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### **PRELIMINARY PROPOSALS BY THE DIRECTOR-GENERAL CONCERNING THE DRAFT PROGRAMME AND BUDGET FOR 2018-2021 (39 C/5)**

#### **POSSIBLE IMPLICATIONS OF HYPOTHETICAL BUDGET SCENARIOS OF \$507 MILLION, \$518 MILLION AND \$521.4 MILLION**

##### **SUMMARY**

Subsequent to the debate held on the Draft 39 C/5 at the fourth Intersessional Meeting of Executive Board Members on 9 September, the Director-General submits this information document to the attention of the Executive Board in which she presents indicative examples of the possible implications for the Organization's programme of work proposed for the next quadrennium 2018-2021 (39 C/5) in the event of a reduced budget ceiling for 2018-2019.



## I. BACKGROUND

1. At its fourth Intersessional Meeting, the Executive Board discussed the Preliminary proposals by the Director-General concerning the Draft Programme and Budget for 2018-2021 (39 C/5), and exchanged views on the two options for the regular budget ceiling for the coming biennium (2018-2019). It was stressed that either one of these two options would set continued financial constraints on the Organization as they represented a decrease in its regular budget in real terms in comparison with the current Approved 38 C/5. Specifically, Option 1 – a budget ceiling of \$653 million and its corresponding expenditure plan of \$507 million – would mean a net decrease of \$14.4 million in real terms compared to the ZRG estimate for the current 38 C/5 \$518 million expenditure plan.
2. The present document has been prepared to provide additional information on the possible implications of a budget decrease for the programmes, the overall functioning and positioning of UNESCO, and, consequently, the impact of its action at the global, regional and national levels.
3. As indicated in document 200 EX/13 Part II, the Organization has experienced a sharp reduction of its financial resources, while, at the same time, UNESCO's programmes have steadily increased (e.g. 38% decrease in the overall regular budget in real terms, and 30% decrease in regular programme staff in 15 years). The reduction in staff has also had a negative impact on the Organization's capacity to deliver and respond adequately to some of its Member States requests for high-level expertise and technical support.
4. Under the \$518 million expenditure plan for 2016-2017, the Organization is operating with a minimum level of regular programme resources. For the next biennium, a budget ceiling of \$667 million with a corresponding expenditure plan of \$518 million would result in a net decrease of \$3.4 million from the current 38 C/5 level, meaning that the Organization would not be able to maintain the status quo, and would be forced to consider downscaling some of its programmes and core activities.
5. A budget ceiling of \$653 million (and a corresponding expenditure plan of \$507 million) for the next biennium would mean that \$14.4 million would have to be absorbed. The Director-General has informed Member States that such a cut would need to be absorbed by both the programme sectors and programme-related and corporate services, because there remains very little margin for operating efficiency gains and streamlining of support services as it was done in the past. The Director-General has also committed to produce an INF document outlining some of the possible implications of these cuts.
6. The following presents a broad summary of the impact that hypothetical scenarios of \$507 million, \$518 million and \$521.4 million might have on certain sectors/services in 2018-2019 compared with the Approved 38 C/5 (\$518 million). It presents for each sector or service possible cuts and their likely implications for the Organization. A summary of major implications is presented in Annex I.
7. This exercise must not be confused with the Draft 39 C/5 which will be presented to the Member States at the spring session of the Executive Board in 2017, and which will be based on the recommendations of the Board. In particular, it is not a formal proposal by the Director-General. It highlights areas which would be affected by the budget reductions which, for the greatest part, would not be compensated by extrabudgetary resource mobilization.
8. For the purposes of this information document, and in order to assess the eventual negative impact that the \$507 million and \$518 million scenarios would give at the sector/bureau level, a very preliminary and hypothetical budget distribution has been made so that each sector/bureau could have an indicative idea what hypothetical overall budget ceilings of \$507 million, \$518 million and \$521.4 million might mean to each of them. At this stage this hypothetical budget distribution was done only in a theoretical manner by taking into account the inflation and statutory increases/decreases required under each sector/bureau. A pro-rata reduction was applied to all

sectors and services to reach the \$507 million level. The budget envelopes which will be developed for the preparation of the Draft 39 C/5 after the 200th session of the Executive Board will be elaborated with many other factors taken into account (cf. Annex II).

## **II. POSSIBLE IMPACT OF BUDGET REDUCTIONS UNDER HYPOTHETICAL SCENARIOS OF \$507 MILLION, \$518 MILLION AND \$521.4 MILLION FOR THE 2018-2019 BIENNIUM**

9. The picture emerging out of this exercise is sobering. It reflects the high level of vulnerability of major programmes and corporate services to cuts which, only a few years ago, might have been absorbed without major consequences. By contrast, the examples given below illustrate how a hypothetical \$507 million scenario would negatively affect some of the core functions and activities of the Organization, as well as its management and overall performance. Several of the examples given illustrate that the cuts implied in lower budget levels would challenge UNESCO's leadership in its fields of competence and seriously constrain UNESCO's capacity to deliver on its mandate and its commitments to support its Member States in the implementation of the 2030 Agenda for Sustainable Development.

10. Absorbing a budget cut of \$14.4 million in real terms would mean that UNESCO would have to revise its plans for the future programmes, and consider reducing further their range and scope, downscaling and discontinuing activities, redesigning its field presence and coverage, and redefining funds mobilization strategy, targets and staff time allocations to these tasks.

11. Budget reduction would further constrain the limited resources and negatively impact programme-related and corporate services. Support to staff and capacity development would have to be reduced; quality assurance and oversight functions would be weakened, and corporate services would have difficulties to maintain a basic standard of service.

12. Certainly, UNESCO can and will deploy further efforts to raise extrabudgetary funding to fill the gaps, sustain programme delivery, and maintain the levels of programme management. Major programmes, field offices, and even corporate services would have to dedicate a growing proportion of their time to fundraising in order to compensate for the decrease in their regular budget for operations. In fact, efforts are already under way to diversify UNESCO's donor base, to reach long-term funding agreements with donors, to reduce the current levels of earmarking, and to design innovative partnerships with government and non-government partners, including the private sector. However, the scale of UNESCO's needs necessitates a collective reflection among the Member States about the future priorities of the Organization and their sustainable financing. Member States may decide in the future to set up new, innovative, multi-donor funds to ensure the financing of programmes in priority areas. They may decide to finance a higher level of posts in some areas out of voluntary funding, in particular when these programmatic areas are based on voluntary arrangements, such as the conventions. They should continue to reflect on the sustainable absorption of statutory costs, on the support to UNESCO field offices and to their activities, on developing self-benefitting or multi-donor funds, and on other initiatives to support UNESCO's development. Importantly, UNESCO's capacity to innovate in its programmes should be protected, indeed nurtured, as long as new programmes and new approaches can be adequately funded from the moment of their conception through additional funding, instead of being financed on existing budgets. The introduction of an integrated budgetary framework will facilitate and inform these discussions.

13. There should be no doubt, however, that core funding in the form of regular programme funds will remain necessary for the sustainability of the Organization. Extrabudgetary funds cannot easily be mobilized in some areas (in particular to support core or management functions); funding from some sources has not always been sustainable; coverage has been uneven, both thematically and in terms of beneficiary country/region; and voluntary contributions are often highly earmarked on thematic areas and/or geographical scope. It is hoped that these challenges may be addressed in the future through the Integrated Budget Framework and the gradual introduction of Structured Financing Dialogues to allow both the Organization and the Member States to better

focus their resources on priorities while allowing the flexibility and sustainability needed, as well as the appropriate distribution of resources across all the activities, including core activities of the Organization.

### Major Programme I – Education

14. Major Programme I operates with a regular budget of \$83.3 million under the 38 C/5 Expenditure Plan (2016-2017), comprising \$51.4 million for staff costs, \$17.0 million for activities and \$14.8 million dedicated to category 1 institutes. In the hypothetical \$507 million scenario, MPI's overall budget would be reduced in the range of some \$2.6 million. The other hypothetical \$518 million and \$521.4 million scenarios would translate also into a reduction of the budget envelope of MP I, in the range of some \$0.4 million and less than \$0.1 million respectively.

15. Major Programme I is mandated to lead and coordinate the implementation of SDG 4 – Education 2030. The thematic areas for the 39 C/5 have been proposed in alignment with this mandate, that is to respond to Member States' needs and support them in the implementation of SDG 4, while building on the Organization's comparative advantage. Additional budget cuts at the start of implementing the new development Agenda would jeopardize UNESCO's capacity and credibility to support its Member States in achieving the SDG 4 targets. Considering that the regular programme resources of Major Programme I have already been decreased by almost a third in the framework of the successive Expenditure Plans,<sup>1</sup> further reductions would inevitably affect the scope of the Education programme and the reach of its policy advice, capacity development and technical support to Member States. Even though important voluntary contributions are received to support the Education programme, they are often highly earmarked on thematic areas and/or geographical scope. It is thus crucial for Major Programme I to be able to rely on an acceptable minimum level of regular budget to operate, including for ensuring the management of funds raised.

16. The current minimal staffing level cannot be further reduced without hampering the Sector's capacity to lead, coordinate and implement SDG 4. Some 50 posts have been abolished since 2012. Field presence for Major Programme I is already at a critical level whereby international staff are only assigned to regional and cluster offices, and in most national offices, only one NPO can be maintained. UNESCO's field structure has reached a point where structural changes would have to be made to maintain a minimum delivery capacity.

17. Moreover, the activity budget has also been drastically reduced. As a result, education-related thematic areas have been streamlined and prioritized as much as possible. Important areas of work have been impacted in the process, such as early childhood care and education and inclusive education, which, unfortunately, have not received adequate funding over the years. In the event of an additional reduction in assessed contributions under the hypothetical \$507 million scenario priority programme areas such as TVET (\$1.4 million activity budget in 38 C/5) or teachers (\$2.2 million activity budget in 38 C/5) would have to be reconsidered and downscaled. Alternatively, decreasing the small magnitude of the regular funds available to field operations would be detrimental, bearing in mind that \$2.6 million is the total regular activity budget for both the Arab States and the Asia and the Pacific regions under the 38 C/5.

18. Furthermore, the Education Sector would not be able to engage in new initiatives nor respond to emerging demands from Member States such as, for example, in the case of the request for support in the area of science, technology, engineering, arts and mathematics (STEAM) education.

19. Lastly, the current level of financial allocations to category 1 institutes, mostly covering staff costs, would not be maintained. The sustainability of weak category 1 institutes would be seriously called into question.

<sup>1</sup> MP I's budget was reduced by 27.8% from \$115 million in the 36 C/5 Approved (2012-2013) to \$83 million in the Expenditure Plans (37 C/5 and 38 C/5.).

20. In the case of a hypothetical \$518 million scenario, the Sector would still have to slightly downscale its activities in programme priority areas, such as TVET and Teachers, as well as some of the Sector's field operations. Similarly to the hypothetical \$507 million scenario, the Sector would not be able to respond to new initiatives, and would have to reconsider the financial allocations of category 1 institutes.

21. A hypothetical \$521.4 million scenario would have no significant impact on the Sector's scope and range of activities undertaken in the current Approved 38 C/5.

## **Major Programme II – Natural Sciences**

22. The adoption by the Executive Board of a \$507 million scenario for the 39 C/5 would have negative consequences for the Natural Sciences Sector (SC) since the programme of the current 38 C/5 is budgeted under the \$518 million scenario. The hypothetical \$507 million scenario implies an overall reduction of approximately \$1 million for MP II, assuming no significant changes in: staffing and budget structure; prioritization of Expected Results (ER); and the maintenance of a ratio of at least 20% of the budget of each ER dedicated to activities.

