

INTERNATIONAL INSTITUTE FOR EDUCATIONAL PLANNING (IIEP)

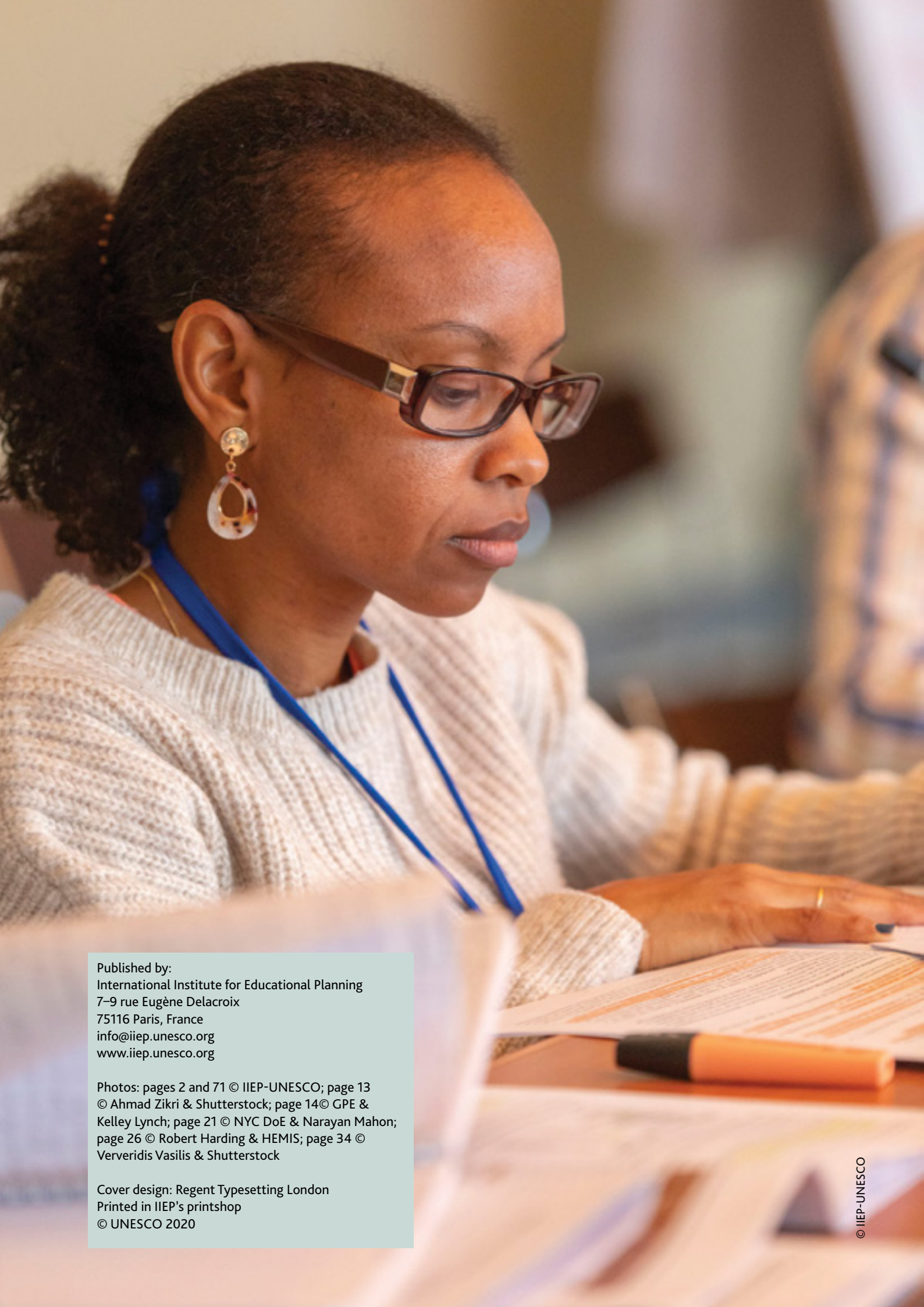
FINANCIAL REPORT AND AUDITED FINANCIAL STATEMENTS 2019



United Nations
Educational, Scientific and
Cultural Organization



International Institute
for Educational Planning



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INTRODUCTION

The International Institute for Educational Planning (IIEP or 'the Institute') is an integral part of the United Nations Educational, Scientific and Cultural Organization (UNESCO). UNESCO is considered to be the controlling entity of IIEP. These financial statements are included in the UNESCO consolidated financial statements.

IIEP was established in 1963 within the framework of UNESCO with the purpose of promoting instruction and research on educational planning in relation to economic and social development.

IIEP is one of seven UNESCO Category 1 institutes and falls under the Education Sector.

The Statutes of IIEP were approved and adopted at the 12th session of the UNESCO General Conference held in 1962 through Resolution 1.213. The Director-General, in accordance with the decisions of the General Conference, authorized IIEP to operate under a Special Account. The Institute enjoys functional autonomy in matters related to administration, finance, and human resources.

The Auditor-General of Canada has been appointed External Auditor to UNESCO and its Institutes by the General Conference, at its 39th session, for the financial periods 2018–2023, by 39C/Resolution 12.

The External Auditor has expressed an unmodified (clean) opinion on the financial statements. The financial statements of the Institute, which constitute an integral part of the consolidated financial statements of UNESCO, together with any report of the External Auditor of UNESCO on the Institute, are submitted to the Board for approval.

More detailed reports on IIEP's programme activities can be found in the 'Report of the Director on the activities carried out by IIEP in 2019 and operational plan for 2020' (GB/4 Part 1), available online at www.iiep.unesco.org/sites/default/files/59_gb_4_part_i_report_activities_op_plan_app.pdf.

The novel coronavirus (COVID-19) was declared a pandemic in March 2020 during the preparation of these financial statements. While this has no impact on IIEP's 2019 financial statements, it may affect the Institute in 2020 with respect to its programme implementation, its revenue generating activities, and the collection of contributions. The Institute continues to closely monitor the situation and will take mitigation measures as necessary.

OVERVIEW OF THE FINANCIAL STATEMENTS

The IIEP accounts and the financial statements are maintained and prepared in accordance with the Financial Regulations of the IIEP Special Account as approved by the Executive Board of UNESCO and the rules formulated by the Director of the Institute as reported to the Governing Board.

The accounting policies conform to the International Public Sector Accounting Standards (IPSAS).

The financial statements have been prepared on an accrual and going concern basis and comply with the IPSAS requirements. Where IPSAS is silent concerning any specific standard, the appropriate International Financial Reporting Standards (IFRS) are applied.

The Institute's main office is located in Paris, with two other offices situated in Dakar and Buenos Aires. IIEP strengthens the capacities of UNESCO's Member States to plan and manage their education systems serving UNESCO's Medium-Term Strategy.

The IIEP financial statements cover the following business segments:

IIEP Paris

The Regular and the Extrabudgetary Programmes respond to the strategic objectives and outputs as outlined in IIEP's Medium-Term Strategy. Programme operations are carried out at country, regional, inter-regional, and global levels.

IIEP Buenos Aires

Programme operations are similar to the IIEP Paris Office. The Office responds primarily, but not exclusively, to requests from Member States within the Latin America region.

IIEP Pôle de Dakar

Pôle de Dakar has been a platform of expertise for education sector analysis and monitoring global education goals in Africa since November 2001. It was initially hosted by UNESCO's Regional Bureau of Education in Africa (UNESCO-BREDA). In October 2013, Pôle de Dakar was officially attached to IIEP and this integration within IIEP was supported by the Agence Française de Développement (AFD).

The financial statements consist of:

A statement of financial position (page 28)

This provides information about the net assets at the reporting year-end date – the difference between IIEP's total assets and liabilities. It gives information about the extent to which resources are available to support future operations and the unfunded liabilities.

A statement of financial performance (page 29)

This measures the net surplus or deficit of the reporting year – the difference between revenues and expenses. It provides information about the Institute's cost of programme delivery and the amounts and sources of revenue.

A statement of changes in net assets (page 30)

This reflects all changes (increase or decrease) in net assets between the beginning and the end of the reporting period arising from the total amount of surplus or deficit for the period and/or adjustment recognized directly as changes in net assets.

A statement of cash flow (page 31)

This provides information about how the Institute raised and used cash during the period. It measures the difference between the actual cash coming in and cash going out.

A statement of comparison of budget and actual amounts (pages 32–34)

This highlights whether resources were used in accordance with the approved budget. It shows differences between the actual expenditure and the approved budget appropriation.

Notes to the financial statements (pages 35–70)

These assist in understanding the financial statements. The notes comprise a summary of significant accounting policies and other explanatory information. They provide additional information on the financial statements as required under IPSAS.

STRATEGY, OBJECTIVES, AND PROGRAMME IMPLEMENTATION HIGHLIGHTS

IIEP's Medium-Term Strategy (MTS) presents its vision and strategic priorities for 2018–2021 to support the continued fulfilment of the Institute's mission: **To strengthen the capacities of UNESCO Member States to plan and manage their education systems.**

This has indeed always been IIEP's mission. During this 10th MTS, for the period 2018–2021, IIEP is pursuing its role of assisting UNESCO Member States in achieving their educational goals in the context of the Sustainable Development Goals (SDGs) and the new Education 2030 agenda. From its unique position within UNESCO, and the United Nations system as a whole, IIEP is the sole agency exclusively dedicated to educational planning and management, offering countries the requisite knowledge and expertise to develop solutions to the challenges arising from their particular context. The Institute also plays a normative role in its field, helping to identify and develop current best practices and standards.

