost savings from vacant posts and through the restriction of the use of such savings for replacement temporary assistance. The restriction of replacement temporary assistance against vacant posts has an impact on the delivery of planned results.

¹ The Lapse factor represents the percentage of the full cost of the proposed structures that have not been funded in the approved budget and therefore give rise to a deficit, if those posts were fully occupied during the whole biennium.

25. While the vacancy rate is higher than anticipated in the lapse factor, it has fallen to 13% in June 2016 and is anticipated to fall further by December 2016. In sectors where the vacancy rate is low, the margin to contribute to meet the 5% lapse factor applied to all posts is also low and as a result such sectors may show expenditure in excess of the approved expenditure plan.

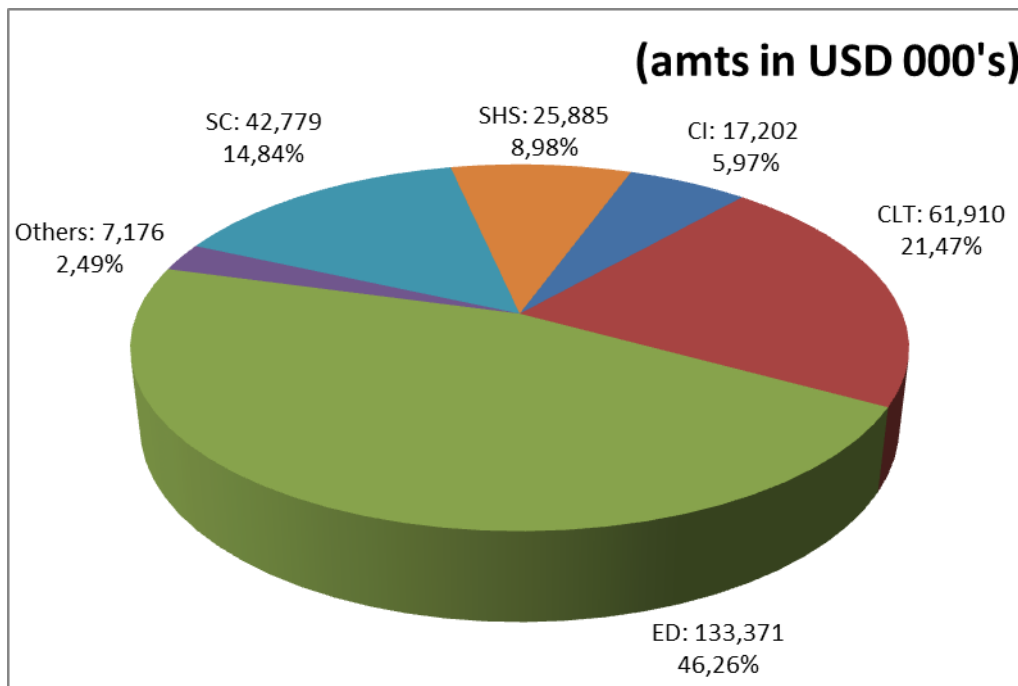
G. ANALYSIS OF EXTRABUDGETARY RESOURCES

26. Extrabudgetary (XB) resources generally finance multi-year projects. The following analysis presents allotments and expenditures for the period 1 January 2016 to 30 June 2016. XB budget allotments are made on an annual basis but may not reflect a full 12 months of operations. Therefore, XB expenditure rates are not fully comparable with RP expenditure rates, which are against a 24-month allotment.

27. The 2016 allotments of \$288.3M against work plans submitted show a decrease of 4.1% compared to \$300.6M in June 2015 (June 2014 \$299.1M). However, there is an overall increase of 14.8% or \$37.2M since 2013.

28. Expenditure (delivered and unliquidated) has decreased marginally by less than 1% or \$1.1M from \$114.5M in June 2015 to \$113.4M in June 2016. This decrease would have been little higher but it was partly offset by an increase in the expenditures relating to the Brasilia Office of \$2.3M. Overall implementation of extrabudgetary resources by June 2016 shows a slight increase in expenditure rate at 39.3% compared with the same periods in 2015 (38.1%) and 2014 (38.7%). Measures taken to accelerate expenditure rates include strengthened monitoring of key financial areas through a monthly dashboard and training to programme and administrative staff on the establishment of realistic annual work plan requirements.