23. From 36 C/5 to 38 C/5, the SC Sector suffered an RP budget reduction of 28% which resulted in a reduction of over 30 posts funded through the Regular Programme. Consequences included: a significant reduction in strategic and operational activities both at Headquarters and in the Field in the basic sciences and engineering, the discontinuation of activities in the field of space science and an overall scaling-down of capacity to deliver in all areas of UNESCO's science mandate. Programme support and administrative capacity were dramatically reduced in stark contrast to a large increase in the size of SC networks to manage. For example, the General Conference, at its 37th session, approved the creation of 17 new SC-related category 2 centres, bringing the total to 65.

24. It is recognized that STI is critical to the achievement of the 2030 Agenda and the SDGs, relying on the mobilization of scientific knowledge and expertise. Further cuts in SC staff and activity budgets would seriously affect UNESCO's already-stretched capacity to assist Member States in developing science policies for sustainable development, capacity building in STI, management of natural resources including through IHP, MAB, and IGGP, and capitalizing on the extensive UNESCO science networks.

25. Taking into account the current programme activities, staffing and recruitment plan for 38 C/5, recruitment of a number of key posts would have to be considered for suspension with their subsequent abolition in 39 C/5 entailing significant impacts on programme implementation.

26. If posts were to be cut in Headquarters, it would lead to an almost complete loss in programme activity in the field of disaster risk reduction (DRR), not only losing capacity to implement SC activities in DRR, but also the coordination of DRR activities within UNESCO and with the United Nations. In addition, a cut in SC posts would negatively affect support to the implementation of the UNESCO SIDS Action Plan. The MAB Programme would also be impacted by a reduction in posts in headquarters and in Africa and the Arab States leading to minimal support for the MAB Strategy and Lima Action Plan. With respect to the field network, a reduction of posts would impact Africa to a greater extent with the potential loss of expertise in the field of capacity building in science and engineering and in the geosciences compromising capacity building in the management of earth resources on the continent.

27. By cutting posts, the Sector would radically lose both the ability to implement programme and to mobilize funds. The alternative choice would therefore be to keep the current number of posts, and to improve the Sector's capacity to mobilize extrabudgetary resources by dedicating more staff time to fundraising in the context of the Sector's fundraising strategy. This would temporarily reduce staff time spent on programme implementation, but with the aim of closing the gap in RP funding by increasing extrabudgetary funding and creating project appointments.

28. Both the hypothetical \$518 million and of \$521.4 million scenarios would have a minor impact compared with the Approved 38 C/5, and consequent budget reductions could be absorbed by slightly reducing regular programme allocations of some activities.

### International Oceanographic Commission (IOC)

29. The ocean and its resources are increasingly recognized as being indispensable for addressing the multiple challenges that the planet faces in the decades to come. This is most recently manifested in the development of the global agreements adopted in 2014-2015 in which ocean issues have been highly visible and sensitive. To a certain extent, these years offered for the IOC of UNESCO a test on its relevance, impact and stability. Evidence of IOC's strong contribution to the adoption of the SDGs (Agenda 2030) by the United Nations General Assembly, and in particular of the stand-alone Goal 14 on Oceans, the recognition of the role of the Ocean in the UNFCCC Paris Climate Agreement 2015, the Sendai Disaster Risk Reduction Framework and the SAMOA Pathway convincingly show that IOC has been on the right path to contributing ocean-related solutions to major challenges of our time. This "active role, sometimes well in advance" has been highlighted by the External Auditor in his report 200 EX/20.INF.2.

30. It is well known that the IOC has been strongly affected by the financial crisis experienced by UNESCO. It has seen not only the reduction in its regular budget but also a loss of extensive voluntary contributions, which used to provide a solid funding base for its global programmes. In the past three biennia, in order to preserve to the extent possible, the quality of its programme delivery, the IOC has drastically reduced its personnel, administration and coordination costs, leading to the situation of "chronic understaffing" (200 EX/20.INF.2). Even with the recent reinforcement of the IOC budget in the ZNG+ 38 C/5, the Commission's budget only represents 1.97% of the total UNESCO budget, while the scope of Member States' expectations and requests for the IOC to deliver continues to increase. In their responses to the questionnaire concerning the draft 39 C/5, the majority of Member States (almost two thirds) assessed as high the relevance and the comparative advantage of IOC in its thematic areas of competence (200 EX/13 Part I (A)).

31. However, as the Organization embarks on the fourth biennium of budgetary restrictions, the IOC's ability to deliver is at stake. As stated by the external auditor, the "*IOC is at a crossroads. It must recover from the shock of the 2011 financial crisis while facing major challenges from recent international developments concerning climate change, sustainable development and marine spaces*".

32. At this stage and given the above-described context, any new cut, as nominally insignificant as it may appear, would alter the capacity of both the Secretariat and the IOC governing bodies (including regional and technical subsidiary bodies) to fulfil the minimum statutory obligations and provide core services to Member States.

33. It would also jeopardize UNESCO's ability to comply with the lead role entrusted to it, through its IOC, in particular in relation to SDG 14. IOC is actively working with UN-Oceans to guide the development of performance indicators for the SDG targets. The IOC of UNESCO is a designated custodian agency for two targets under SDG 14 related to addressing the impacts of ocean acidification and building Member States' ocean science capacity. These responsibilities have a direct programmatic implications and will require establishing a new global monitoring framework under the IOC in order to collect, synthesise, assess and report the SDG data provided by countries. The Commission is also deeply engaged in informing the United Nations process of creating a new legal regime under the United Nations Convention on Law of the Sea on the conservation of marine biodiversity beyond areas of national jurisdiction. The IOC Ocean Biogeographic Information System (OBIS) is the world's leading database on ocean biodiversity. It contributes to at least two of the 20 United Nations biodiversity targets.

34. At present the IOC coordinates regional tsunami warning systems in all four tsunami-prone areas of the ocean. An essential part of a tsunami warning system concerns awareness raising and education including organization of regular tsunami warning exercises. This IOC work is a very

strong contribution to the United Nations disaster risk reduction framework adopted in March 2015 by the Sendai Conference. With its very modest budget the IOC coordinates a global tsunami warning system worth of hundreds of millions of dollars.

35. Systematic observations being explicitly recognized as crucial to strengthening scientific knowledge on climate and supporting decision-making, IOC's main entry points into the climate change regime have been through systematic ocean observations and scientific contributions to the Intergovernmental Panel on Climate Change (IPCC) assessments. The systematic ocean observation contributions to the Global Climate Observing System (GCOS) are coordinated through the Global Ocean Observing System (GOOS), working with Member States in their annual \$1-2 billion investment in delivering systematic shared ocean observations available to all; addressing global climate, operational ocean services, and increasingly addressing questions of threats to ocean health with growing human pressures including climate change. The recent decision of the IPCC to launch a special report on climate change, cryosphere and the ocean can provide the opportunity for IOC to contribute as the lead United Nations body for ocean observations, with key source of data and information for all aspects of work in relation to climate. Within the context of IOC data and information management are dealt with through the IODE (International Oceanographic Data and Information Exchange) programme.

36. The sustainability of these activities and the very ability of UNESCO to adequately address the global and regional challenges through its IOC can be and are rightly questioned by the Member States and the Organization's external auditor. While the exact programmatic and staffing choices will need to be decided by the IOC Assembly in June 2017, it is obvious that with one more biennium of ZNG budget, accompanied by cash-flow difficulties, the Commission would not be able to reinforce its regional presence and operationalize its Capacity Development Strategy 2015-2021. As the role of the oceans in global frameworks grows, Member State reporting requirements and policy requiring ocean information will likewise grow – and development of capacity to observe, to manage data and perform scientific and policy analysis will become ever more important. The IOC Capacity Development Strategy will take into account the findings of the first IOC Global Ocean Science Report (GOSR) as a baseline for developing targets and indicators to ensure that States, especially developing countries – and in particular SIDS and coastal African States – are able to implement the Sustainable Development Goals and participate fully in global and regional forums and processes dealing with ocean issues. The insufficient core funding would also impact its ability to raise extrabudgetary resources that are key in relation to awareness raising and training and information activities, notably in terms of community preparedness for tsunami warning and mitigation.

37. Any further cut to the IOC's, while it may proportionally be the same as for other programme sectors, would be of a particularly high impact, given the size of the budget. It risks to cripple the Commission irreparably and deny UNESCO any meaningful engagement in ocean-related aspects of the international development agenda.

38. The hypothetical \$518 million scenario would maintain the Commission for one more biennium in a situation of "chronic understaffing", the critical nature of which was re-emphasized by the External Auditor (IOC counts 13 Professional posts, including ADG and 5 GS regular budget posts at HQ). In the past years every effort has been made to strengthen the field presence and preserve the operational programme staff. IOC is 'at a crossroads'. With the budgetary difficulties of the last 3 biennia, the IOC has been facing the same main challenge in striking a balance between maintaining its core operational activities and ensuring the implementation of the itsC core mandate in ocean science and transfer of marine technology, Member States have made large investments in ocean science and ocean observing infrastructure. UNESCO might lose its leadership role if, due to financial constraints, IOC fails to harness that for a coordinated global ocean observing system and for providing the data streams for a world ocean assessment. If IOC and UNESCO as a whole are to deal effectively with the future of marine science, services and capacity building, we must ensure that the body that deals with sustained ocean observations and operational oceanography, the IOC secretariat, is adequately supported and that these responsibilities are not turned over to another organization. Without a legitimate and mandated role



in these fields, we cannot claim to have capacity development activities in these fields because we will be disconnected from the appropriate communities. This balancing act is unsustainable in the long term and the IOC Assembly will need to re-define the priorities, which might push most of our capacity development activities to extrabudgetary funding sources, at a time when Member States are in particular need of technical assistance and transfer of technology to help them meet their objectives under Agenda 2030 and other ocean-relevant conventions.

39. A hypothetical \$521.4 million scenario would maintain the IOC budget at the level of the current biennium. While the core underlying problems explained above would still persist and need to be addressed, this scenario would allow the IOC to address the most urgent staffing issue related to the Caribbean Tsunami Information Centre, much awaited by the SIDS of the region. A new post could be created, through further reduction in 2017 of a GS level post in the IOC Operational Support Unit. This would bring the total staffing of the IOC/EO/AO to two posts, which would even further increase the reporting and managerial burden on the four P5 Programme Section Heads at Headquarters.

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

40. The hypothetical \$507 million scenario implies that the budget of Major Programme III might have to be reduced by some \$0.7 compared to the \$518 million expenditure plan under the 38 C/5.

41. The reduced budget scenario would heavily compromise newly achieved gains under the current expenditure plan of \$518 million. SHS had increased its presence at country level by establishing some 6.5 new posts<sup>2</sup> in the field (3 in Africa, 2 in Asia and 1.5 in Latin America and the Caribbean). New cuts would not permit adequate resourcing of all SHS field specialists thereby putting into question the sustainability of the field operations network and activities.

42. Furthermore, beyond the massive loss of expertise arising out of the persistent ZNG budgets, it is becoming clear that programme specialists would have to dedicate a growing proportion of their time to fundraising. This would diminish their ability to focus on their core functions to provide technical expertise and policy advice in response to Member States' needs.

43. The drive for austerity and rationalization would lead to the termination of some work streams. For example, a reduced budget would force MP III to close down its flagship activities on foresight, which has had constant difficulties to secure a critical mass of resources, both human and financial, to ensure its continuity and global impact. This would lead to the abolition of one professional post and the termination of the work on advocacy and UNESCO Futures Literacy Knowledge Laboratories. Consequently, foresight activities, including the work on Africa Futures, would become project-based, and depend on the availability of extrabudgetary resources.