IIEP's previous MTS, covering the period 2014–2017, was designed amid consultations and debates on the future SDGs. Readers familiar with the 9th MTS will note a continuity between its thematic priorities (TPs) and those of this 10th MTS. It was already clear in 2013 that these areas – social inequalities, learning outcomes, governance and accountability, and education system resilience – would remain challenges in the post-Education For All era. These priorities are reframed in this new Strategy, with a fifth TP on education financing added, in recognition of the more complex financing scene and the need – and ability – to better cost and track educational investments.

Building on the accomplishments of the previous Strategy, the 10th MTS continues what is considered to be essential, core work, while adding responses to new and emerging challenges.

The Institute has made considerable progress in measuring its results. After four years of experience, the new Results Framework encompasses a wider set of indicators to be tracked. Together with more ambitious monitoring and evaluation, this new Results Framework is further proof of IIEP's commitment to being held accountable for its results.

The 10th MTS also has five transversal TPs that cut across two strategic objectives (SOs).

Five thematic priorities:

- TP1** Reduced educational disparities, particularly gender inequalities
- TP2** Improved cognitive and non-cognitive education outcomes
- TP3** Enhanced resilience of education systems through crisis-sensitive planning
- TP4** Improved governance, transparency, and accountability
- TP5** Equitable and sustainable financing of education

Two strategic objectives:

- SO1** Member States plan effectively for education sector development and evaluate system performances
- SO2** Applied knowledge on educational planning and management is made accessible to policy-makers and stakeholders

IIEP's programme integrates technical cooperation, training, knowledge generation, and outreach and advocacy, resulting in productive interactions between its two SOs. SO2 – in investigating the implementation of policies, testing theories of change, and drawing lessons for improved policy design and implementation – contributes to the evidence base for training and policy advice pursued in SO1.

As a global institute, IIEP must strive for geographical balance in its engagement. Africa remains a UNESCO Global Priority, and the Institute will pursue both SOs in the service of the region. The five TPs will relate to different regions at different times. Historically, IIEP's work in eastern and central Europe has focused on governance, transparency, and accountability. In the 10th MTS, work on TP3 will increase the Institute's engagement in the Middle East. The goal is to shape a more proactive portfolio, reaching a good balance between both geographic and thematic priorities and a more demand-driven approach.

Because such ambitions are not without their risks, IIEP has developed a new risk matrix, with two goals in mind: (1) to share with stakeholders and partners a measure of risk acceptance of its portfolio, in view of the most challenging contexts of intervention, and (2) to systematically identify and mitigate the range of risks associated with its operations.

PROGRAMME IMPLEMENTATION HIGHLIGHTS

IIEP continues to be guided by its mission of over 50 years to support UNESCO Member States in effectively planning and managing their education systems. In 2018, the Institute's mission took on new breadth and depth as it embarked on its 10th MTS, which is grounded in UNESCO's strategy and the Education 2030 agenda.

The five above-mentioned TPs undergird all of IIEP's work. This includes a stronger focus on vocational training and early childhood education, which are considered as transversal issues across these themes.

TRAINING PORTFOLIO OVERVIEW – 2019

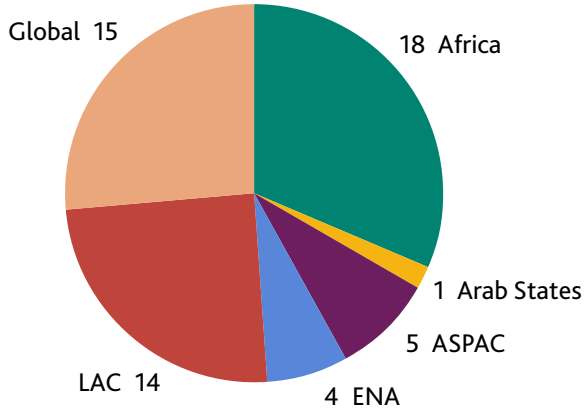
\$ 3,167,724

Total planned expenditure for 2019, including staff cost¹

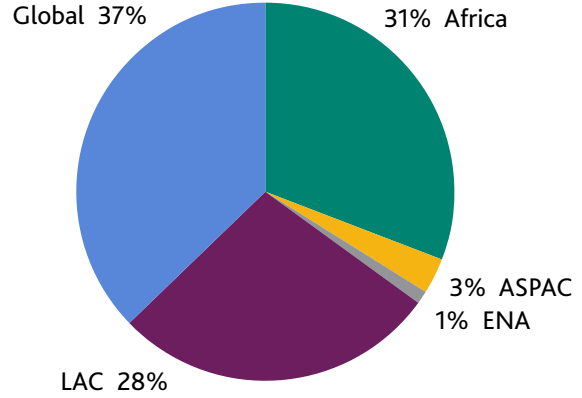
48 projects²

66 countries

Number of projects by region

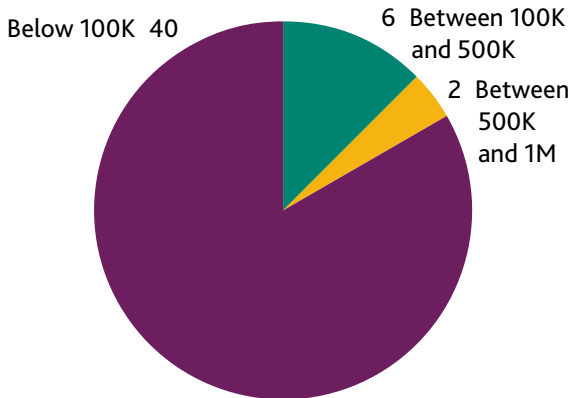


Distribution of expenditures by region

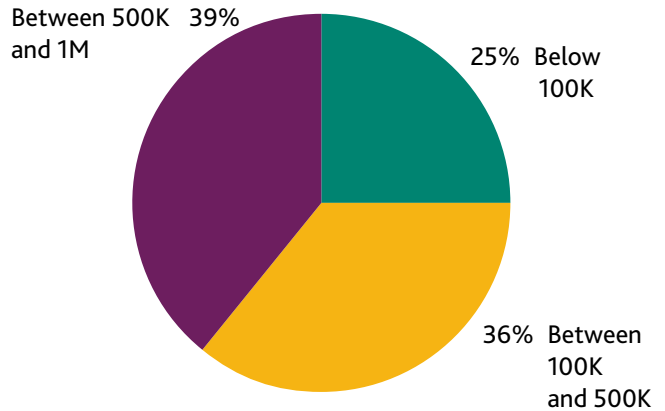


ASPAC: Asia and the Pacific; ENA: Europe and North America; LAC: Latin America and the Caribbean

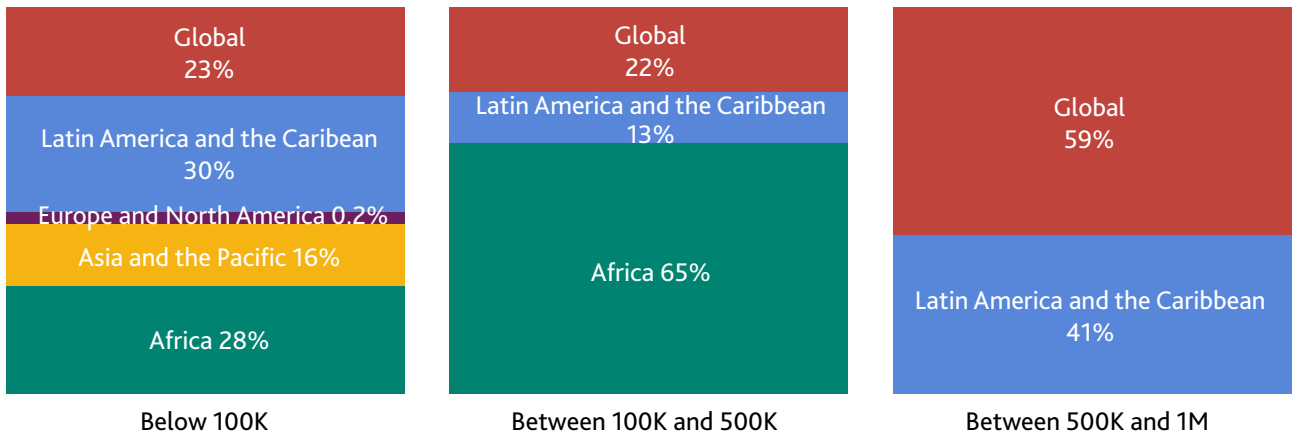
Number of projects by expenditure brackets



Distribution of projects by expenditure brackets



Distribution of projects by expenditure brackets and region



¹ Total figure given here in the Programme report is not an exact match with the Training total given in the Finance and Budget report because of differences in methodology.

² Count includes projects without allocated budget but with staff time expenditure.