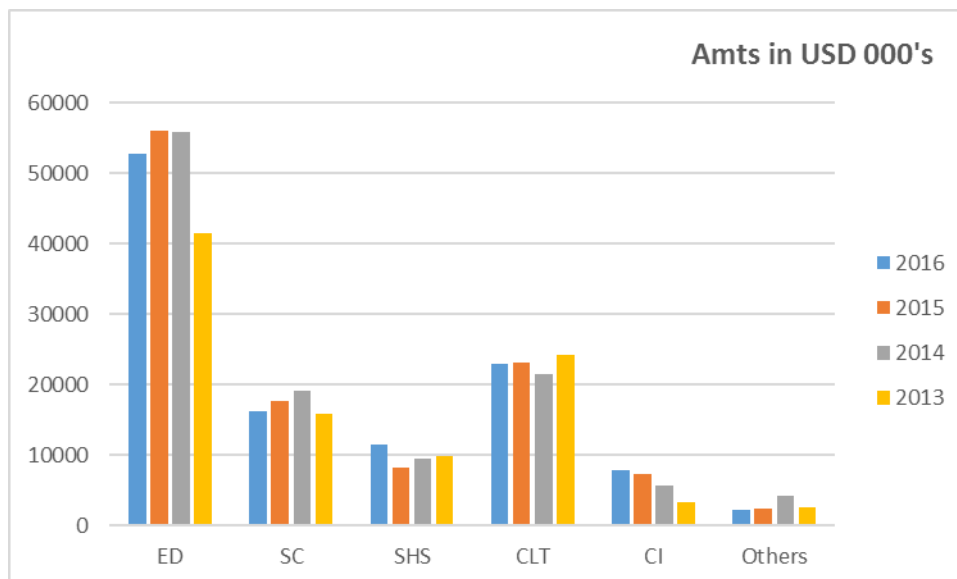
Chart 1 – Extrabudgetary Work Plan Allotments by Major Programme as at 30 June 2016 (funds available for use): Total: \$288.3M



29. As shown in Chart 1 above, the allotments of extrabudgetary resources under the five Major Programmes (\$281.1M as at 30 June 2016) constitutes 97.5% of total annual allotment (\$288.3M), with the ratio remaining constant compared to 2015 and 2014. The Education Sector accounts for

46.2% of allotments, followed by Culture with 21.5%, Natural Sciences with 14.8%, Social and Human Sciences with 9.0% and finally Communication and Information with 6.0%.

Chart 2 – Comparison of levels of Expenditure for the period 2013 to 2016 by Sector and Others



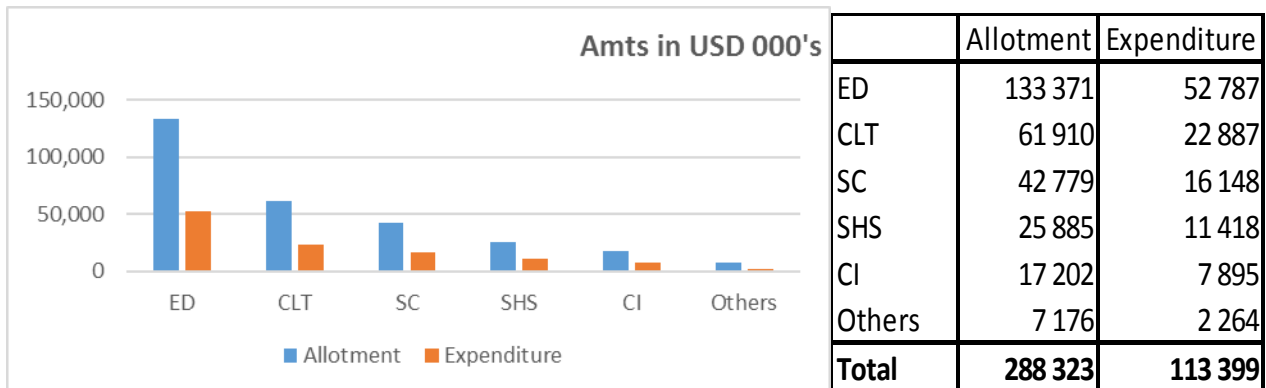
30. Chart 2 above compares the expenditure level over the last 4 years.