44. Furthermore, under a hypothetical \$507 million scenario, SHS would no longer be in a position to sustain its involvement with the production of the World Social Science Report (estimated cost of \$100,000 for UNESCO), which is co-published with the International Social Science Council (ISSC).

45. Given the trend of reduced budget envelopes, MP III would encourage innovative means to cover the cost of statutory meetings from in-kind contributions and extrabudgetary resources. This would have direct impact on the extraordinary sessions (approximately \$120,000) of the World Commission on the Ethics of Scientific Knowledge and Technology (COMEST) and the Intergovernmental Bioethics Committee (IGBC) which would be convened only when extrabudgetary funds could be secured.

<sup>2</sup> Including one National Programme Officer (NPO) post shared equally between CI and SHS in UNESCO Guatemala Office.



46. Furthermore, the strategic deployment of resources through seed funding to leverage partnerships in UNESCO Offices where SHS is not represented would be put on hold (approximately \$100,000). Currently, the Sector has managed to provide seed funding to fill gaps in a number of offices (e.g. Abidjan, Bamako, Brazzaville, Havana, Port-au-Prince, Maputo, and Mexico City).

47. In the case of a hypothetical \$518 million scenario, extraordinary sessions of COMEST and IGBC would be convened only when extrabudgetary funds could be secured.

48. A \$521.4 million scenario would entail a marginal budget reduction which could be absorbed within the overall budget envelope of the Sector.

#### **Major Programme IV – Culture**

49. The Culture Sector, which provides the secretariats for six international legal instruments in the field of culture that are responsible for implementing statutory activities, has radically refocused its work in recent years, with the implementation of the conventions as a priority that supports Member States in implementing the 2030 Agenda for Sustainable Development; and in dealing with new and emerging challenges such as protecting culture and cultural diversity during and after conflicts. For all conventions, capacity-building is a core activity and needs to be strategically addressed by encouraging and supporting States Parties to introduce national legal frameworks and to implement them through regulatory, policy and other programmatic means. Two programmatic areas that are not directly linked to the implementation of a convention – i.e. the Creative Cities Network and the International Fund for the Promotion of Culture – have been placed on extrabudgetary funding. In the case of Museums, whose activities are linked to the implementation of the 1970 Convention, one post (P-3) has been retained in the regular budget, although activities are fully dependent on extrabudgetary resources. In the hypothetical \$507 million scenario, the budget of MP IV would be reduced by some \$1.2 million. The Sector would have to abolish the regular programme post and replace it by a new extrabudgetary post, if resources would permit. This means that the Sector would no longer have the capacity to monitor the implementation of the 2015 Recommendation on Museums and Collections.

50. The effects of the cash flow shortfall in recent biennia have progressively and severely constrained the Sector's capacity to fulfil these functions. The staffing budget has been cut to skeletal levels. For example, there are only two dedicated international posts to monitor the implementation of the 1954 Convention and its two protocols; four for the 1970 Convention and only one for the 2001 Convention. The budget for activities at Headquarters – currently \$7.2 million or 17% of the total budget – has been used exclusively to finance the fixed or “incompressible” costs associated with statutory activities, as well as the Sector's contribution to common corporate services. The remaining activities budget – currently \$4.2 million or 10% of the total budget – has been decentralized to the field. Field offices receive on average about \$20,000-25,000 to implement activities from the Regular Budget. The amounts available are not sufficient to meet all needs related to the Sector's work at country level. While this is subsidized with extrabudgetary funds (activities) and secondments or JPO arrangements (human resources); the coverage is uneven both by convention and by country and does not provide a sustainable solution.

51. The unsustainable situation of all the conventions' secretariats has also been recognized by the external audits and evaluations conducted over the past few years and reported in the first Strategic Results Report (199 EX/4 Part I (B)). These have indicated that reinforcement is paramount in order to achieve expected results and to further the breadth and depth of the Conventions' impact at both the global and country levels. The conventions' governing bodies have recognized the dire financial and human resources situation of the respective secretariats and have taken decisions and resolutions calling for reinforcement through both the Regular Budget

and extrabudgetary support from States Parties, as well as the creation of special accounts for human resources. Unfortunately, this has not yielded sustainable results.<sup>3</sup>

52. Additional reductions in the budget of MP IV would significantly alter the capacity of both the Secretariat and the governing bodies to fulfil the minimum statutory obligations and provide core services to Member States such as capacity building, thereby jeopardizing UNESCO's support to State Parties for the implementation of the 2030 Agenda.

53. The funds managed by Headquarters cannot be further reduced. Indeed, they will necessarily increase in view of the new arrangements put into place with respect to security. It should also be noted that the real costs of running the statutory machinery are masked by the fact that the annual meetings of the World Heritage and Intangible Cultural Heritage Conventions are largely financed by the hosting State Party.

54. Furthermore, the Culture Sector would be obliged to regularize three P-4 level positions introduced in the 39 C/5.

55. Therefore, the immediate consequence of the hypothetical \$507 million scenario would be to diminish the already insufficient amounts of the Regular Budget decentralized to field offices. Concretely, the decentralized budget would fall from the current \$4.2 million to \$1.5 million (hypothetical \$507 million scenario) or \$2.5 million (hypothetical \$518 million scenario). This would clearly have a negative impact on the operational activities and technical support at country level. Consideration would therefore need to be given as to where to place the limited Regular Budget – for example to Africa as the Global Priority. This would mean that no Regular Budget would be decentralized to other regions, which would therefore be fully dependent on extrabudgetary resources. However, extrabudgetary resources, which are typically heavily earmarked, cannot substitute for the Regular Budget.

56. Other, more radical solutions could include amending on a temporary basis the frequency of the statutory meetings cycle for the five Conventions whose Committees meet annually. This would require the approval of the respective States Parties but could release significant resources which could be redirected for operational activities in the field.

57. In the case of both hypothetical \$518 million and \$521 million scenarios, the implications at Headquarters would be as under the hypothetical \$507 million scenario; in the field, it would imply that Regular programme resources would be decentralized only to Africa and to countries in crisis situations in the Arab States, while activities in the other regions would be dependent fully on extrabudgetary resources.

## **Major Programme V – Communication and information**

58. For 2018-2021, the CI Sector proposes to maintain of the existing programmatic framework of two Main Lines of Action (MLAs), focusing on specific thematic areas and enabling the Sector to make distinctive and complementary contributions to how communication and information advances sustainable development, specifically through action aimed at supporting Member States in the achievement of SDGs 4, 5, 8, 9, 11 and 16. In this context, ICTs have the power to play a crosscutting enabling role to achieve all 17 SDGs. Likewise, programmes that foster free public, private and community media, both off-line and on-line promote the accomplishment of the SDGs. Through its leadership of the United Nations Plan of Action on the

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For example, a sub-Fund of the Intangible Cultural Heritage Fund to enhance the human capacities of the Secretariat for Human Resources was established by a decision of the General Assembly of the Intangible Heritage Convention in 2010. The Decision set a target of \$1.1 million per year. As at 30 June 2016, six years after its establishment, it has received a total of \$1,477,803. That is, just over 20% of the total needs identified for the period 2010-2016. A similar Fund was established in 2013 by the General Assembly of the World Heritage Convention, with an annual target for contributions of at least \$1 million. As at 30 June 2016, two years and a half after its establishment, it has received a total of \$53,320 which represent only 1.7% of the total contributions targeted (\$3 million) for the period 2014-2016.

Safety of Journalists and Issues of Impunity, UNESCO continues to build a safe environment for access to information and fundamental freedoms. The proposed programme includes regular monitoring of the progress of SDG target 16.10 and fulfilling the role of custodian agency for global reporting on indicator 16.10.2.

59. Member States have well recognized the role played by ICT for promoting sustainable development. Advances in ICT and increasingly inter-connected Knowledge Societies also underscore the importance of ensuring a push to creativity and innovation through an “Open Solutions” approach towards empowerment and social, economic inclusion of all and the reduction of the proportion of youth not in employment, education or training (SDG 8.6). In addition, CI will contribute transversally towards fulfilling the commitments made under the SIDS (small island developing States) Action Plan as related to CI’s mandate. Specific interventions will be strategized to mobilize youth to contribute to sustainable development through the use of ICTs and the Internet.

60. The CI Sector has a unique position to contribute to SDG 16 in relation to promoting peaceful and inclusive societies, ensuring public access to information and protecting fundamental freedoms, and plays a pivotal crosscutting role for the achievement of all SDGs. Still, the CI Sector’s budget represents a small proportion of the Organization’s biennial budget as highlighted in the 2016 Communication and Information Sector External Audit.<sup>4</sup> While Member States emphasized the importance of continuing implementing the plan of action for Major Programme V and unanimously called for its strengthening during the General Conference in November 2015, the Sector’s budget remains one of its biggest challenges.

61. In the current biennium, the CI Sector has been forced to streamline its staffing by reducing international technical expertise both in the field and at headquarters. Further budgetary cuts would have a serious negative impact on the already dwindled budget of the CI Sector. Operational activities and technical support to Member States such as capacity-building and the introduction of innovative policies for achieving the SDGs would have to be downscaled.

62. In the hypothetical \$507 million scenario, the budget of MP V would be reduced by some \$0.54 million. The CI Sector would have to revise its plans and resource allocations. Funding of statutory activities would still need to be ensured, including for IPDC, IFAP and the 2003 Recommendation on multilingualism in cyberspace. Given the staffing lacuna in the CI Sector, the sector would not attempt to reduce its current technical expertise. Hence, within its activities budget, the Sector would maintain the current level of funding and give relative priority to thematic areas of high relevance identified by the Member States in their replies to the 39 C/5 questionnaire that coincide with the sector priorities under its flagship programmes, which include: universal access to knowledge for disabled persons and marginalized social groups; ICT in education and Open ICT solutions for building inclusive knowledge societies; preservation of documentary heritage including through the Memory of the World Programme (MoW); and freedom of expression and press freedom, including safety of journalists.

63. To accommodate any eventual additional reduction of financial resources, funding would have to be proportionately reduced for those activities related to areas such as for example media development and WSIS, that are neither part of statutory activities nor indicated as a high priority in the replies of the majority of Member States.

64. Given the mandate of the Major Programme V, further reduction would cause a severe hampering of its already strained programmatic implementation and value added of its innovative services to UNESCO’s Member States.

65. In the case of a hypothetical \$518 million scenario, reductions in MP V regular programme allocation would be absorbed by reducing WSIS-related activities. A hypothetical \$521.4 million

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<sup>4</sup> Audit report on the Communication and Information Sector. 200 EX/ 20.INF.3, Part III.A: Governance of the Sector, page 6.

scenario would have a marginal impact on the Sector's scope and range of activities undertaken in the current Approved 38 C/5.

### **UNESCO Institute for Statistics (UIS)**

66. The international community – including Member States, United Nations partners, donors and NGOs – are relying on the UIS to produce a new generation of education needed to measure progress towards SDG 4 and support every effort to provide quality and equitable education for all. This represents a tremendous opportunity for UNESCO to show its leadership in the policy area while capitalizing on the trust and reputation of the UIS as the official source of internationally comparable education data. In addition, the UIS is responsible for monitoring key SDG targets related to science, technology and information (STI), culture and communication and information (CI).