TECHNICAL COOPERATION PORTFOLIO OVERVIEW – 2019

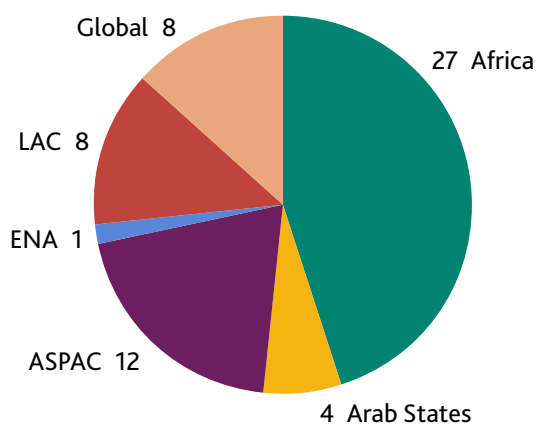
\$ 7,897,836

Total planned expenditure for 2019, including staff cost³

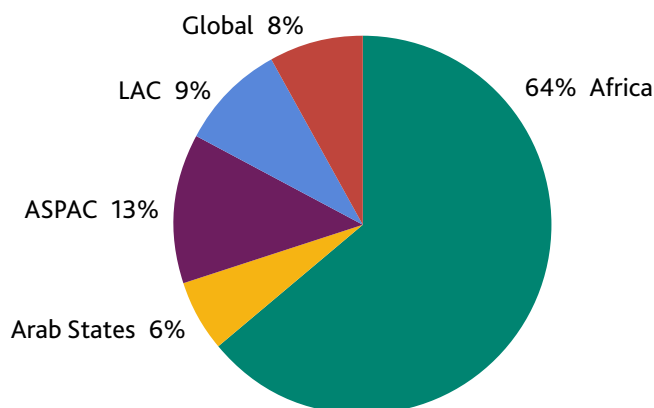
52 projects⁴

38 countries

Number of projects by region

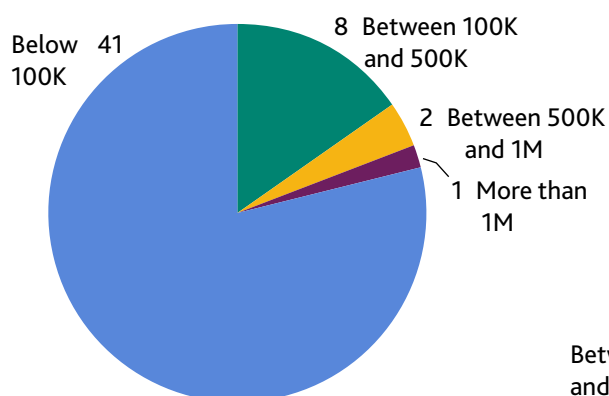


Distribution of expenditures by region

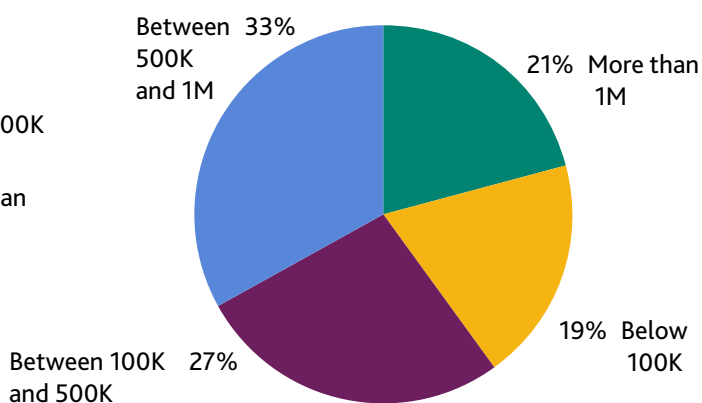


ASPAC: Asia and the Pacific; ENA: Europe and North America; LAC: Latin America and the Caribbean

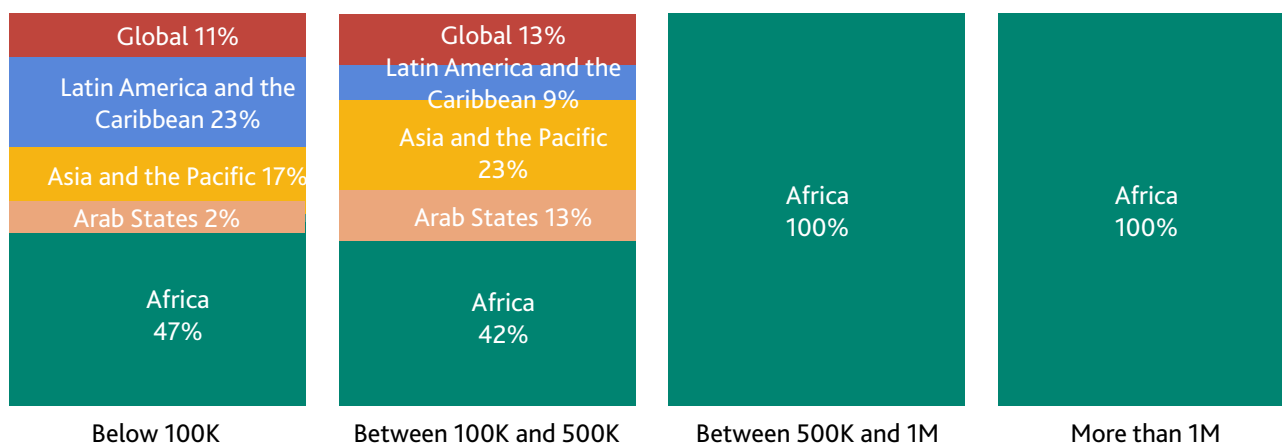
Number of projects by expenditure brackets



Distribution of projects by expenditure brackets



Distribution of projects by expenditure brackets and region



³ Total figure given here in the Programme report is not an exact match with the Technical Cooperation total given in the Finance and Budget report because of differences in methodology.

⁴ Count includes projects without allocated budget but with staff time expenditure.

RESEARCH & DEVELOPMENT PORTFOLIO OVERVIEW – 2019

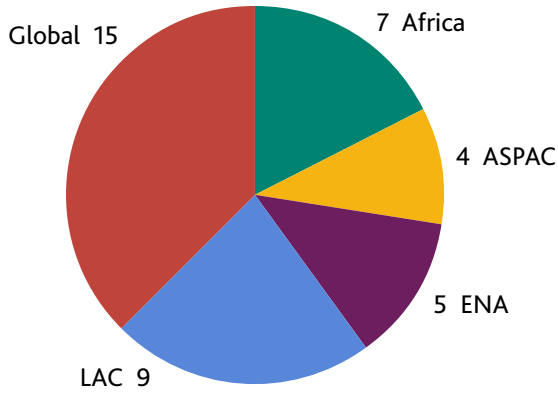
\$2,280,983

Total planned budget for 2019, including staff cost⁵

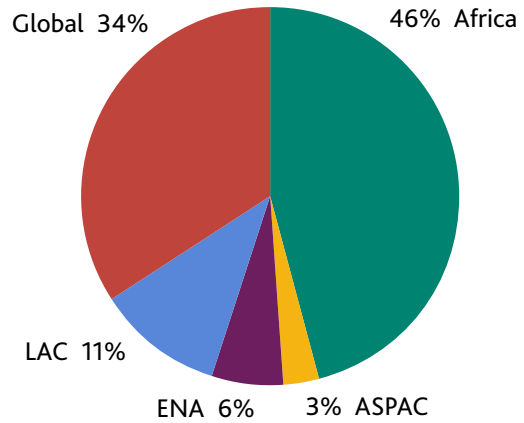
22 projects⁶

58 countries

Number of projects by region

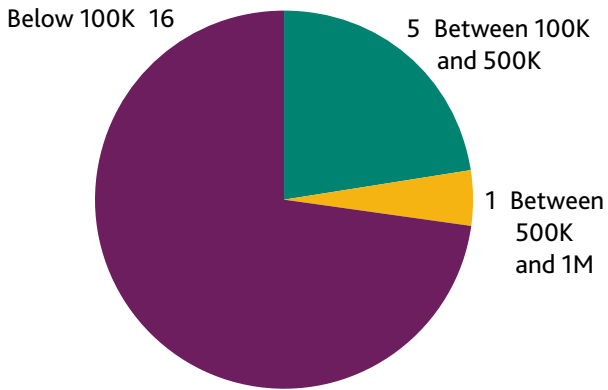


Distribution of expenditures by region

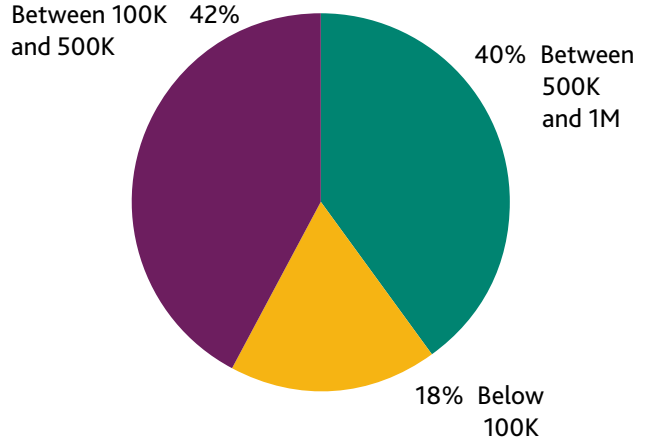


ASPAC: Asia and the Pacific; ENA: Europe and North America; LAC: Latin America and the Caribbean