- In the case of the Education Sector, after relatively similar expenditures for comparable periods in 2014 and 2015, the 2016 expenditure show a decrease of 6% (or \$3.2M). In terms of funding sources of the expenditures for the sector, Funds-in-Trust shows a decrease of \$4.7M while expenditure related to projects funded under self-benefiting modality have increased by \$2M. Associate experts decreased by \$0.28M and Special Accounts expenditure show a net decrease of \$0.24M.
- The expenditures for the Culture Sector show a marginal decrease of US \$0.1M. The expenditures related to Funds-in-trust modality (\$0.75M), associate experts and Special Accounts (\$0.4M) were offset by increase in expenditure related to Self-Benefiting Trust Fund (mainly with Iraq).
- For Natural Sciences, an overall decrease of \$1.4M is noted. In terms of funding sources for the Sector, Funds-in-Trust show a decrease of \$2.2M while expenditure related to projects funded under Special Account modality (TWAS) have increased by \$0.8M.
- For SHS, the increase of expenditure for a total of \$3.17M is mainly related to self-benefiting projects with an increase of \$1.8M (Brazil and Qatar) as well as Special Account (Criança Esperança Programme Brazil with an increase of \$1.3M).
- Lastly for CI, the overall increase in expenditure is \$0.6M. In terms of funding sources of the expenditures for the Sector, expenditure related to Funds-in-Trust have increased by \$1.4M (mainly, European Union, Finland, Italy, UNDP). However, expenditure related to the self-benefiting projects showed a decrease of \$1.2M (Cameroon, Brazil). Expenditure related to Special Accounts are \$0.3M (IPDC, Improving media coverage on the Zika virus, epidemics and crisis).
- “Others” comprised of programme-related services and support services (which accounts for 2.5% of total expenditures), continued to decrease from 2014 mainly due to decrease

in expenditure on some projects related to gender and the UNESCO/Keizo Obuchi Research Fellowships Programme Phase.

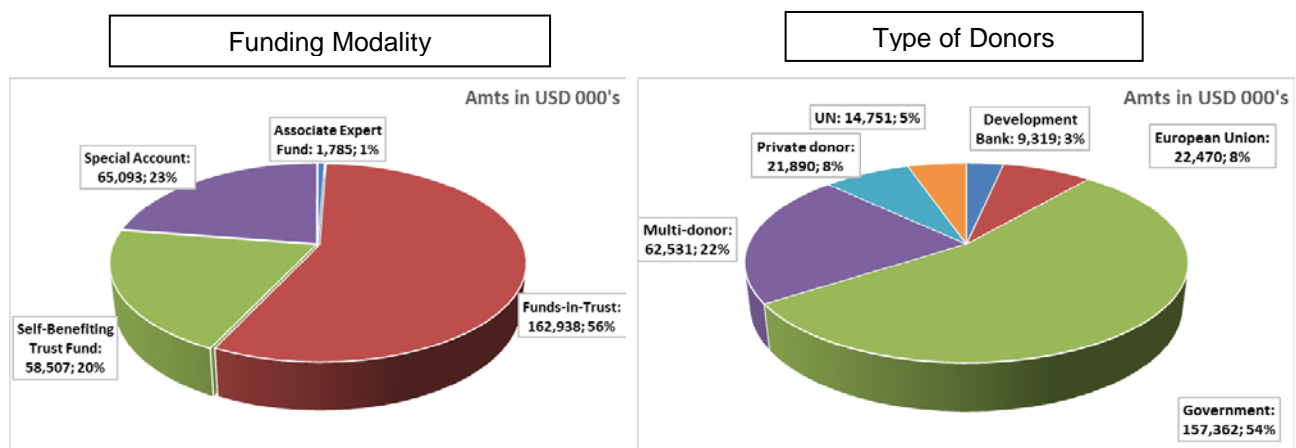
31. The chart 3 below shows allotment and expenditure by sector/service of the annual allotments of \$288.3M with a level of expenditure of \$113.4M corresponding to an expenditure rate of 39.3%

**Chart 3 – Allotment and Expenditure as at 30 June 2016
by Major Programme and other support services**



32. The charts 4 below show the distribution according to the funding modalities and types of donors. Funds-in-trust represents the largest funding modality (56%) followed by Special Accounts (23%), Self-Benefiting Funds-in-Trust (20%), and Associate Experts (1%). In terms of types of donors, government funds represent more than half of the voluntary contributions (54%), followed by Multi-donors (22%). Private donors represent 8%, United Nations programmes and agencies 5% and Development banks 3%.