67. To date, the UIS has not received any additional support to assume this new monitoring role but has managed nevertheless to fulfill its mandate by reviewing its structure, reinforcing partnerships and innovating across all areas of work. If faced with additional reductions in its regular programme allocation, the UIS would be forced to:

- Stop all methodological work in the fields of STI, culture and CI, and thereby not develop thematic indicators for the relevant SDGs;
- Significantly reduce data collection in the fields of STI, culture and CI and even suspend certain surveys;
- Halt the regional training workshops which are expected to help national statisticians and line ministries improve the quality and use of their data and the international indicators produced by the UIS;
- Reduce the field presence in sub-Saharan Africa by at least half or more and thereby significantly cut its technical support to countries despite the urgent need for capacity building and direct interventions.

68. In the event of either a hypothetical \$518 million or a \$521.4 million scenario, there would be only a marginal impact on UIS's scope and range of activities undertaken in the current Approved 38 C/5.

### **Management of field offices**

69. With regard to "Management of Field Offices" which covers the costs for management and administrative field posts as well as the running costs of the 53 field offices, the budget envelope of \$80.8 million under the 38 C/5 \$518 million expenditure plan already represents the minimum necessary to maintain the current core field structure including staff and operating costs. It is to be recalled that this minimum structure is a result of the severe reduction and streamlining undertaken during the 37 C/5 staffing review.

70. In the hypothetical \$507 million scenario, the management of the field offices would experience significant cuts of some \$2.3 million. If realized, such reductions could not be absorbed without affecting the current field network.

71. Reductions in the budget would require the downsizing of the field network through closure of offices. This would seriously limit UNESCO's capacity for programme delivery at the country and regional levels, in particular as regards its support to Member States in the implementation of the 2030 Agenda. Such an option, if agreed by Member States, would need to be addressed within the framework of the review of the sustainability of the field network and in particular in the context of the proposed draft decision in document 200 EX/5 Part II (A).

72. Budget reductions under a hypothetical \$518 million scenario would reduce capacity of the field network. A hypothetical \$521.4 million scenario would allow the field network to be maintained as it is today in the Approved 38 C/5, with marginal impact on the field network capacity.

### **Coordination and monitoring of action to benefit Africa**

73. The hypothetical \$507 million scenario would translate into a reduction of \$0.1 million of the budget allocated to the Africa Department, which is operating today with an already very reduced budget in the 38 C/5 would entail:

- An overall reduction in the Department's activities, especially as regards the effective coordination of the implementation of the Priority Africa Flagship Programme of field offices, Headquarters and cooperation with external stakeholders;
- A reduction of staffing capacity of the Department affecting also Addis Liaison Office with regard to activities related to the African Union/UNESCO cooperation;
- A decrease in communication and visibility activities such as the organization of forward-looking thematic conferences/seminars and production of studies and publications of strategic importance for Africa;
- A real constraint on the capacity of the Department to provide financial support to the African Member States for the organization of their monthly statutory meetings (around \$25,000 per year – which used to be covered by the Special Account for Voluntary Contributions until the current biennium, and which the Department will be covering as of the 2018-2019 biennium).

74. Budget reductions under a hypothetical \$518 million scenario would mean that the Africa Department would have to continue operating under an even tighter budget, and might have to further downscale some of its activities. A hypothetical \$521.4 million scenario would have no significant impact in comparison to today's regular programme resources level in the Approved 38 C/5.

### **Coordination and monitoring of action to implement priority gender equality**

75. Coordination and monitoring of action to implement Priority Gender Equality has already greatly suffered from the reduction of the global budget of \$667 million to the expenditure plan of \$518 million at all levels of its work, namely, gender mainstreaming in policies and programmes as well as in organizational structures and processes; real-time monitoring and reporting on gender equality related initiatives for evidence-based policy advice for senior management and technical support for programme sectors; coordination of partnerships and networking; representation of UNESCO in regional and international meetings on gender equality and women's empowerment. More specifically, ODG/GE was forced to reduce the scope of its targets for 2017-2018 in almost all of the indicators for the approved expected results for an average of 20%, and GE training for the field staff was put on hold for the last two biennia due to lack of funds.

76. In the context of a hypothetical \$507 million scenario, a further decrease in the regular programme budget for Priority Gender Equality would undermine the overall capacity of the Organization to implement GEAP II, both in its quantitative and its qualitative aspects. Furthermore, there is a serious risk for UNESCO to lose credibility and influence at the international, regional and country levels in promoting gender equality in all its areas of competence. This comes at a very critical period when, as a specialized UN agency with a multiple mandate, UNESCO is uniquely positioned to promote SDG 5 on "Women's Empowerment and Gender Equality" within the 2030 Agenda for Sustainable Development and is expected to play a significant role for advocacy and policy formulation.



77. While both hypothetical budget scenarios (\$518 million and \$521.4 million) would not translate into significant reductions in total regular programme allocation, it is important to stress that this Division is operating today with a limited budget which had reduced the capacity to implement the GEAP II.

### **Strategic planning, programme monitoring and budget preparation**

78. In the hypothetical \$507 million scenario, all remaining BSP training activities for staff or Permanent Delegations on RBM-RBB, resources mobilization, and on United Nations mechanisms and reform would be suspended, keeping only a limited capacity to develop and publish policy guidelines in these areas. This would likely diminish the capacity of the entire Organization to maintain its commitment to RBM-RBB, negatively affecting UNESCO's capacity to participate in joint United Nations mechanisms, including United Nations common country programming. More importantly, in case BSP is forced to reduce its activities related to capacity development and support to staff for resource mobilization, the capacity of the Organization as a whole to raise additional resources at a time when those would be most needed would be critically hampered.

79. BSP's support to field offices for participation in United Nations common country programming exercises (such as UNDAF) through the "2%" modality (representing 2% of the activity budgets of Major Programmes) – would be suspended, e.g. both the 1% managed by the Sectors themselves and the pooled 1% portion of programme resources will be terminated. Such a cut would have a negative impact on UNESCO's positioning and participation in joint UN activities and mechanisms at the country and regional levels to implement the 2030 Agenda, including the participation in UNDAF exercises and regional UNDGs.

80. In the case of the hypothetical \$518 million scenario, activities funded by the 2% modality would have to be reduced and possibly discontinued, with the effect on the whole Organization as described above. In a hypothetical \$521.4 million scenario, this modality could be maintained.

### **External Relations and Public Information (ERI)**

81. The Sector for External Relations and Public Information (ERI) has been severely hit by the financial crisis. For three consecutive biennia, the Sector has had to make sacrifices and difficult choices. It has made considerable efforts and taken drastic measures to reduce spending and administrative costs and cope with financial difficulties, while supporting programme implementation as much as possible.

82. These efforts and sacrifices have had a serious impact on the workload, on programme implementation, and sometimes on the quality of delivery. The Sector has managed to cope so far, but the situation is no longer tenable, and additional cuts are likely to jeopardize the very future of the ERI Sector and its implementation capacity.

83. A reduction in the budget for the next biennium would prevent full implementation of all the activities planned for the biennium.

84. For example, the ERI Sector would not be able to provide the services expected by the Member States, in particular with regard to orientation seminars, the production of annual reports, the funding of interpretation costs for the meetings of regional groups, and some protocol services.

85. Furthermore, with regard to partnerships, budget cuts would jeopardize the implementation of certain decisions of governing bodies such as those contained in the action plan to improve the cooperation of UNESCO's Secretariat with the National Commissions for UNESCO (35 C/Resolution 77), and those contained in the directives concerning UNESCO's partnership with non-governmental organizations (36 C/Resolution 108). In addition, the ERI Sector would not be able to organize all the usual meetings of National Commissions held on the sidelines of Executive Board sessions or the sixth Interregional Meeting of National Commissions for UNESCO, usually held on the sidelines of the General Conference. It should also be noted that the ERI Sector would



not be able to continue to provide financial support to the NGO-UNESCO Liaison Committee, even though it is provided for in the Directives, and would not be able to develop, as requested by the General Conference (38 C/Resolution 71), activities to disseminate the Directives, or identify at regional and local levels relevant non-governmental organizations in UNESCO's fields of competence. Therefore, additional cuts would jeopardize many activities and even result in the cessation of cooperation and support, in particular vis-à-vis the NGO-UNESCO Liaison Committee.

86. These are just a few examples of partnership-related activities that are already adversely affected by the steady reduction of allocated resources, some of which would be seriously compromised and destined to cease if there were to be additional cuts.

87. Public information has also been seriously affected by the budget cuts of the last biennia and additional cuts would put into great difficulty several services provided.

88. The integrated web platform, announced and launched in 2011, is struggling to reach its full potential owing to lack of resources. The low capacity of the regular budget is likely to prevent the proper completion of technical developments and stabilization of the integrated web platform.

89. The lack of internal capacity will also put the Organization in a weak position with regard to forging innovative technology partnerships in areas such as the Internet and social media, particularly those that could accelerate upgrades and make the best use of available technologies.

90. The multilingualism of content would continue to suffer very directly from the lack of resources. Too small a percentage of the Organization's website is translated into the six official languages. The ERI Sector would only have one editor per official language in its editorial team, one of them even funded with extrabudgetary resources. The regular budget that would be allocated to public information would barely pay for the translation of press releases and the subscription to a press relations management tool. Moreover, a critical function such as the management of rights relating to publications would be fulfilled by someone who is not specifically qualified to do the job and would have to perform other tasks in addition to that role.

91. The photobank and audio-visual archives would no longer be fully utilized. Similarly, projects aiming to strengthen the public information function of field offices would not materialize owing to lack of means.

92. These are just a few examples of public information services that would be adversely affected by the steady reduction of allocated resources.

93. Impact of budget cuts on security and safety: while the terrorist threat grows stronger every day, the budget reduction following adoption of a hypothetical \$507 million scenario would unavoidably have an impact on the implementation of the UNESCO Security and Safety Action Plan. Serious consequences could ensue, particularly in terms of works at the Fontenoy site (funded by the regular budget), as well as with regard to the recruitment of indispensable additional staff, whose recruitment Member States have said in two separate fora must be funded with regular sources of income (regular budget), even though they are deployed equally at both Headquarters sites. The expected negative impacts are therefore extremely significant.

94. The ERI Sector functions today on a budget already reduced to a strict minimum. Consequently, a possible reduction in the Sector's regular budget resources in a \$518 million hypothetical budget scenario would further restrict its work, whilst, under a \$521.4 million hypothetical budget scenario, the ERI Sector would be able to maintain a level of activities comparable to that under document 38 C/5 Approved.

## **Human Resources Management**

95. The hypothetical \$507 million scenario would not allow for the implementation of priority actions as outlined in the Action Plan of the Human Resources Management Strategy for 2017-

2021. Most of the activities would have to be paced or slowed down and/or will have to be shelved or cancelled in line with the financial resources available. Focus would be solely on providing minimum statutory HR services to managers and staff, reviewing and updating of some HR policies and processes, managing claims and appeals in timely manner to the extent possible. It should be noted that HRM is already operating with absolute minimum of staff needed to provide the most basic services to UNESCO staff. It will be impossible to maintain even the current minimum level of services with a further reduction of resources. Since the 36 C/5, HRM has lost already 35% of its posts.

96. The hypothetical \$507 million scenario would specifically imply:

- Corporate Organization-wide training plan will again be halted;
- Inability to provide any learning and training activities for staff;
- Difficulty in ensuring targeted outreach activities to attract qualified candidates from non- and under-represented countries;
- Inability to undertake review of processes and procedures required for management of the MBF and associated development & implementation of new system applications;
- Non-implementation of a compliance/risk framework ref. Staff Regulations & Rules, HR Manual provisions, use of consultant contracts, use of temporary assistance etc.
- No participation in United Nations harmonization/reviews and reform initiatives;
- Continued development and implementation of automated workflows with the aim of simplifying processes/procedures significantly slowed down;
- Reduced medical services will be provided.