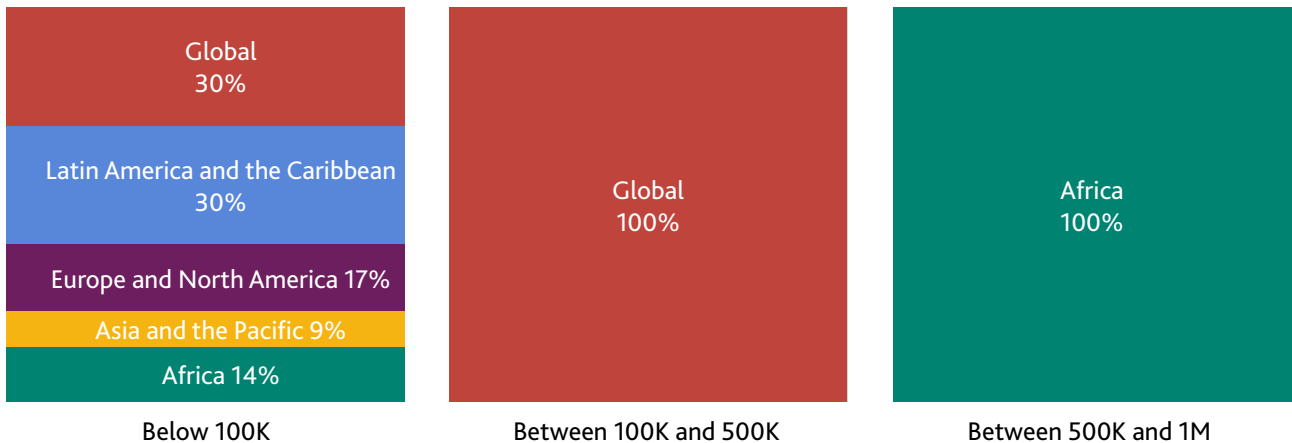
Number of projects by expenditure brackets



Distribution of projects by expenditure brackets



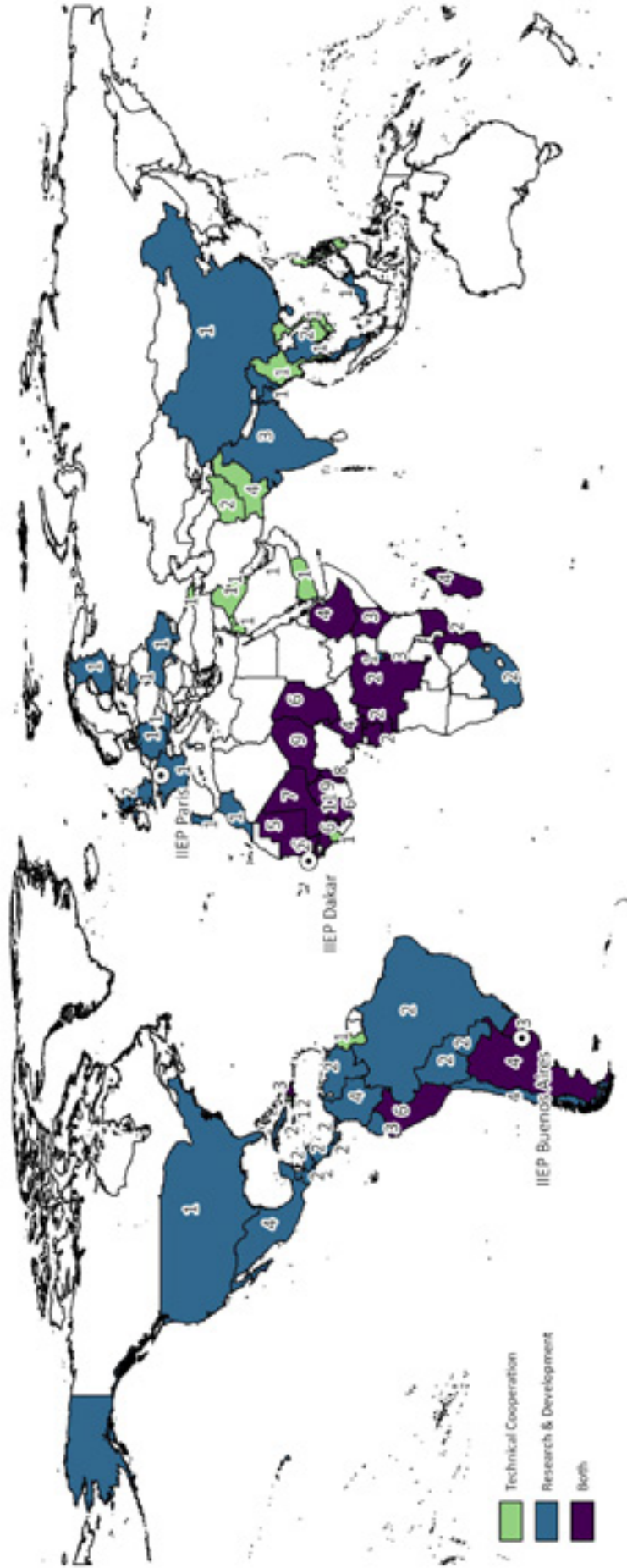
Distribution of projects by expenditure brackets and region



⁵ Total figure given here in the Programme report is not an exact match with the Research & Development total given in the Finance and Budget report because of differences in methodology.

⁶ Count includes projects without allocated budget but with staff time expenditure.

GEOGRAPHICAL DISTRIBUTION OF TECHNICAL COOPERATION AND RESEARCH PROJECTS, 2019



Calculations made with data from Planview (IIEP project database) extracted on 11 November 2019.

FINANCIAL STATEMENTS HIGHLIGHTS



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GENERAL

IIEP continues to be dependent on non-earmarked voluntary contributions to achieve its programme objectives. During 2019 the main non-earmarked donors Switzerland (USD 3.97M), Norway (USD 2.85M), and Sweden (USD 2.08M) continued with their support to IIEP. In addition, in 2019 IIEP received from France USD 1.59M of unplanned, soft-earmarked funding for the Gender at the Centre Initiative (GCI), aiming to advance progress in reaching gender equality in and through education.

Other institutions and donors like the European Union (EU), the Agence Française de Développement (AFD), the Department for International Development of the Government of the UK (DFID), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and UNICEF (United Nations Children's Fund) continued with their support through earmarked projects. In 2019, IIEP signed major new agreements with the Global Partnership for Education (GPE) for education sector plan development grants and also with Dubai Cares.

IIEP Pôle de Dakar is mainly financed by AFD and is hosted by the UNESCO office in Dakar. In addition, it attracts funds from other donors. At the end of 2019, AFD signed a new core funding grant agreement for four years (2020–2023) for EUR 10M.

IIEP Buenos Aires continues to increase its activity in the Latin America region. In 2019, IIEP received funds from the Government of Argentina, the Government of Uruguay, the Government of Panama (MEDUCA), Instituto Nacional de Formación y Capacitación del Magisterio (INAFOCAM), Instituto Nacional de Empleo y Formación Profesional (INEFOP), Fundación Santa María (SM), and Fundación Zamora Teran, amongst others.

The year ended with a surplus. IIEP continues to actively seek new agreements and donors to strengthen the capacity of countries to plan and manage their education systems in line with its new 10th MTS (2018–2021).



STATEMENT OF FINANCIAL POSITION

Assets

At the end of 2019, IIEP's total assets were USD 26.4M, an increase of USD 3.2M (13.6%) compared to the previous year.

The increase of USD 8.8M in current assets is mainly explained by the reclassification of investments (a term deposit that matured in 2020), USD 5.58M from non-current assets, the increase of the amount due from UNESCO Headquarters (USD 1.15M), and the increase of cash USD by 1.07M (10%).

Accounts receivable (non-exchange transactions) increased by USD 0.91M (204%) mainly due to the pending instalment to be received from the EU for the Haiti project.

Non-current assets decreased by 81.8% (USD 5.62M), mainly due to the reclassification of term deposit into current assets. Property, plant, and equipment increased due to the capitalization of the works for the installation of a platform lift for people with reduced mobility (PRM) next to the auditorium, air conditioning (USD 0.05M; leasehold improvements), software acquisitions (USD 0.06M; intangible assets), customer relationship management (CRM), and project portfolio management (MyProjects3.0) systems.

Liabilities

Total liabilities of USD 10.56M at the end of 2019 show an increase of USD 1.86M (21.4%) compared to the previous year.

The increase of USD 1.79M (23.4%) in current liabilities was essentially due to the increase in accounts payable and accruals (USD 0.2M, including USD 0.15M of travel commitments), increase in employee benefits (USD 0.18M), decrease in advance receipts (USD 0.36M) and the increase of 'Conditions on voluntary contributions' for an amount of USD 1.89M. In 2019, IIEP reversed conditions for an amount of USD 4.89M; the new conditions amount to USD 6.78M.

Other current liabilities and employee benefits increased by USD 0.076M (7.1%).

Net assets

The net assets position increased by USD 1.29M (8.9%) from USD 14.5M as at 31 December 2018 to USD 15.8M as at 31 December 2019.

This variance is mainly attributed to the year's surplus (USD 1.262M).