**Chart 4 – Portfolio of Extrabudgetary projects by Funding Modality and Type of Donor
(Allotments as at 30 June 2016)**



(Multi-donor refers mainly to 'Special Accounts')

33. Extrabudgetary Funds-in-Trust (FIT) projects above \$1.0M represent about 21% of the total FIT portfolio (excluding Brasilia Office). The number of high value projects (above \$1.0M) has increased as compared to the past, especially in the Education sector (44% of total high value overall portfolio), followed by Culture (27%) and Sciences (17%). However, in terms of a sector's total FIT portfolio, 27% of Education's project portfolio is above \$1.0M, followed by Communication (26%) and Culture (22%).

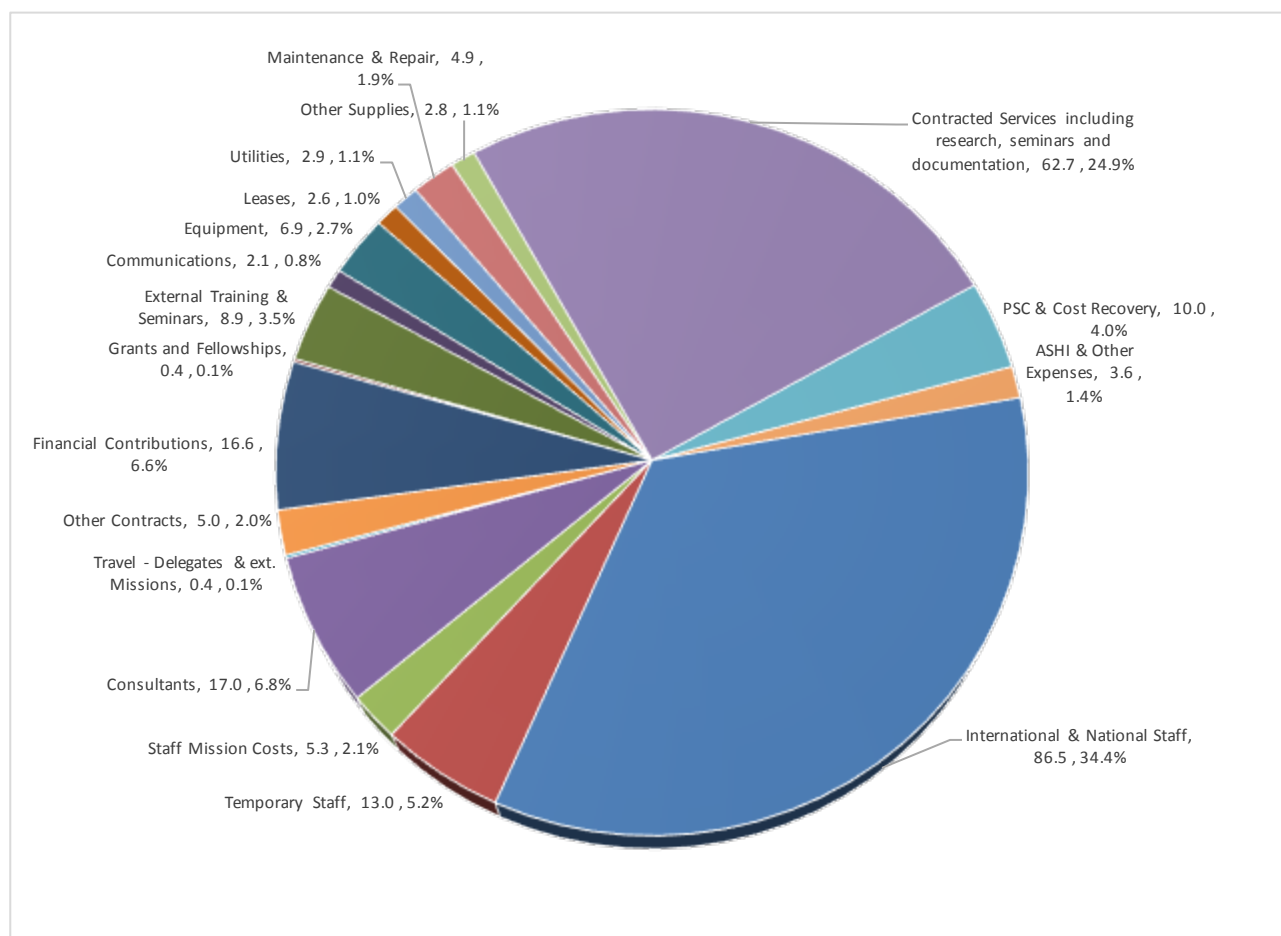
34. About 44% of the total number of extrabudgetary projects (Funds-in-Trust modality excluding Brasilia Office) is composed of projects with values below \$250K, and have a value of 3.8% of the total allocation. This is a significant improvement over 2011 when the percentage of projects below