97. HRM's budget also provides for a crèche, social welfare, among other services. If funds are further reduced, HRM might have to consider whether it should continue providing these services.

98. In the event of a hypothetical \$518 million scenario, or \$521.4 million, HRM would be able to continue focusing on providing minimum statutory HR services to managers and staff; reviewing and updating HR policies and processes; and managing claims and appeals in a timely manner to the extent possible.

## **Financial management**

99. The main responsibilities of the Bureau of Financial Management (BFM) are to facilitate informed decision-making and safeguard the Organization's assets by:

- Monitoring and analytical reporting of financial performance and risks;
- Reinforcing internal controls systems through the assessment of financial risks; development of financial management policies and processes; and monitoring of compliance;
- Providing accounting services including maintenance of proper financial records; custody and investment of funds;
- Providing Administrative Office services to central services and field offices and administering the operating budgets of field offices;

- Strengthening financial management through the adoption of best practices including engaging in the United Nations-wide systems reform process to build efficiency.

*Operational challenges if BFM retains its 38 C/5 level of resources, i.e. budget level of \$521.4 million*

100. The current biennium highlighted the impact of the reduced staffing on capacity to maintain expected service levels, given that the majority of BFM's operations are high volume and time-sensitive, with delays having an impact on programme implementation. With the current staffing structure, further investments in process reengineering and automation of tasks/reports are needed to ensure standards on basic services.

101. Current implications include:

- Service levels are not consistently met with a resulting delay in programme implementation. There is a limited capacity to respond to unplanned/short-notice requests from programme sectors, central services and field offices. Unplanned staff absences have an impact on capacity to deliver services. Services levels in the AO platform and Budget Monitoring and Reporting Sections are particularly affected.
- Operational services are prioritized over analytical, monitoring and “business partner” functions. Involvement in reform/process improvement at both the United Nations and UNESCO levels is selective and limited. Support to programme sectors and other central services through financial analysis/reporting and participation in meetings of governing bodies and internal management has been reduced. As examples: (i) participation in initiatives such as the core redesign of ERP systems are currently difficult. (ii) Support to the Culture Sector in statutory meetings has been withdrawn; (iii) The AO platform for central services no longer provides a business partner role for budget/work planning and monitoring of financial performance.
- Compliance and monitoring activities which provide assurance on internal controls have been reduced across the board. Controls have been replaced by monitoring in some areas; monitoring tasks are performed with less regularity and are focused on high risks areas. Reduced monitoring and control on budgets, assets, commitments and accounting transactions increase the risk of errors in management and financial statements.
- Review and update of policies and procedures have been reduced and are restricted to two/three areas per biennium defined as priorities. The dedicated resource for accounting policies and IPSAS compliance was eliminated and other policy functions are increasingly diverted into supporting/coordinating responses for audits and donor accreditations

*Implication of the hypothetical \$507 million scenario: Services which could be cut and the implications for the Organization*

102. Under the hypothetical \$507 million scenario, BFM would further reduce: policy development, process review and training activities; compliance and monitoring functions and analytical reporting capacity. It would focus the Bureau on accounting and budget review and allocation services.

103. Specifically:

- Field offices administration and running cost: the cut would be of \$2.3 million under the hypothetical \$507 million and this will not be achievable unless there is an Organizational decision of closing field offices.
- Process/policy reviews will be undertaken only in response to audit recommendations subject to resource availability; when identified as critical by the global assessment and/or United Nations harmonization.

- The compliance and monitoring tasks will be further reduced and only the first level of compliance control will be implemented via the certification role to be centralized under BFM. Recentralization of certification and budget review role to BFM from field offices on agreed criteria will result in delays of programme implementation. Furthermore, the business partner role of Finance and Administrative Officers, which BFM has been enhancing, would be lost. This is not in conformity with the decentralization policy of the organization as set out in the Ivory Note DG/note/14/3 dated 3 January 2014.
- Training and guidance on policy and processes will be cut.
- Quarterly analytical monitoring reports on project/programme financial performance will be limited and may not meet the expectations of all stakeholders. Development of reporting capacity and tools will be significantly reduced.
- UNESCO is committed to the principles of shared administrative/central services at global and local levels being considered at the United Nations level in HLCM and UNDG. UNESCO co-leads the BOS (Business Operation Services) pilot of a Joint Operations Facility in Brazil. The lessons learnt from BOS pilots, including cost benefits, and the outcomes of the HLCM discussions on shared services at global should inform UNESCO's organizational strategy.

104. The **potential risks for the Organization** include:

- The reduction in suitably trained staff in areas of financial management and contract management would have an impact on programme delivery and may increase the likelihood of financial risks.
- There would be an increased reliance on internal and external audit recommendations to provide inputs into financial policy changes, training and guidance materials as well as reporting on main financial risk areas thus reducing scope for early remedial action. The risk is that the Organization's policies are not up-to-date on best practice or might not be in line with updated IPSAS standards/policies leading to potential issues with the audits.
- There would be a reduced capacity on policy development, and process simplification which are essential to meet Member State, donor and management expectations on internal controls, reporting and efficiency measures.
- There would be limited evolution of financial reporting capacity and tools, impacting the ability to strengthening decision-making in financial management.

### Management of Support Services

105. Implications of a hypothetical \$507 million scenario on the following:

#### *Headquarters buildings management*

- Staff safety: UNESCO building users would be at higher risk in terms of health, safety, security and hygiene. The minimum standards would no longer be assured and the functioning of facilities would not be safe.
- Business continuity: Part of the buildings would be permanently closed due to inability to comply with minimum standards.
- Building sustainability: energy savings targets might not be achieved and UNESCO would fail to comply with United Nations greening guidelines and standards.

- Renovation costs: inappropriate regular maintenance and lack of necessary investments to renovate/replace obsolete installations would lead to higher operating costs and future investment costs and in the end to financial failure

#### *Conferences, Languages and Documents services*

- Multilingualism would be at risk.
- Time and quality of services (translation, interpretation, documents) provided including those to the governing bodies would significantly suffer in time and quality.
- Improvement projects (replacement of Document Management System, re-invoicing tools etc.) would be discontinued and new projects would be abandoned.
- The incapacity to guarantee the service for statutory meetings. Notably, the duration of the General Conference would have to be limited and not extended as planned.
- Inability to respond to all requests for the organization of events organized either at Headquarters or away from Headquarters, thus the reduction of the volume of activity and its impact on the potential of revenues to be generated.

#### *Operations management*

- Defer the life cycle of assets increasing risk of failure and maintenance costs.
- Defer the need to replace and to buy new products and/or buying products and equipment that are less sustainable, durable, repairable or upgradable hence increasing operating costs and achieving less value for money.
- Restrict general provisions concerning travel on mission.
- Discontinue employee training on efficient procurement and operations practices.

106. In the event of a hypothetical \$518 million scenario, or \$521.4 million, MSS would be able to reinforce building safety minimum standards.

### **Knowledge management and information systems**

107. KMI is enabling the Secretariat (Headquarters and field) and the governing bodies to work transparent and effectively by increasingly using modern technology and working methods. Any further reductions would curtail the Organization's capacity to work in a transparent and effective manner and would therefore reduce efficiency and effectiveness of the Organization's work.

108. KMI needs to be in a position to enable the Organization to move forward in a rapidly changing technological environment. Also there is a growing demand on KM & IT services and technology that results in a consistent net increase in both volume (storage, bandwidth, performance, etc.) and quality (more applications). This requires continuous investment. In KM & ICT no progress means regression.

109. KMI has lost a significant number of posts since 2011 and has a critical need to create at least one P-4 post of the two that have been abolished during the biennium on top of earlier cuts. The post of Chief Archivist/Chief of Unit, currently a FITOCA position, which is to be abolished by the end of 2017, must be re-created in the 39 C/5. This post is critical to ensure proper management of the Organization's institutional memory and records management.

110. All KM & ICT services are operating at an absolute minimum. Most notably KMI critical infrastructure and cybersecurity as maintenance and support contracts are incompressible – all

contracts have been re-negotiated and KMI has abandoned maintenance, except for the critical applications; quite some of KMI infrastructure is without external maintenance and support. Cybersecurity is one of KMI key priorities and as indicated by both the external auditor and the Oversight Advisory Committee, there is a need to invest more in this area among others by introducing a Chief Information Security Officer (P-5) at UNESCO, similar to other United Nations agencies. The funding of this post was not possible in the 38 C/5 and not yet assured for the 39 C/5.

### **Secretariat of the Governing Bodies**

111. By 197 EX/Dec.28, the Executive Board instituted intersessional meetings of its members (in principle six times per year) on a trial basis, for the biennium 2016-2017, and called for an evaluation of these meetings to be included in the report that the open-ended working group on governance will submit to the General Conference at its 39th session (November 2017). Similarly, the Working Group on governance was established pursuant to 38 C/Resolution 101, before the General Conference has taken a decision on its recommendations at its 39th session. Hence, any readjustments to the budget allotted to the Secretariat of the Governing Bodies (GBS) would have to reflect the future outcomes of those deliberations.

### **Internal Oversight Service**

112. The hypothetical \$507 million scenario would imply a reduction of \$0.1 million. There would be extremely weak programme evaluation coverage of the Sectors, strategic cross-cutting/thematic evaluations:

- There would be zero likelihood of providing any evaluation coverage of the field offices which presents a major organizational risk; especially in view of the need for evaluation coverage of the field being heightened due to the sustainability issues already identified by IOS, External Auditor, FSC;
- The Evaluation Section would have a biennial activity budget of approx. \$100,000 (\$50,000 per annum). This would only enable it to deliver one, maximum two, strategically significant evaluations per year;
- It would seem highly unlikely that the programme sectors will be able to meet the 3% target of activity budgets as a minimum investment in evaluation;
- Risk: If evaluation coverage is inadequate, the inputs to the Strategic Results Report (SRR) will be insufficient for informing decision-making on programme performance.

113. With regard to Internal Audit, the hypothetical \$507 million scenario would represent further erosion of capacity to provide assurance at a time when the Oversight Advisory Committee is highlighting the need for additional resourcing in order to provide “reasonable” rather than the current “limited” assurance on the effectiveness of UNESCO’s risk management, control and governance processes. In this regard, we note that staffing of Internal Audit remains nearly 20% below the 2011 levels and IOS will be seeking to reinstate capacity for 2018/19. The current activity budget for internal audit missions to field offices and for technical consultancies regarding information technology risks is already half of the 2011 level, and this is not sustainable from an assurance standpoint. Further erosion under this scenario would undermine the limited assurance that IOS is currently able to provide, and IOS will request an increase in these activity funds for the 2018/19 biennium.

114. In the event of a hypothetical \$518 million scenario, all of the challenges cited above remain valid to a certain extent. This scenario would allow to fund one additional strategic programme evaluation; provide a minimal level of evaluation coverage of field offices; or provide minimal additional support to internal audit capacity. However, the scenario would not allow IOS to significantly address the underlying challenges to audit/evaluation coverage and ensuring



adequate assurance to risk management, control and governance processes. The situation would remain essentially the same in the case of a hypothetical \$521.4 million scenario.