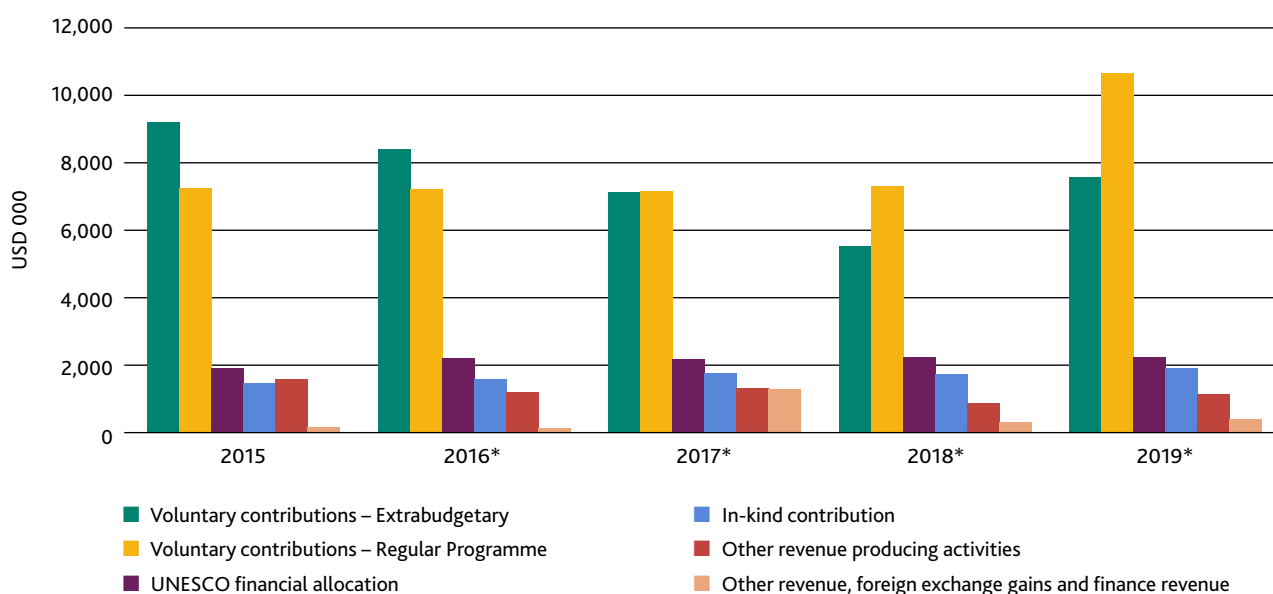
A net amount of USD 0.35M was transferred to the Stabilization Reserve Account, reaching a total amount of USD 10.02M at the end of 2019.

STATEMENT OF FINANCIAL PERFORMANCE

Income

Total revenue of USD 23.56M increased (by 33%) compared with the previous year.

Figure 1. IIEP five-year revenue trend (USD)



*Agreements with conditions

UNESCO's financial allocation of USD 2.1M was in line with previous years.

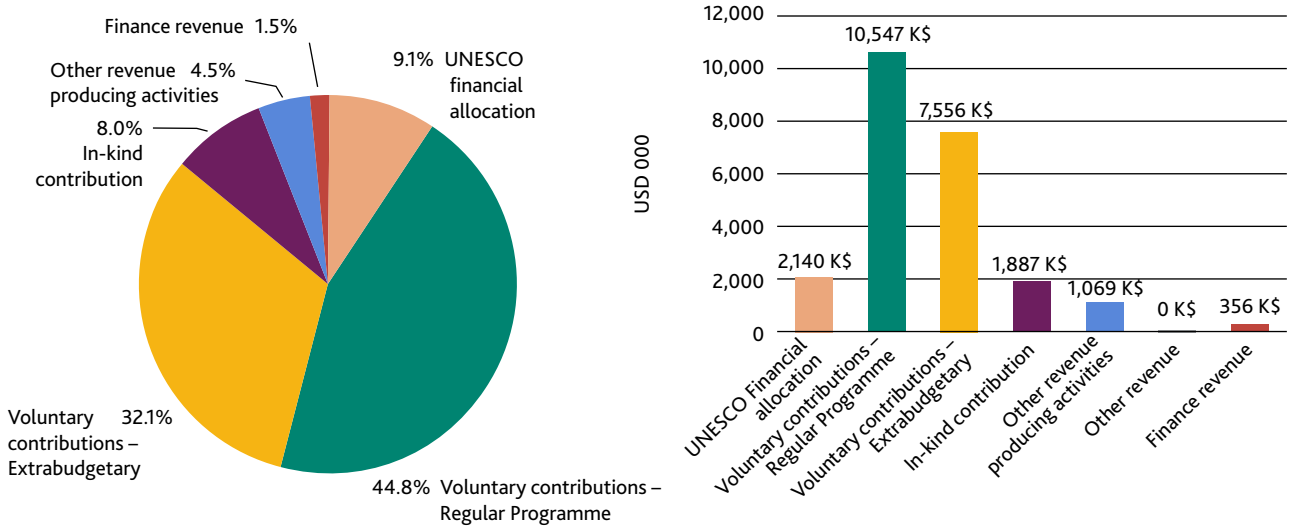
Regular Programme voluntary contributions increased, mainly due to the new contribution from France (USD 1.53M) and the increase in Switzerland's and Norway's contributions (USD 0.97M and USD 0.9M respectively), including the exchange rate effect. Sweden's contribution remained at the same level as previous years.

The increase of USD 2.12M (39%) in Extrabudgetary voluntary contributions was mainly due to the increase of other donors' contributions (USD 1.57M, or 120.5%) and the increase of amounts from governments (USD 0.81M, or 31.7%), despite a decrease in amounts received from UN agencies (USD 0.26M, or 16.3%). Extrabudgetary voluntary contributions include recognition of contributions under conditions requiring approval by the donor at the end of each implementation phase (mainly for projects financed by the EU and AFD).

In-kind contributions related to the rental value of the three offices' premises, whose values were updated in 2019: they increased by 10% from the previous year and amounts to USD 1.89M.

Other revenue from producing activities increased in 2019 by 26.4% (USD 0.22M) mainly due to the increase in the number of participants in the training activities organized by IIEP; finance revenue increased by 14.8% (USD 0.046M).

Figure 2. IIEP 2019 revenue by source (USD)



Expenditure

Total expenditure of USD 22.3M increased by USD 0.19M (0.86%) compared to 2018.

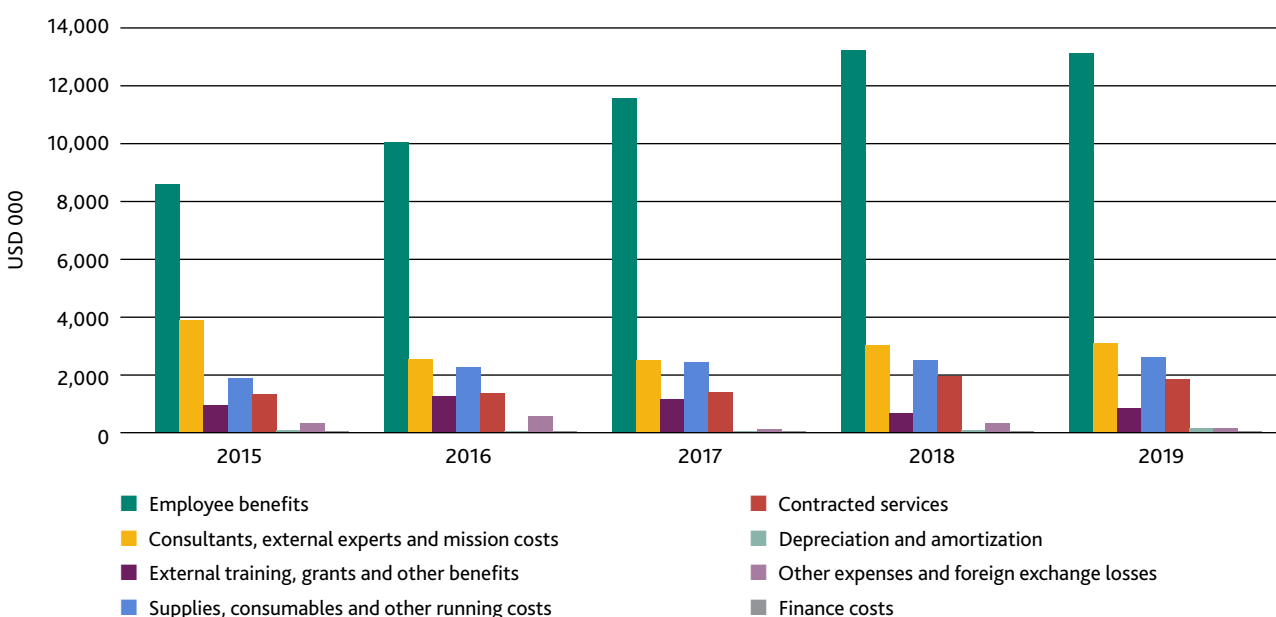
Employee benefits were in line with the previous year. Consultants, external experts, and mission costs increased slightly by 1% (USD 0.02M).

External training, grants, and other transfers increased by 27% (USD 0.19M) due to the increase of seminars and trainings organized in 2019.

Running costs increased by 6% (USD 0.155M) due to the update of the premises' rental value. Contracted services decreased by 4% (USD 0.083M) and depreciation and amortization increased by 58% (USD 0.08M) due to the new capitalizations (leasehold improvements and intangible assets).

Foreign exchange losses decreased by 64% (USD 0.181M).

Figure 3. IIEP five-year expenses trend (USD)



Result for the year 2019

The 2019 surplus was USD 1.26M, an increase of USD 5.70M compared to the deficit of USD 4.43M in 2018.

The increase was due to several factors. Many of IIEP's projects (mainly those financed by AFD and the EU) continue to be funded by agreements that contain the condition that the revenue is recognized when the reporting obligations are settled and approved. Another factor was the increase of Regular Programme voluntary contributions that reinforced IIEP's core programme activities.