\$250K represented 53% of the portfolio with a value of 8% of the portfolio. Small value projects have a proportionally higher transaction and support costs and have a limited capacity for recovery of staff time.

35. Additional information on extrabudgetary projects is provided in 200 EX/4.INF. Table 4 presents the execution of extrabudgetary programmes by funding source.

H. ANALYSIS OF GLOBAL EXPENDITURES (RP AND XB) BY IPSAS COST CATEGORIES

36. The following graph (in US\$ millions) shows information on global (RP and XB) expenditures (\$251.5M) for the first six months of the biennium, as compared to \$243.3M for the same period last biennium, based on IPSAS (International Public Sector Accounting Standards) cost categories as defined for the presentation of the financial statements of the Organization².



37. It may be noted that in relation to the same period last biennium, staff costs represent 34.4%, which remain the largest category of expenditure but are three (3%) percentage points lower than June 2014. This is followed by contracted services (25%) which decreased by 2% mainly due to reduced extrabudgetary expenditures on this line during the reporting period. The contracted services include contracted research, publications, field security, translation, documentation and other UN dues. On the other hand, temporary assistance, consultants and other contracts increased from 11.5% to 13.9% while supplies, consumables and running costs remained constant around 8.8% and include communication, utilities, maintenance, leases, supplies and equipment.

38. Financial contributions increased by 1.7% in absolute terms an increase of around \$5M compared to the same period last biennium. Part of this increase is due to the payment of contributions towards participation in the joint machinery of the United Nations system that was paid in early 2016 whereas in the last biennium it was recorded much later. It should be noted that

² The graph includes PSC & Cost recovery for additional information although not an IPSAS category.

the total envelope for participation in the joint machinery of the United Nations system has increased in 38 C/5 as compared to 37 C/5 by \$3.8M. Secondly, the total allocation to the category I institutes (\$11.6M as compared to \$10.7M in 2014) has increased and lastly, the recording of part of the allocation for UIS was only done after June in 2014 (\$1.8M). Staff missions, external training and seminars remained almost constant at 2% and 3.5% of total expenditures, while grants and fellowships decreased by 1%.

39. Expenditures related to Programme support and cost recovery (4%) have been shown separately, although not an IPSAS cost category.

40. The recovery of RP staff time grew at a compounded annual rate of 61.4% as compared to a modest recovery of \$184K in 2010, the recovery in 2015 stood at \$2.02M. The total recovery of RP staff time for the period January to June 2016 amounts to \$0.721M as against \$0.725M for the similar period last year. This represent 0.43% of the 2016 allotment for RP staff at the mid-year point and efforts are being made to ensure staff cost budgeting in extrabudgetary projects, in order to achieve the targeted recovery of 2%.

41. The table below shows the weight of the main cost categories within the RP and XB sources of funds. Programme support cost and the recovery of RP staff time constitutes 9% of the total extrabudgetary expenditures. It should be noted that other direct costs recovered (such as communication costs) have not been valued in this category since they are directly charged to the projects.