### **International Standards and Legal Affairs**

115. During the previous financial period, the Office of International Standards and Legal Affairs (LA) already made great efforts to maintain all of its posts, and it did so by reducing considerably its operating costs to \$95,000 over two years, a level never before reached in the past, despite a steadily increasing demand for services in recent years (+23% since 2014).

116. The “\$507 million” and “\$518 million” hypothetical scenarios, under which LA’s budget would fall by \$80,000 and \$20,000 respectively, would not enable the normal functioning of the Office without a cut in staff. In both cases, LA would be obliged to give up part of its main activities which would mean that the following objectives/expected results would no longer be attainable:

*\$507 million hypothetical scenario:*

- participation of LA in meetings of the committees and commissions of the Organization’s governing bodies
- improved drafting of contracts
- training in legal matters for field offices (contracts, privileges and immunities, etc.)
- continuous assistance to HRM for better formulated administrative circulars concerning staff, and items in the Human Resources Manual
- representation at the ILOAT
- active participation in the reform of internal legal proceedings on staff matters
- active contribution to better management of category 1 institutes
- provision of legal advice at meetings of the main conventions
- enhanced consistency of legal advice provided during the preparation of documents for sessions of the institutional bodies monitoring conventions
- regular updating of the standard-setting texts website.

*\$518 million hypothetical scenario:*

- improved drafting of contracts
- continuous assistance to HRM for better formulated administrative circulars concerning staff, and items in the Human Resources Manual
- active participation in the reform of internal legal proceedings on staff matters
- active contribution to better management of category 1 institutes
- provision of legal advice at meetings of the main conventions.

117. A \$521.4 million hypothetical scenario would have no impact on LA’s budget.

## ANNEX I

### OVERVIEW OF MAJOR IMPLICATIONS FOR THE PROGRAMME SECTORS, PROGRAMME-RELATED AND CORPORATE SERVICES OF HYPOTHETICAL BUDGET SCENARIOS FOR 2018-2019

Major Programme/ Corporate Service	\$507M scenario	\$518M scenario	\$521.4M scenario
<b>MP I – Education (ED)</b>	<ul style="list-style-type: none"> <li>– priority programme areas (e.g. TVET, Teachers) would be downscaled;</li> <li>– field operations would be further reduced (and greater concentration on global/regional offices);</li> <li>– the sustainability of some already weak Institutes would be challenged;</li> <li>– no capacity to engage in new initiatives or respond to emerging demands (e.g. STEAM education)</li> </ul>	<p>Relatively low impact:</p> <ul style="list-style-type: none"> <li>– slight reduction in priority areas (TVET and Teachers), and in field operations;</li> <li>– the sustainability of some already weak Institutes would be challenged;</li> <li>– no capacity to engage in new initiatives or respond to emerging demands (e.g. STEAM education)</li> </ul>	No significant impact
<b>MP II – Natural Sciences (SC)</b>	<ul style="list-style-type: none"> <li>– would seriously affect UNESCO’s already-stretched capacity to support Member States in developing STI policies, capacity building in STI, management of natural resources including through IHP, MAB, and IGGP, and capitalizing on the extensive UNESCO science networks;</li> <li>– recruitment of a number of key posts would be considered for suspension with subsequent abolition of posts in the 39 C/5 entailing significant impacts on programme implementation:</li> <li>– posts cut at Headquarters would lead</li> </ul>	<ul style="list-style-type: none"> <li>– minor impact which could be absorbed by slightly reducing regular programme allocations of some activities.</li> </ul>	<ul style="list-style-type: none"> <li>– minor impact which could be absorbed by slightly reducing regular programme allocations of some activities.</li> </ul>

	<p>to:</p> <ul style="list-style-type: none"> <li>○ an almost complete loss in programme activity in the field of disaster risk reduction (DRR);</li> <li>○ limited support to the implementation of the UNESCO SIDS Action Plan;</li> <li>○ minimal support to the implementation of the MAB Strategy and Lima Action Plan.</li> </ul> <ul style="list-style-type: none"> <li>– posts cut in the field would impact Africa to a greater extent with the potential loss of expertise in the field of capacity building in science and engineering and in the geosciences, compromising capacity building in the management of earth resources on the continent;</li> <li>– by cutting posts, SC radically would lose both the ability to implement programme and to mobilize funds. The alternative choice would therefore be to keep the current number of posts, and to improve the Sector's capacity to mobilize extrabudgetary resources by dedicating more staff time to fundraising. This would temporarily reduce staff time spent on programme implementation, but with the aim of closing the gap in regular programme funding by increasing extrabudgetary funding and creating project appointments.</li> </ul>		
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<p><b>MP II – Intergovernmental Oceanographic Commission (IOC)</b></p>	<ul style="list-style-type: none"> <li>– would diminish the capacity of both the Secretariat and the IOC governing bodies to fulfil the minimum statutory obligations and provide core services to Member States;</li> <li>– would jeopardize IOC’s ability to comply with the lead role entrusted to it in relation to SDG 14 (IOC is designated custodian agency for two targets: 14.3 and 14.a.);</li> <li>– IOC would not be able to: <ul style="list-style-type: none"> <li>○ reinforce its regional presence and operationalize its Capacity Development Strategy 2015-2021;</li> <li>○ be fully engaged in the UN process to define a new legal regime under the UNCLOS on the conservation of marine biodiversity beyond areas of national jurisdiction;</li> <li>○ act as lead UN body for data on ocean observation for the new IPCC special report on climate change, cryosphere and the ocean;</li> </ul> </li> <li>– would reduce awareness raising and training and information activities, notably in terms of community preparedness for tsunami warning and mitigation;</li> <li>– would reduce IOC’s capacity to leverage partnerships and to fundraise.</li> </ul>	<ul style="list-style-type: none"> <li>– would maintain IOC in the situation of “chronic understaffing” – this might lead to the loss of IOC’s leadership role and be a serious disservice to oceanography and marine sciences in the Member States.</li> </ul>	<p>The minimal “breathing space” which this budget would allow the IOC to address the most urgent staffing issue related to the Caribbean Tsunami Information Centre, much awaited by the SIDS of the region (i.e. creating a new post in the field using also savings from abolishing a GS post at Headquarters).</p>
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<p><b>MP III – Social and Human Sciences (SHS)</b></p>	<ul style="list-style-type: none"> <li>– would close down flagship activities on foresight;</li> <li>– would stop co-publishing the World Social Science Report;</li> <li>– extraordinary sessions of COMEST and IGBC would be convened only when extrabudgetary funds could be secured;</li> <li>– strategic deployment of resources through seed funding to leverage partnerships in UNESCO Offices where SHS is not represented would be put on hold.</li> </ul>	<p>Extraordinary sessions of COMEST and IGBC would be convened only when extrabudgetary funds could be secured.</p>	<p>Marginal reduction which could be absorbed within the budget envelope.</p>
<p><b>MP IV – Culture (CLT)</b></p>	<p>Headquarters:</p> <ul style="list-style-type: none"> <li>– as at present, activities focused on fulfilling the minimum statutory obligations. No provision of capacity building and other core services to Member States;</li> <li>– possible suppression of Regular Programme post for coordinating museums activities.</li> </ul> <p>Field:</p> <ul style="list-style-type: none"> <li>– Regular Programme only decentralized to Africa;</li> <li>– all other regions fully dependent on extrabudgetary activities.</li> </ul>	<p>Headquarters:</p> <ul style="list-style-type: none"> <li>– same as for \$507 million scenario</li> </ul> <p>Field:</p> <ul style="list-style-type: none"> <li>– Regular programme decentralized to Africa and to countries in crisis situations in the Arab States;</li> <li>– all other regions fully dependent on extrabudgetary activities.</li> </ul>	<p>Headquarters:</p> <ul style="list-style-type: none"> <li>– same as for \$507 million scenario</li> </ul> <p>Field:</p> <ul style="list-style-type: none"> <li>– Regular programme decentralized to Africa and to countries in crisis situations in the Arab States.</li> <li>– all other regions fully dependent on extrabudgetary activities</li> </ul>

<b>MP V – Communication and Information (CI)</b>	<ul style="list-style-type: none"> <li>– would reduce activities related to: Media development programmes that promote ethical journalistic reporting through media and information literacy;</li> <li>– would reduce programme delivery and provision of core services to Member States, i.e. capacity building, training seminars, and introducing innovative policies for achieving the SDGs.</li> </ul>	<ul style="list-style-type: none"> <li>– This shortfall in budget would be absorbed by reducing WSIS related activities.</li> </ul>	<p>Marginal impact</p>
<b>UNESCO Institute of Statistics (UIS)</b>	<ul style="list-style-type: none"> <li>– would reduce data collection and methodological work in the fields of STI, culture and CI, which would impact on the development of thematic indicators for relevant SDGs;</li> <li>– would reduce the number of training workshops to help national statisticians and line ministries to improve the quality and use of their data and the international indicators produced by the UIS.</li> <li>– would reduce the field presence in sub-Saharan Africa and thereby reduce UNESCO’s technical assistance to countries despite the urgent need for capacity building and direct interventions.</li> </ul>	<p>Marginal impact</p>	<p>Marginal impact</p>
<b>Management of Field Offices</b>	<ul style="list-style-type: none"> <li>– Significant downsizing of the field network with the closure of field offices.</li> </ul>	<ul style="list-style-type: none"> <li>– would reduce capacity of the field network</li> </ul>	<ul style="list-style-type: none"> <li>– would maintain the field network as it is at present with marginal impact on field network capacity</li> </ul>



<p><b>Coordination and monitoring of action to benefit Africa (AFR)</b></p>	<ul style="list-style-type: none"> <li>– would imply an overall reduction in the Department’s activities, especially as regards the effective coordination of the implementation of the Priority Africa Flagship Programme of Field Offices, Headquarters and cooperation with external stakeholders;</li> <li>– a reduction of staffing capacity of AFR including Addis Ababa Liaison Office to follow up on activities related to African Union/UNESCO cooperation;</li> <li>– a decrease in communication and visibility activities such as the organization of forward-looking thematic conferences/seminars and production of studies and publications of strategic importance for Africa;</li> <li>– a real constraint on the capacity of the Department to provide financial support to the African Member States for the organization of their monthly statutory meetings (around \$25,000/year).</li> </ul>	<ul style="list-style-type: none"> <li>– no change, but very restricted in terms of activities, as is the case in the 38 C/5.</li> </ul>	<p>No significant impact</p>
<p><b>Coordination and monitoring of action to implement priority Gender Equality (ODG/GE)</b></p>	<ul style="list-style-type: none"> <li>– would reduce data collection and recording of progress in gender-specific and gender mainstreamed programming, which would impact evidence-based policy advice and technical support for programme sectors;</li> <li>– would reduce the number of GE training workshops to help field office and Category 1 Institutes to improve the quality of gender mainstreaming in MPs</li> </ul>	<ul style="list-style-type: none"> <li>– already reduced capacity to implement GEAP II</li> </ul>	<ul style="list-style-type: none"> <li>– already reduced capacity to implement GEAP II</li> </ul>