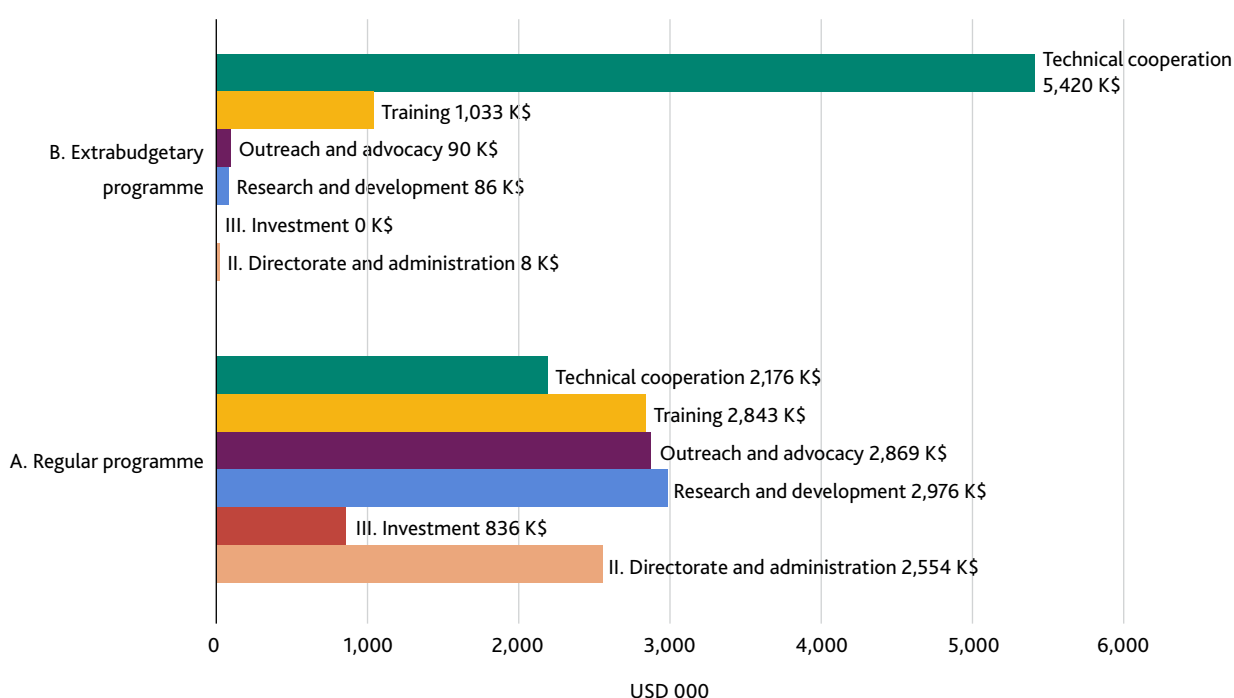
Contract rights

Contract rights amounted to USD 31.0M in 2019, a decrease of USD 1.9M compared to 2018. The decrease is mainly due to the reduction for the subsequent instalments of non-earmarked Regular Programme agreements for 2018–2021 (Sweden and Switzerland), and the new instalments received for the Haiti and FPI project (financed by the European Commission's Service for Foreign Policy Instruments) and for two AFD-financed projects: Plateforme d'expertise en formation professionnelle (PEFOP) and the programme for strengthening capacity for quality management in basic education. It has been compensated with the new non-earmarked agreement signed with AFD (2020–2023).

Budgetary performance

The budget expenditure for 2019 amounted to USD 20.9M. *Figure 4* shows the expenditure on programmes.

Figure 4. IIEP 2019 budget expenditure by appropriation line



REVENUE FOR THE IIEP SPECIAL ACCOUNT (UNAUDITED)

	31 DECEMBER 2019				2018
	PARIS	IBA	PDK	GRAND TOTAL 31/12/2019	GRAND TOTAL 31/12/2018
UNESCO Financial Allocation	2 140 100	—	—	2 140 100	2 140 100
UNESCO Financial Allocation	2 140 100	—	—	2 140 100	2 140 100
Voluntary contributions (Regular Programme)					
Governments					
France	1 137 660	—	455 064	1 592 724	—
Norway	2 853 725	—	—	2 853 725	2 001 859
Sweden	2 076 037	—	—	2 076 037	2 200 072
Switzerland	4 024 145	—	—	4 024 145	3 019 324
Total vol. contrib. (Regular Programme)	10 091 567	—	455 064	10 546 631	7 221 255
Voluntary contributions (Extrabudgetary Prog.)					
Governments					
Argentina	—	197 573	—	197 573	282 719
France (AFD)	6 311	—	4 970 992	4 977 303	830 786
France (AFD for Burkina Faso)	—	—	—	—	405 205
France (IIEP building maintenance)	—	—	—	—	115 998
France (other projects)	—	—	—	—	19 574
Germany	26 723	—	—	26 723	213 328
Guatemala	—	—	—	—	—
Guinea	—	—	—	—	226 469
Mali	—	—	21 151	21 151	24 921
Mexico	—	—	—	—	107 370
Niger	—	—	26 182	26 182	—
Norway (NORAD)	57 065	—	—	57 065	—
Panama (MEDUCA)	—	44 250	—	44 250	—
Sweden (SIDA)	—	—	—	—	168 948
Uruguay	—	65 000	—	65 000	89 960
Total government contributions	90 099	306 823	5 018 325	5 415 247	2 485 278
UN agencies					
UNICEF	940 861	222 540	126 645	1 290 046	1 188 944
UNESCO	45 000	—	—	45 000	186 131
ILO	—	—	—	—	—
UNDP	—	—	—	—	46 798
WORLD BANK	7 597	—	—	7 597	—
Total UN agency contributions	993 458	222 540	126 645	1 342 643	1 421 873

Continues

REVENUE FOR THE IIEP SPECIAL ACCOUNT (UNAUDITED) (continued)

	31 DECEMBER 2019			GRAND TOTAL 31/12/2019	2018
	PARIS	IBA	PDK		GRAND TOTAL 31/12/2018
Other donors					
Agence Universitaire de la Francophonie (AUF)	—	—	—	—	9 112
Agua y Saneamientos Argentinos S.A (AYSA)	—	—	—	—	23 959
CECC – Coordinación Educativa y Cultural Centroamericana	—	—	—	—	49 980
Department for International Development UK (DFID)	53 236	—	—	53 236	159 708
Dubai Cares	129 606	—	—	129 606	—
Education Development Trust (EDT)	—	—	—	—	38 534
ETIS (Equipo de trabajo e investigación social)	—	—	—	—	2 382
European Union (EU)	406 086	—	—	406 086	942 697
Fundación ARCOR	—	7 557	—	7 557	5 587
Fundación Santa Maria	—	35 000	—	35 000	—
Fundación Zamora Teran	—	25 000	—	25 000	—
Foundation to Promote Open Society	80 000	—	—	80 000	—
GPE (World Bank)	647 355	—	—	647 355	546 427
Instituto nacional de formación y capacitación del magisterio (INAFOCAM)	—	48 700	—	48 700	—
Instituto Nacional de Empleo y Form. Prof. (INEFOP)	—	53 052	—	53 052	—
UFAR (Armenia)	9 045	—	—	9 045	—
Total other donors	1 325 328	169 309	—	1 494 637	1 778 386
Total vol. contr., Extrabudget. Prog.	2 408 885	698 672	5 144 970	8 252 527	5 685 537
Total voluntary contributions	14 640 552	698 672	5 600 034	20 939 258	15 046 892
Other in-kind voluntary contribution	1 714 645	127 500	45 253	1 887 398	1 714 314
In-kind contribution	1 714 645	127 500	45 253	1 887 398	1 714 314
Revenue from subscriptions (fellowships)	334 730	—	—	334 730	578 835
Revenue from subscriptions (others)	90 448	51 115	182 787	324 350	376 510
Rec. staff costs & reimbt of other services	159 512	—	14 000	173 512	157 158
Sale of publications and printshop reimbursement	194	—	—	194	54
Staff Service Account	8 068	—	—	8 068	8 612
Support costs from fiduciary funds (UNES)	—	—	—	—	—
Other revenue producing activities	592 952	51 115	196 787	840 854	1 121 169
Other operating revenue	251	—	—	251	149
Other revenue	251	—	—	251	149
Other financial incomes	—	—	—	—	17 437
Bank interest	116 475	—	—	116 475	293 029
Gain on capital deposits	240 016	—	—	240 016	—
Finance revenue	356 491	—	—	356 491	310 466
SUB TOTAL REVENUES	17 304 891	877 287	5 842 074	24 024 252	18 192 990
Accounting adjustments					
Accounts receivable	851 625	(48 773)	246 065	1 048 917	336 989
Conditions on donor agreements	(684 215)	—	(1 167 045)	(1 851 260)	(546 920)
Advance receipts	333 130	—	—	333 130	(314 142)
Total accounting adjustments	500 540	(48 773)	(920 980)	(469 213)	(524 073)
SUB TOTAL REVENUES (Stat II)	17 805 431	828 514	4 921 094	23 555 039	17 668 917

OPINION OF THE EXTERNAL AUDITOR





Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the International Institute for Educational Planning

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the International Institute for Educational Planning (the Institute), which comprise the statement of financial position as at 31 December 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flow, and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Institute in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Financial Report and Audited Financial Statements, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the International Institute for Educational Planning coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the Financial Regulations and Rules of the IIEP Special Accounts, and the UNESCO Financial Regulations.

In our opinion, the transactions of the International Institute for Educational Planning that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the UNESCO Financial Regulations, we report that, in our opinion, the accounting principles in IPSASs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the International Institute for Educational Planning's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the International Institute for Educational Planning to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Marise Bédard, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
16 June 2020

APPROVAL OF THE FINANCIAL STATEMENTS

APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

In accordance with the Financial Rules (article 10.1) of the International Institute for Educational Planning (IIEP) attached are the financial statements and accompanying notes for the year ended 31 December 2019. The financial statements are the responsibility of Management, and they have been prepared in accordance with the International Public Sector Accounting Standards, and comply with the Financial Regulations and Rules of the IIEP Special Accounts. They include certain amounts that are based on Management's best estimates and judgements.