Regular Programme and Extrabudgetary Expenditures 1 January 2016 to 30 June 2016	RP	Weight %	XB	Weight %
Staff costs	72,0	52%	14,5	13%
Temporary Assistance, Consultants and other contracts	14,6	11%	20,4	18%
Travel on staff mission	2,9	2%	2,4	2%
Travel - Delegates & external individual missions	0,2	0,1%	0,2	0%
Financial contributions, Grants, External training & seminars	19,9	14%	5,9	5%
Contracted Services	9,4	7%	53,3	47%
Supplies, consumables & other running costs	19,1	14%	6,7	6%
PSC & Cost Recovery	-	-	10,0	9%
Total	138,1	100%	113,4	100%

I. ANALYSIS OF FUNDS-IN-TRUST OVERHEAD COST ACCOUNT

42. An update on Funds-in-trust Overhead Cost Account (FITOCA) Special Account regarding its application and use was presented to the Executive Board at its 197th session. The General Conference decision at its 38th session (38 C/Resolution 86, paragraph 8) "requests the Director-General to provide the Executive Board with an annual report on the use of FITOCA through which she shall seek guidance, noting that this report may be part of other routine report to the Executive Board". Accordingly, the section below reports on the Funds-in-trust Overhead Cost Account.

43. As background, in 2008, UNESCO issued its guidelines on Cost Recovery Policy. According to these guidelines, costs are currently classified under the following categories:

- (a) **Direct Costs:** Costs incurred by the Organization which can be traced in full to a specific project and should be charged directly to a project.
- (b) **Indirect Variable Costs:** Indirect variable costs, which are usually referred to as support costs, are incurred by the Organization as a function and in support of projects. They

cannot be easily traced directly to a specific project and are charged through a flat rate Programme Support Cost (PSC).

- (c) Indirect Fixed Costs: Costs incurred by the Organization regardless of the scope, level, or funding source of activities, and which typically include the top management of an organization, its corporate costs and statutory bodies not related to service provision.

Cost Recovery at UNESCO:

44. For UNESCO, under the current policy, programme support cost includes, but are not limited to, support provided by central services and support provided by the administrative unit of the field office. As agreed by the HLCM, UNESCO recovers part of the indirect variable costs by applying a Programme Support Cost (PSC) rate, as a percentage of the extrabudgetary project's total direct costs. It should be noted that since the approved PSC rate doesn't adequately cover its indirect variable costs, all other variable indirect costs that cannot be recovered through the PSC and all direct costs should be charged directly to the project. Funds recovered from charging the PSC rate as well as one third of the interest generated from investing temporary surplus funds are placed in a Special Account called "Funds-in-Trust Overhead Account" (FITOCA). It operates as follows: levies on extrabudgetary expenses managed by Headquarters and by each office and the related interest earnings are consolidated at Headquarters at the end of year N, then apportioned for year N+1 between Headquarters (60%) and offices away from Headquarters (40%). Headquarters staff assigned in principle to administrative posts in support of extrabudgetary projects are funded from the 60% earmarked for Headquarters.

45. The 2016 FITOCA budget approved by the Director General is \$14.5M, including \$3.5M for Brasilia office. The 2016 budget includes \$2.2M of FITOCA allocation to field offices based on a detailed calculation of FITOCA generated by field office in 2015 for projects with no derogation and \$145k for mainly External Audit fees. The 2016 draft budget is tabled below:

2016 FITOCA BUDGET	
Expressed in 000's USD	2016 FITOCA budget
FITOCA financed posts	8,599
Field Offices (incl. Liaison) and Institutes Allocation	2,235
General Activities	145
Brasilia Office	3,500
Total	14,479

46. Staff costs in the 2016 FITOCA budget (excluding Brazil) amount to \$8.6M. In particular, there are 58.5 posts comprised of 5 in Directorate including IOS (\$0.9M); 10.7 in the Major Programmes (\$1.9M), including 1 post in the Management of Field Offices; Part II B Programme Support \$3.9M with 1 post each in Gender Equality (GE) and Field Support Coordination (FSC), 18 BSP posts and 6 OKM posts. Also included are Part III Corporate Services \$1.9M with 1.8 HRM posts; 13 BFM posts and 2 Management of information systems and communication (MISC) posts (Ref. Annex 1 below). The salary cost budgeted to be covered in 2016 is lower as compared to 2015 mainly due to the reduction of posts on FITOCA (58.5 in 2016 compared to 63 in 2015) – primarily in Programme sector in line with the policy to reduce number of posts of sectors. In addition to small reduction in number of posts funded in 2016, the reduction in total staff cost funded from FITOCA can also be attributed to reduction of staff salary post adjustment owing to exchange rate fluctuations.