	<p>for transformative change;</p> <ul style="list-style-type: none"> <li>– would reduce the presence and representation of UNESCO in regional and international fora on GE which would impact UNESCO leadership and influence on the international agenda for women’s empowerment and GE.</li> <li>– would reduce the capacity of the Division to establish and manage new partnerships and for networking.</li> </ul>		
<p><b>Strategic planning, programme monitoring and budget preparation (BSP)</b></p>	<ul style="list-style-type: none"> <li>– training activities for staff and Permanent Delegations on RBM-RBB, resources mobilization, and on UN mechanisms and reform would be suspended. This would diminish the capacity of the Organization to: <ul style="list-style-type: none"> <li>○ maintain its commitment to RBM-RBB, negatively affecting UNESCO’s capacity to participate in joint UN mechanisms, including UN common country programming;</li> <li>○ raise additional resources at a time when those would be most needed would be critically hampered.</li> </ul> </li> <li>– support to field offices for participation in UN common country programming exercises (such as UNDAF) through the “2%” modality would be suspended. Such a cut would have a negative impact on UNESCO’s positioning and participation in joint United Nations activities and mechanisms at the country and regional levels to</li> </ul>	<ul style="list-style-type: none"> <li>– activities funded by the 2% modality would have to be reduced and possibly discontinued, with the effect on the whole Organization as described under the \$507 scenario.</li> </ul>	<p>No significant impact</p>

	implement the 2030 Agenda.		
<b>External relations and public information (ERI)</b>	<ul style="list-style-type: none"> <li>– ERI would not be able to provide the services expected by Member States and partners, in particular with regard to orientation seminars, the production of annual reports, the funding of interpretation costs for the meetings of regional groups, and some protocol services;</li> <li>– with regard to partnerships, the budget cuts would pose a serious threat to the implementation of certain decisions of governing bodies such as those contained in the action plan to improve the cooperation of UNESCO's Secretariat with the National Commissions for UNESCO (35 C/Resolution 77), and those contained in the directives concerning UNESCO's partnership with non-governmental organizations (36 C/Resolution 108);</li> <li>– the multilingualism of content would continue to suffer very directly from the lack of resources (e.g. too small a percentage of the Organization's website is translated into the six official languages);</li> <li>– a critical function such as the management of rights relating to publications would be fulfilled by someone who is not specifically qualified to do the job and would have to perform other tasks in addition to that</li> </ul>	<ul style="list-style-type: none"> <li>– ERI's budget has been reduced to the bare minimum and this scenario would continue to constrain ERI's resources.</li> </ul>	<ul style="list-style-type: none"> <li>– ERI would endeavour to maintain a level of activities comparable to that under document 38 C/5.</li> </ul>

	<p>role;</p> <ul style="list-style-type: none"> <li>– the photobank and audio-visual archives would no longer be fully utilized; similarly, projects aiming to strengthen the public information function of field offices would not materialize owing to lack of means;</li> <li>– serious consequences could ensue, particularly in terms of works at the Fontenoy site, as well as with regard to the recruitment of indispensable additional staff.</li> </ul>		
<p><b>Human resources management (HRM)</b></p>	<ul style="list-style-type: none"> <li>– priority actions as outlined in the Action Plan of the HR Mgmt. Strategy for 2017/2021 would not be implemented;</li> <li>– focus would be solely on providing minimum statutory HR services to managers and staff, reviewing and updating of a minimum of HR policies and processes, managing claims and appeals in timely manner to the extent possible;</li> </ul> <p>Specifically:</p> <ul style="list-style-type: none"> <li>– Corporate organization-wide training plan would again be halted;</li> <li>– inability to provide any Learning &amp; Training activities for staff;</li> <li>– difficulty in ensuring targeted outreach activities to attract qualified candidates from non- and under-represented countries;</li> <li>– inability to undertake review of</li> </ul>	<ul style="list-style-type: none"> <li>– focus would continue to be on providing minimum statutory HR services to managers and staff, reviewing and updating of HR policies and processes, managing claims and appeals in timely manner to the extent possible.</li> </ul>	<ul style="list-style-type: none"> <li>– focus would continue to be on providing minimum statutory HR services to managers and staff, reviewing and updating of a minimum of HR policies and processes, managing claims and appeals in timely manner to the extent possible.</li> </ul>

	<p>processes and procedures required for management of the MBF and associated development and implementation of new system applications;</p> <ul style="list-style-type: none"> <li>- non-implementation of a compliance/risk framework ref. Staff Regulations and Rules, HR Manual provisions, use of consultant contracts, use of temporary assistance etc.</li> <li>- no participation in UN harmonization/reviews and reform initiatives;</li> <li>- continued development &amp; implementation of automated workflows with the aim of simplifying processes/procedures significantly slowed down</li> <li>- reduced medical services would be provided;</li> <li>- would put into question the provision of services such as: crèche and social welfare.</li> </ul>		
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<b>Financial Management (BFM)</b>	Monitoring and analytical reporting of financial performance and risks		
	<ul style="list-style-type: none"> <li>– as for \$518M and</li> <li>– quarterly analytical monitoring reports on project/programme financial performance would be limited and may not meet the expectations of all stakeholders;</li> <li>– development of reporting capacity and tools will be significantly reduced</li> </ul>	<ul style="list-style-type: none"> <li>– as for \$521M</li> </ul>	<ul style="list-style-type: none"> <li>– operational services are prioritized over analytical, monitoring and ‘business partner’ functions;</li> <li>– there is a limited capacity to respond to unplanned/short notice requests from programme sectors, central services and field offices.</li> </ul>
	Reinforcing internal controls systems through the assessment of financial risks; development of financial management policies and processes; and monitoring of compliance		
	<ul style="list-style-type: none"> <li>– as for \$518M and:</li> <li>– process/policy reviews would be undertaken only in response to audit recommendations subject to resource availability; when identified as critical by the global assessment and/or UN harmonization</li> <li>– the compliance and monitoring tasks would be further reduced and only the first level of compliance control would be implemented via the centralization of the certification role to BFM;</li> <li>– training and guidance on policy and processes would be cut.</li> </ul>	<ul style="list-style-type: none"> <li>– as for \$521M</li> </ul>	<ul style="list-style-type: none"> <li>– review and update of policies and procedures have been reduced and are restricted to two/three areas per biennium defined as priorities. The dedicated resource for accounting policies and IPSAS compliance was eliminated and other policy functions are increasingly diverted into supporting/coordinating responses for audits and donor accreditations.</li> <li>– compliance and monitoring activities</li> </ul>



			<p>which provide assurance on internal controls have been reduced across the board. Controls have been replaced by monitoring in some areas; monitoring tasks are performed with less regularity and are focused on high risks areas. reduced monitoring and control on budgets, assets, commitments and accounting transactions increase the risk of errors in management and financial statements.</p>
	<p>Providing accounting services including maintenance of proper financial records; custody and investment of funds.</p>		
	<ul style="list-style-type: none"> <li>- as for \$518M and:</li> <li>- UNESCO is committed to the principles of shared administrative/central services at global and local levels being considered at the UN level in HLCM and undg. UNESCO co-leads the BOS (Business Operation Services) pilot of a Joint Operations Facility in Brazil. The lessons learnt from BOS pilots, including cost benefits, and the outcomes of the HLCM discussions on shared services at global should inform UNESCO's organizational strategy. Capacity to participate in the review/reform process</li> </ul>	<ul style="list-style-type: none"> <li>- as for \$521M</li> </ul>	<ul style="list-style-type: none"> <li>- operational activities maintained.</li> <li>- unplanned staff absences have an impact on capacity to deliver services.</li> </ul>

	would be limited		
	Strengthening financial management through the adoption of best practices including engaging in the UN-wide systems reform process to build efficiency:		
	<ul style="list-style-type: none"> <li>– as for \$518M and:</li> <li>– participation in reform/process improvement at both the UN and UNESCO levels will be eliminated</li> </ul>	<ul style="list-style-type: none"> <li>– as for \$521M</li> </ul>	<ul style="list-style-type: none"> <li>– involvement in reform/process improvement at both the UN and UNESCO levels is selective and limited</li> </ul>
	Providing Administrative Office services to central services and field offices and operating budgets of field offices (BFM Budget under part III and Field office Management Budget under Part II A for the share managed by BFM)		
	<ul style="list-style-type: none"> <li>– field offices administration and running cost: the global cut will be of \$2.3M under \$507M will not be achievable unless there is an Organizational decision to close field offices,</li> <li>– OR there is a decision to Recentralize the certification and budget review role to BFM from field offices on agreed criteria, which will result in further delays of programme implementation;</li> <li>– the business partner role of Finance and Administrative officers, which BFM has been enhancing, would be lost. This is not in conformity with the decentralization policy of the organization as set out in the Ivory Note DG/note/14/3 dated 3 January 2014.</li> </ul>	<ul style="list-style-type: none"> <li>– field offices administration and running cost: the global cut of \$430K will not be achievable unless a field office is closed or to reduce the scope of delegation of authority of some field offices through moving their authority to regional/cluster offices or headquarters</li> </ul>	<ul style="list-style-type: none"> <li>– the AO platform for central services no longer provides a business partner role for budget/work planning and monitoring of financial performance;</li> <li>– service levels are not consistently met in many AO units with a resulting delay in programme implementation;</li> <li>– service levels are not consistently met in many AO units with a resulting delay in programme implementation.</li> </ul>
<b>Management of support services (MSS)</b>	<p>Headquarters buildings management:</p> <ul style="list-style-type: none"> <li>– staff safety: UNESCO building users</li> </ul>	<ul style="list-style-type: none"> <li>– would allow to reinforce building safety to minimum standards</li> </ul>	<ul style="list-style-type: none"> <li>– would allow to reinforce building safety to minimum standards and</li> </ul>

	<p>would be at higher risk in terms of health, safety, security and hygiene; the minimum standards would no longer be assured and the functioning of facilities would not be safe.</p> <ul style="list-style-type: none"> <li>– business continuity: part of the buildings would be permanently closed due to inability to comply to minimum standards;</li> <li>– building sustainability: energy savings targets may not be achieved and UNESCO would fail to comply with UN greening guidelines and standards;</li> <li>– renovation costs: inappropriate regular maintenance and lack of necessary investments to renovate/replace obsolete installations would lead to higher operating costs and future investment costs and in the end to financial failure</li> </ul> <p>Conferences, Languages and Documents services:</p> <ul style="list-style-type: none"> <li>– multilingualism would be at risk;</li> <li>– time and quality of services (conferences, translation, interpretation, documents) provided including those to the Governing bodies would significantly suffer in time and quality;</li> <li>– improvement projects (replacement of Document Management System, re-invoicing tools, etc.) would be discontinued and new projects would be abandoned;</li> <li>– the incapacity to guarantee the service</li> </ul>		<p>the Documents Management system (DMS)</p>
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	<p>for statutory meetings. Notably, the duration of the General Conference would be limited and not extended as planned.</p> <p>Operations management:</p> <ul style="list-style-type: none"> <li>– defer the life cycle of assets increasing risk of failure and maintenance costs;</li> <li>– defer the need to replace and to buy new products and /or buying products and equipment that are less sustainable, durable, repairable or upgradable hence increasing operating costs and achieving less value for money;</li> <li>– restrict general provisions concerning travel on mission;</li> <li>– discontinue employee training on efficient procurement and operations practices.</li> </ul>		
<p><b>Knowledge management and information systems (KMI)</b></p>	<ul style="list-style-type: none"> <li>- Reduced capacity to enable and support programme delivery; increased risk of service disruption</li> <li>- Inability to meet the growing demand for KM &amp; ICT services, which requires investment; no progress means regression, let alone de facto budget reduction</li> <li>- No budget for a mission-critical P-4 post to ensure proper preservation of institutional memory and records management</li> <li>- Increased cybersecurity threats and risks to ICT infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>- Reduced capacity to enable and support programme delivery; increased risk of service disruption</li> <li>- Inability to meet the growing demand for KM &amp; ICT services, which requires investment; no progress means regression, let alone de facto budget reduction</li> <li>- No budget for a mission-critical P-4 post to ensure proper preservation of institutional memory and</li> </ul>	<ul style="list-style-type: none"> <li>- Current capacity to enable and support programme delivery preserved, including risk of service disruption</li> <li>- Inability to meet the growing demand for KM &amp; ICT services, which requires investment; no progress means regression</li> <li>- No budget for a mission-critical P-4 post to ensure proper preservation of institutional memory and records management</li> </ul>