Accounting procedures and related systems of internal control, developed by Management, provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions. The External Auditor, in line with Article 12 of the Financial Regulations, also provides an opinion on the financial statements.

The financial statements numbered I to V and the accompanying notes are hereby approved and submitted to the Governing Board of the International Institute for Educational Planning.

Suzanne Grant Lewis
Director
International Institute for Educational Planning

Magdolna Bona
Chief Financial Officer
UNESCO

16 June 2020

16 June 2020



AUDITED FINANCIAL STATEMENTS 2019



I. STATEMENT OF FINANCIAL POSITION

INTERNATIONAL INSTITUTE FOR EDUCATIONAL PLANNING (IIEP) AS AT 31 DECEMBER (Expressed in US dollars)

	Note	2019	2018
ASSETS			
Current assets			
Cash	5	11 425 634	10 360 100
Investments	6	10 580 350	5 000 000
Inventories	7	26 287	21 177
Accounts receivable (non-exchange transactions)	8	1 357 062	446 000
Accounts receivable (exchange transactions)	9	16 538	8 360
Advance payments	10	449 105	225 696
Other receivables	11	129 187	287 482
Receivable from UNESCO	12	1 145 558	—
Total current assets		25 129 721	16 348 815
Non-current assets			
Investments	6	—	5 707 754
Property, plant, and equipment	13	1 050 755	1 030 738
Intangible assets	14	204 652	142 330
Total non-current assets		1 255 407	6 880 822
TOTAL ASSETS		26 385 128	23 229 637
LIABILITIES			
Current liabilities			
Accounts payable (exchange transactions) and accruals	15	756 591	554 004
Employee benefits	16	862 905	682 282
Voluntary contributions with conditions – Extrabudgetary	17	7 107 436	5 225 291
Advance receipts	18	7 268	364 017
Other current liabilities	19	669 288	724 413
Payable to UNESCO	12	—	68 334
Total current liabilities		9 403 488	7 618 341
Non-current liabilities			
Employee benefits	16	1 151 797	1 075 143
Total non-current liabilities		1 151 797	1 075 143
TOTAL LIABILITIES		10 555 285	8 693 484
NET ASSETS	20	15 829 843	14 536 153

Contractual rights (Note 23)

The accompanying notes form an integral part of these financial statements.

II. STATEMENT OF FINANCIAL PERFORMANCE

INTERNATIONAL INSTITUTE FOR EDUCATIONAL PLANNING (IIEP) FOR THE YEAR ENDED 31 DECEMBER (Expressed in US dollars)

	Note	2019	2018
REVENUE			
Voluntary contributions – Regular programme		10 546 632	7 221 255
Voluntary contributions – Extrabudgetary		7 555 647	5 436 994
UNESCO financial allocation		2 140 100	2 140 100
In-kind contribution		1 887 397	1 714 314
Other revenue producing activities		1 068 519	845 638
Finance revenue		356 492	310 466
Other revenue		252	150
TOTAL REVENUE	21	23 555 039	17 668 917
EXPENSES			
Staff costs		13 216 154	13 261 809
Consultants, external experts, and mission costs		3 134 820	3 112 140
Supplies, consumables, and other running costs		2 691 213	2 535 614
Contracted services		1 874 072	1 957 424
External training, grants, and other transfers		905 130	713 575
Depreciation and amortization		243 261	153 626
Other expenses		109 656	74 838
Foreign exchange losses		103 052	284 078
Finance costs		14 803	7 995
TOTAL EXPENSES	22	22 292 161	22 101 099
SURPLUS / (DEFICIT) FOR THE YEAR		1 262 878	(4 432 182)

The accompanying notes form an integral part of these financial statements.

III. STATEMENT OF CHANGES IN NET ASSETS

**INTERNATIONAL INSTITUTE FOR EDUCATIONAL PLANNING (IIEP)
FOR THE YEAR ENDED 31 DECEMBER
(Expressed in US dollars)**

	Note	2019	2018
BALANCE AT THE BEGINNING OF THE YEAR		14 536 153	18 947 916
Other adjustments		77 110	26 382
Return of funds to donors		(46 298)	(5 963)
Total of items recognized directly in Net Assets		30 812	20 419
Surplus / (Deficit) for the year		1 262 878	(4 432 182)
Total recognized revenue and expenses for the year		1 293 690	(4 411 763)
NET ASSETS AT THE END OF THE YEAR	20	15 829 843	14 536 153

The accompanying notes form an integral part of these financial statements.

IV. STATEMENT OF CASH FLOW

INTERNATIONAL INSTITUTE FOR EDUCATIONAL PLANNING (IIEP) FOR THE YEAR ENDED 31 DECEMBER (Expressed in US dollars)

	Note	2019	2018
Cash flows from operating activities:			
Surplus / (Deficit) for the year		1 262 878	(4 432 182)
Depreciation and amortization		243 261	155 246
Loss on disposal		3 001	1 264
(Increase) Decrease in inventories	7	(5 110)	(488)
(Increase) Decrease in accounts receivable (non-exchange transactions)	8	(911 062)	(313 601)
(Increase) Decrease in accounts receivable (exchange transactions)	9	(8 178)	15 377
(Increase) Decrease in advance payments	10	(223 409)	95 147
Decrease (Increase) in other receivables	11	158 295	(126 280)
(Increase) Decrease in receivables from / payables to UNESCO	12	(1 213 892)	1 895 764
Increase in accounts payable and accruals	15	202 587	258 153
Increase (Decrease) in current employee benefits	16	180 623	(59 511)
Increase in voluntary contributions with conditions – Extrabudgetary	17	1 882 145	546 920
Increase (Decrease) in advance receipts	18	(356 749)	279 620
(Decrease) Increase in other current liabilities	19	(55 125)	(125 671)
Increase (Decrease) in non-current employee benefits	16	76 654	171 836
Return of funds to donors		(46 298)	—
Effect of exchange rates on operating activities		177 888	54 194
Net cash flows provided by/(used in) operating activities		1 367 509	(1 584 212)
Cash flows from investing activities:			
Purchase of property, plant, and equipment (PP&E)	13	(247 032)	(847 505)
PP&E adjustments	13	—	(9 370)
Purchase of intangibles	14	(81 569)	(142 330)
Acquisitions of investments		(5 000 000)	(5 707 754)
Redemptions of investments		5 000 000	7 168 444
Net cash flows provided by/(used in) investing activities		(328 601)	461 485
Cash flows from financing activities:			
Transfers to/from net assets		77 110	12 576
Transfers to/from the Stabilization Reserve and surplus		—	7 843
Net cash flows provided by/(used in) financing activities		77 110	20 419
Net (decrease) increase in cash		1 116 018	(1 102 308)
Cash, beginning of the year		10 360 100	11 627 806
Effect of exchange rates on cash		(50 484)	(165 398)
Cash, end of the year	5	11 425 634	10 360 100

USD 242,145 of interest received is included in the net cash flows provided by operating activities (2018: USD 169,154).

The accompanying notes form an integral part of these financial statements.

V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

INTERNATIONAL INSTITUTE FOR EDUCATIONAL PLANNING (IIEP)

FOR THE YEAR ENDED 31 DECEMBER 2019

The accompanying notes form an integral part of these financial statements.

	APPROPRIATIONS			EXPENDITURE			FINAL BUDGET LESS ACTUAL EXPENDITURE
	Governing Board original Resolution 555	Supplementary/ other adjustments*	Governing Board approved Resolution 561	Disbursements	Unliquidated obligations	Inter-fund eliminations	
A. REGULAR PROGRAMME							
I. Programme Operations							
Technical Cooperation and Capacity Development							
Training	3 008 413	67 050	3 075 463	2 770 217	72 395	—	2 842 612
Tech. Cooperation	3 565 029	(633 178)	2 931 851	2 096 685	78 926	—	2 175 611
Knowledge Production and Knowledge Sharing							
Research & Development	2 489 336	449 629	2 938 965	2 678 929	297 112	—	2 976 041
Outreach & Advocacy	2 760 959	(521 058)	2 239 901	2 753 409	115 880	—	2 869 289
Sub-total I	11 823 737	(637 557)	11 186 180	10 299 240	564 313	—	10 863 553
II. Directorate and Administration							
Governing Board	554 725	(218 710)	336 015	292 705	13 699	—	306 404
Directorate	929 507	(264 924)	664 583	814 135	12 264	—	826 399
General Administration	1 651 478	(7 440)	1 644 038	1 210 123	210 871	—	1 420 994
Sub-total II	3 135 710	(491 074)	2 644 636	2 316 963	236 834	—	2 553 797
III. Investment							
Staff development	114 847	126 054	240 901	179 556	44 548	—	224 104
Renovation of building	204 627	(77 756)	126 871	196 650	—	—	196 650
Institutional information systems	486 725	(125 727)	360 998	352 917	61 988	—	414 905
Sub-total III	806 199	(77 429)	728 770	729 123	106 536	—	835 659
SUB-TOTAL, A. Regular Programme	15 765 646	(1 206 060)	14 559 586	13 345 326	907 683	—	14 253 009