**Annex 1: Details of 2016 FITOCA Estimated Staff cost
2016 FITOCA Posts Establishment (in Million USD)**

Sector / Bureau	Number of Posts	2016 Estimated Costs
Part I - General Policy and Direction	5	0,90
Total Part I	5	0,90
Part II - A Programmes		
Education	2	0,36
Natural Sciences	1	0,16
Social and Human Sciences	1,2	0,17
Culture	4,5	0,81
Communication	1	0,19
Management of Field Offices	1	0,16
Total Part II - A	10,7	1,85
Part II - B Programme Related Services		
Gender Equality	1	0,16
BSP	18	2,63
FSC	1	0,23
OKM	6	0,872
Total Part II - B	26	3,89
Part III - Corporate Services		
HRM	1,8	0,23
BFM	13	1,43
MISC	2	0,3
Total Part III	16,8	1,96
Total Parts I, II, III	58,5	8,60

47. The table below gives the details of expenditures for 2015

2015 FITOCA FINANCIALS	
FITOCA Financial Status Report	Expressed in 000's USD
Programme support cost	15 481
Interest earned	3 697
Other	499
Total Income	19 677
Staff costs	11 092
Other personnel related costs	403
External Services	1 865
Goods and supplies	744
Financial contributions	54
Provision for ULOS	-115
Total Expenditure	14 043
Excess of Income over expenditure	5 634
Currency Revaluation (Brasilia)	-1 728
Reserve and fund balance as at 1st January 2015	28 839
Reserves and fund balances (FITOCA General)	28 881
Reserves and fund balances (Brasilia)	3 864
Total Reserves and fund balances as at 31 December 2015	32 745

48. The External Auditor recommended (187 EX/35 Part III) that UNESCO restore the financial balance of the FITOCA in such a way as to ensure that its balance amounts to at least the equivalent of 18 months of the salaries that it pays. As at 30 June 2016, the FITOCA fund generated a recovery of US \$7.5M for the period January – June 2016 in comparison with an income of US \$6.8M for the same period in 2015. As of December 2015, the FITOCA account had a reserve of US \$32.7M.

49. In line with the Executive Board decision at its 195th session, a review of cost recovery policy was carried out and a document (200 EX/5, Part III.E, Section 2) is presented on the proposed principles and methodology for reviewing the Cost recovery policy. Considering the risks associated – if the Board endorses the principles of the proposed policy – and keeping in line with the best practice in financial management, it is recommended that the FITOCA reserve be used to mitigate the risk of lower income to cover the new management cost and to sustain the PSC rate in medium to longer term.



United Nations
Educational, Scientific and
Cultural Organization

Executive Board

Two hundredth session

200 EX/4 Part II Corr.

PARIS, 3 October 2016
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Item 4 of the provisional agenda

EXECUTION OF THE PROGRAMME ADOPTED BY THE GENERAL CONFERENCE

PART II

**BUDGETARY SITUATION OF THE ORGANIZATION FOR 2016-2017
(38 C/5 APPROVED AS ADJUSTED) AS AT 30 JUNE 2016, BUDGET ADJUSTMENTS
ARISING FROM DONATIONS AND SPECIAL CONTRIBUTIONS RECEIVED**

AND

**MANAGEMENT CHART FOR PROGRAMME EXECUTION IN 2016-2017
(38 C/5 APPROVED AS ADJUSTED)**

Status as at 30 June 2016

CORRIGENDUM

(No. 57)

On page 18, paragraph 49, the first sentence should read as follows:

In line with the Executive Board decision at its 195th session, a review of cost recovery policy was carried out and a document 200 EX/5, Part III (F) is presented on the proposed principles and methodology for reviewing the Cost recovery policy.