		<p>records management</p> <ul style="list-style-type: none"> <li>- Increased cybersecurity threats and risks to ICT infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>- Current capacity to manage cybersecurity threats and risks to ICT infrastructure maintained</li> </ul>
<p><b>Internal Oversight Service (IOS)</b></p>	<ul style="list-style-type: none"> <li>- there would be extremely weak programme Evaluation coverage of the Sectors, strategic cross-cutting/thematic evaluations;</li> <li>- there would be zero likelihood of providing any evaluation coverage of the field offices which presents a major organizational risk; especially in view of the need for evaluation coverage of the Field being heightened due to the sustainability issues already identified by IOS, External Auditor, FSC;</li> <li>- the Evaluation Section would have a biennial activity budget of approx. \$100,000 (\$50,000 per annum). This would only enable IOS to deliver one, maximum two, strategically significant evaluations per year;</li> <li>- it would seem highly unlikely that the Programme Sectors will be able to meet the 3% target of activity budgets as a minimum investment in evaluation;</li> <li>- Risk: if evaluation coverage is inadequate, the inputs to the Strategic Results Report SRR will be insufficient for informing decision-making on programme performance;</li> </ul>	<ul style="list-style-type: none"> <li>- all of the challenges cited under the \$507 m. scenario remain valid;</li> <li>- would allow to fund one additional strategic programme evaluation, provide a minimal level of evaluation coverage of field offices or provide minimal additional support to internal audit capacity.</li> <li>- however, the scenario would not allow IOS to address the underlying challenges to audit/evaluation coverage and ensuring adequate assurance to risk management, control and governance processes.</li> </ul>	<ul style="list-style-type: none"> <li>- the situation would remain essentially the same as under the hypothetical \$518M.</li> </ul>

	<ul style="list-style-type: none"> <li>– with regard to Internal Audit, this scenario would represent further erosion of capacity to provide assurance at a time when the Oversight Advisory Committee is highlighting the need for additional resourcing in order to provide “reasonable” rather than the current “limited” assurance on the effectiveness of UNESCO’s risk management, control and governance processes.</li> </ul>		
<b>International Standards and Legal Affairs(LA)</b>	<ul style="list-style-type: none"> <li>– the following objectives/expected results would no longer be attainable: <ul style="list-style-type: none"> <li>○ participation of LA in meetings of the committees and commissions of the Organization’s governing bodies;</li> <li>○ improved drafting of contracts;</li> <li>○ training in legal matters for field offices (contracts, privileges and immunities, etc.);</li> <li>○ continuous assistance to HRM for better formulated circulars concerning staff and items in the Human Resources Manual;</li> <li>○ representation at the ILOAT;</li> <li>○ active participation in the reform of internal legal proceedings on staff matters;</li> <li>○ active contribution to better management of category 1 institutes;</li> <li>○ provision of legal advice at meetings of the main conventions;</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>– the following objectives/expected results would no longer be attainable: <ul style="list-style-type: none"> <li>○ improved drafting of contracts;</li> <li>○ continuous assistance to HRM for better formulated circulars concerning staff and items in the Human Resources Manual;</li> <li>○ active participation in the reform of internal legal proceedings on staff matters;</li> <li>○ active contribution to better management of category 1 institutes;</li> <li>○ provision of legal advice at meetings of the main conventions.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>– No significant impact</li> </ul>

	<ul style="list-style-type: none"><li>○ enhanced consistency of legal advice provided during the preparation of documents for sessions of the institutional bodies monitoring conventions;</li><li>○ regular updating of the standard-setting texts website.</li></ul>		
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## ANNEX II

## Hypothetical Budget Envelope by Sector/Bureau for 39 C/5 (expenditure plans)

	38 C/5 \$518M Exp. Plan	ZRG of \$518M = \$521.4M	\$518M	\$507M
	\$ Million	\$ Million	\$ Million	\$ Million
<b>PART I - GENERAL POLICY AND DIRECTION</b>				
<b>A. Governing bodies</b>	9.8	9.8	9.7	9.3
<b>B. Direction</b>				
1 Directorate	2.6	2.6	2.6	2.5
2 Executive Office of the Director-General	5.0	5.0	5.0	4.9
3 Internal Oversight	5.7	5.7	5.6	5.6
4 International Standards and Legal Affairs	4.4	4.4	4.4	4.3
5 Ethics Programme	0.8	0.8	0.8	0.7
<b>Total, I.B</b>	<b>18.4</b>	<b>18.4</b>	<b>18.3</b>	<b>18.0</b>
<b>C. Participation in the Joint Machinery of the United Nations System</b>	<b>16.2</b>	<b>21.4</b>	<b>21.4</b>	<b>21.4</b>
<b>TOTAL, PART I</b>	<b>44.4</b>	<b>49.6</b>	<b>49.4</b>	<b>48.7</b>
<b>PART II - PROGRAMMES AND PROGRAMME-RELATED SERVICES</b>				
<b>A. Programmes</b>				
<b>Education Sector (ED)</b>	83.3	83.2	82.8	80.6
<b>Natural Sciences Sector (SC)</b>	48.3	48.3	48.1	47.0
<i>(of which IOC)</i>	10.2	10.1	10.1	9.9
<b>Social and Human Sciences Sector (SHS)</b>	25.5	25.4	25.3	24.8
<b>Culture Sector (CLT)</b>	43.7	43.6	43.4	42.5
<b>Communication and Information Sector (CI)</b>	23.7	23.6	23.5	23.0
<b>Total 5 Major Programme Sectors</b>	<b>224.3</b>	<b>224.2</b>	<b>223.2</b>	<b>217.9</b>
UNESCO Institute for Statistics (UIS)	7.7	7.7	7.7	7.3
Management of Field Offices	80.8	80.8	80.4	78.5
Supplementary Funding for the Field Network Reform	-	-	-	-
<b>Total, II.A</b>	<b>312.9</b>	<b>312.7</b>	<b>311.2</b>	<b>303.7</b>
<b>B. Programme-related services</b>				
1. Coordination and monitoring of action to benefit Africa (AFR)	4.2	4.2	4.2	4.1
2. Coordination and monitoring of action to benefit Gender Equality (GE)	1.6	1.6	1.6	1.6
3. UNESCO's response to post-conflict and post-disaster situations	1.0	1.0	1.0	0.9
4. Strategic planning, programme monitoring and budget preparation (BSP)	5.2	5.2	5.2	5.1
5. Organization-wide knowledge management	4.7	4.7	4.7	4.6
6. External relations and public information (ERI)	19.7	19.7	19.6	19.3
7. Field Support and Coordination	1.1	1.1	1.1	1.1
<b>Total, II.B</b>	<b>37.5</b>	<b>37.5</b>	<b>37.3</b>	<b>36.7</b>
<b>C. Participation Programme and Fellowships</b>	<b>13.5</b>	<b>13.5</b>	<b>13.5</b>	<b>12.9</b>
<b>TOTAL, PART II</b>	<b>363.9</b>	<b>363.7</b>	<b>362.0</b>	<b>353.2</b>
<b>PART III - CORPORATE SERVICES</b>				
<b>A. Human resources management (HRM)</b>				
Human resources management	17.2	17.1	17.1	16.7
Corporate-wide training and development of staff	-	-	-	-
Contribution to the Medical Benefits Fund (MBF) for Associate Participants and administrative costs	12.0	12.0	12.0	12.0
<b>Total, III.A</b>	<b>29.2</b>	<b>29.1</b>	<b>29.1</b>	<b>28.7</b>
<b>B. Bureau of Financial Management (BFM)</b>	<b>12.3</b>	<b>12.3</b>	<b>12.3</b>	<b>12.1</b>
<b>C. Management of Support Services (MSS)</b>				
1. Management and coordination of Support Services and Procurement	3.3	3.3	3.3	3.2
2. Management of languages and documents	15.1	15.1	15.1	14.8
3. Management of facilities, security and safety, conferences and cultural events	17.8	19.0	18.9	18.5
<b>Total, III.C</b>	<b>36.2</b>	<b>37.4</b>	<b>37.2</b>	<b>36.5</b>
<b>D. Management of Information Systems and Communications</b>	<b>9.7</b>	<b>9.7</b>	<b>9.6</b>	<b>9.5</b>
<b>Total, III</b>	<b>87.4</b>	<b>88.5</b>	<b>88.2</b>	<b>86.7</b>
<b>TOTAL, PARTS I - III (excl. Reserve for reclassification)</b>	<b>495.7</b>	<b>501.8</b>	<b>499.6</b>	<b>488.7</b>
<b>Reserve for After Service Health Insurance longterm liability (ASHI)</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	<b>3.3</b>
<b>TOTAL, PARTS I - III (incl. Reserve for reclassification)</b>	<b>499.1</b>	<b>505.2</b>	<b>503.0</b>	<b>492.0</b>
<b>PART IV - LOAN REPAYMENTS FOR THE RENOVATION OF THE HEADQUARTERS PREMISES &amp; THE IBE BUILDING</b>	<b>14.1</b>	<b>12.2</b>	<b>12.2</b>	<b>12.2</b>
<b>PART V - ANTICIPATED COST INCREASES</b>	<b>4.8</b>	<b>4.0</b>	<b>2.8</b>	<b>2.8</b>
<b>TOTAL, PARTS I - IV</b>	<b>518.0</b>	<b>521.4</b>	<b>518.0</b>	<b>507.0</b>

**Note:**

This hypothetical budget distribution does not take into account transfers of posts or units that have taken place during the current biennium. It does not take into account strategic redeployment of budget that would be applied in the real Draft 39 C/5. It is at this stage based on the same Lapse Factor as in 38 C/5, i.e., 5%. It is also based at this stage on the constant dollar of \$1 = 0.869 euro.





United Nations  
Educational, Scientific and  
Cultural Organization

# Executive Board

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## Item 13 of the agenda

### **PRELIMINARY PROPOSALS BY THE DIRECTOR-GENERAL CONCERNING THE DRAFT PROGRAMME AND BUDGET FOR 2018-2021 (39 C/5)**

#### **POSSIBLE IMPLICATIONS OF HYPOTHETICAL BUDGET SCENARIOS OF \$507 MILLION, \$518 MILLION AND \$521.4 MILLION**

#### **CORRIGENDUM**

1. On page 10, paragraph 65 should read as follows: "In the case of both hypothetical scenarios of \$518 million and \$521.4 million, reductions in Major Programme V regular programme allocation would be absorbed by reducing WSIS-related activities and media development programmes."

2. On page 5 of Annex I, the text of the third and fourth columns showing the impact of the hypothetical scenarios of \$518 million and \$521.4 million on Major Programme V should read as follows: "This shortfall in budget would be absorbed by reducing WSIS-related activities and media development programmes".

3. On page 15 of Annex I, the text of the third column showing the impact of the hypothetical scenario of \$518 million on Knowledge management and Information systems (KMI) should read as follows:

- Current capacity to enable and support programme delivery largely preserved, including risk of service disruption;
- Inability to meet the growing demand for KM & ICT services, which requires investment; no progress means regression, let alone de facto budget reduction;
- No budget for a mission-critical P-4 post to ensure proper preservation of institutional memory and records management;
- Current capacity to manage cybersecurity threats and risks to ICT infrastructure maintained."