Continues

V. Statement of comparison of budget and actual amounts (continued)

	APPROPRIATIONS			EXPENDITURE			FINAL BUDGET LESS ACTUAL EXPENDITURE
	Governing Board original Resolution 555	Supplementary/ other adjustments*	Governing Board approved Resolution 561	Disbursements	Unliquidated obligations	Inter-fund eliminations	
B. EXTRABUDGETARY PROGRAMME							
I. Programme Operations							
Technical Cooperation and Capacity Development							
Training	1 604 875	178 724	1 783 599	1 770 891	220 571	(958 234)	1 033 228
Tech. Cooperation	9 217 525	(1 838 970)	7 378 555	6 153 671	845 224	(1 578 998)	5 419 897
Sub-total I a.	10 822 400	(1 660 246)	9 162 154	7 924 562	1 065 795	(2 537 232)	6 453 125
Knowledge Production and Knowledge Sharing							
Research & Development	136 305	8 941	145 246	84 534	14 665	(13 202)	85 997
Outreach & Advocacy	88 780	184 324	273 104	162 296	10 827	(83 461)	89 662
Sub-total I b.	225 085	193 265	418 350	246 830	25 492	(96 663)	175 659
II. Directorate and Administration							
Governing Board	—	—	—	—	—	—	—
Directorate	—	—	—	—	—	—	—
General Administration	—	—	—	—	—	—	—
Staff Service Account	—	7 606	7 606	7 606	—	—	7 606
Sub-total II	—	7 606	7 606	7 606	—	—	7 606
III. Investment							
Staff development	—	—	—	—	—	—	—
Renovation of building	50 000	(50 000)	—	—	—	—	—
Information technology	—	—	—	—	—	—	—
Sub-total III	50 000	(50 000)	—	—	—	—	—
Sub-total IV	11 097 485	(1 509 375)	9 588 110	8 178 998	1 091 287	(2 633 895)	6 636 390
IV. Programme Support Funds							
Inter-fund eliminations	(2 800 579)	642 732	(2 157 847)	—	—	—	(2 157 847)
GRAND TOTAL	24 062 552	(2 072 703)	21 989 849	21 524 324	1 998 970	(2 633 895)	20 889 399

* Represent dollar fluctuations, additional activities, deficit (savings) on activities as approved by the Governing Board. Note: the budget and accounting basis is different. This Statement of Comparison of Budget and Actual Amounts is prepared on the budget basis.



VI. NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Note 1: Reporting entity and statutory powers

The International Institute for Educational Planning (IIEP or 'the Institute') is an integral part of the United Nations Educational, Scientific and Cultural Organization (UNESCO or 'the Organization'). UNESCO is considered the controlling entity of IIEP. These financial statements are included in the UNESCO consolidated financial statements.

IIEP was established in 1963 within the framework of UNESCO with the purpose of promoting instruction and research on educational planning in relation to economic and social development.

The Statutes of IIEP were approved and adopted at the 12th session of the UNESCO General Conference held in 1962 through Resolution 1.213. The Director General, in accordance with the decisions of the General Conference, authorized IIEP to operate under a Special Account.

The Institute enjoys functional autonomy in matters related to administration, finance, and human resources. The Governing Board ('the Board') of IIEP is composed of 12 members including the Chairperson and an Executive Committee of four members, which acts on behalf of the Board. The members are chosen for their competence and sit in a personal capacity. The Board approves the Institute's annual programme and budget. It also approves the annual report of the implementation of the programme presented to it by the Director.

The Institute has its Headquarters located in Paris, France (7–9 rue Eugène Delacroix). It is also composed of two offices located in Buenos Aires (Argentina) and Pôle de Dakar (Senegal).

Note 2: Significant accounting policies

Basis of preparation and presentation

Basis of preparation

The financial statements have been prepared on an accrual and going concern basis in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) and comply with the Financial Regulations of the IIEP Special Account as approved by the Executive Board of UNESCO and the rules formulated by the Director of the Institute as reported to the Governing Board.

The accounting policies set out below have been applied consistently in the preparation and presentation of these financial statements.

Financial period

In accordance with Article 2 of the Financial Regulations of the IIEP Special Account, the financial period shall begin on the first day of January and end on the thirty-first day of December each year. The financial statements are prepared on an annual basis.

Presentation and functional currency

The presentation currency of the financial statements is the United States dollar (USD) which is also the functional currency.

Foreign currency transactions

Foreign currency transactions carried out during the financial year are converted into US dollars using the United Nations Operational Rate of Exchange (UNORE) prevailing at the date of the transaction. The UNORE approximates market rates. Non-monetary items that are measured in terms of historical cost or fair value in a foreign currency are translated using the UNORE prevailing at the date of the initial transaction or when the fair value was determined. Monetary assets and liabilities that are denominated in foreign currencies are translated into US dollars at the exchange rate prevailing on the date of the Statement of Financial Position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

Segment reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information.

IIEP segments are presented by geographical operation or by programme specificity. They form a group of assets and operations and are clearly identified and defined by their areas of operation, and they contribute to the programmes and activities of the Institute (see [Note 28](#)).

Financial assets

IIEP's financial assets include cash, investments, accounts receivable from exchange and non-exchange transactions, receivable from UNESCO, and other receivables.

Financial assets within the scope of IPSAS 29 – Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables (L&R), held-to-maturity investments, or available-for-sale financial assets, as appropriate. IIEP determined the classification of its financial assets at initial recognition.

The subsequent measurement of financial assets depends on their classification. The classification depends on the purpose for which the financial assets are acquired, and is determined at initial recognition and re-evaluated at each reporting date.

Financial assets classified as L&R are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including term deposits with an initial maturity of more than three months from the date of acquisition, and term accounts. They are initially measured at fair value plus transaction costs and subsequently recorded at amortized cost using the effective interest rate method.

The following table presents the classification and measurement of IIEP's financial assets:

Financial assets	Classification	Subsequent measurement
Cash	L&R	Amortized cost
Investments	L&R	Amortized cost
Accounts receivable from exchange transactions	L&R	Amortized cost
Accounts receivable from non-exchange transactions	L&R	Amortized cost
Receivable from UNESCO	L&R	Amortized cost
Other receivables	L&R	Amortized cost

Impairment of financial assets

IIEP assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty.
- Default or delinquency in interest or principal payments.
- The probability that debtors will enter bankruptcy or other financial reorganization.
- Observable data indicate a measurable decrease in estimated future cash flows (e.g. presence of arrears, economic conditions that correlate with defaults).

Financial assets carried at amortized cost

For financial assets carried at amortized cost, IIEP first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If IIEP determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's current effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to IIEP. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance revenue in surplus or deficit.

Financial liabilities

IIEP's financial liabilities include accounts payable, payable to UNESCO, and other liabilities.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Cash

Cash includes cash in hand. Cash held in a fiduciary capacity (Programme Fiduciary Funds) that can only be used for a specific purpose are considered as restricted.

Investments

Investments classified under L&R are mainly term deposits with an initial maturity of more than three months but less than one year and term accounts, which are investments that may be realized within 12 months. These financial instruments are held with international banking groups which are assigned deposit ceilings in accordance with the Investment Policy of UNESCO.

IIEP classifies its investments as L&R that are initially measured at fair value plus transaction costs and subsequently recorded at amortized cost using the effective interest rate method (see [Note 6](#)).

Financial assets with maturities in excess of 12 months or not expected to be realized within 12 months at the reporting date are categorized as non-current assets. Other financial assets are classified as current assets.

Inventories

Inventories held for distribution at no-cost or nominal charge, consumption in the production of goods, or the provision of services at no-cost or nominal charge are valued at the lower of cost and current replacement cost.

Inventories held for sale are valued at the lower of cost and net realizable value.

Write-downs from cost to current replacement cost or net realizable value are recognized in the Statement of Financial Performance. Cost is determined using the first-in, first-out method.

Accounts receivable from non-exchange transactions, accounts receivable from exchange transactions, and other receivables

Receivables are initially measured at fair value and then their carrying value is adjusted for any allowance for estimated irrecoverable amounts. An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date, that IIEP will not be able to collect all amounts due according to the original terms of the receivables. The level of accounts receivable related to voluntary contributions does not require discounting.

Receivables are classified into current and non-current on the basis of the expected amounts to be received.

Advance payments and advance receipts

Advance payments

IIEP advances funds to staff and third parties under non-exchange contracts for the delivery of IIEP's programmes and activities. Such transfers to staff and third parties are treated as advance payments if the conditions on the transferred assets are not fulfilled at the reporting date.

Advance receipts

A liability is recognized for amounts received from donors where no binding agreement is yet in place at the time of the receipt of the asset from the donor. This is mainly common under framework agreements and other voluntary contributions where funds can be received before agreement is reached on the allocation of the contribution received from the donor. Assessed contributions received prior to the commencement of the relevant specified budget year are recorded as an asset and a corresponding advance receipt liability is recognized.

Property, plant, and equipment

Property, plant, and equipment (PP&E) is carried at cost less accumulated depreciation and impairment.

Heritage assets are not recognized in the financial statements, but appropriate disclosure is made in the notes to the financial statements.

Additions

The cost of an item of PP&E is recognized as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Institute and the cost of the item can be measured reliably.

An item of PP&E is recognized at its cost. When an asset is donated, its initial cost is measured as the fair value of the asset as at the date of acquisition.

Leasehold improvements are recorded at cost and presented at depreciated cost.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset, and are included in the Statement of Financial Performance.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Institute and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all PP&E other than land, at rates that will recognize the cost of the assets to their estimated residual values over their useful lives. The useful lives of major classes of assets have been estimated as follows:

Type of asset	Useful life (in years)
Leasehold improvement	15–50 years (or the shorter of lease term and useful life)
Communication and IT equipment	4
Vehicles	5
Furniture and fixtures	5
Other equipment	5

The residual values and useful lives of assets are reviewed and adjusted, if applicable, at each financial year-end.

Impairment

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that the book value of the asset may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. Any impairment loss is recognized in the Statement of Financial Performance. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. For this purpose, all property, plant, and equipment assets are considered as non-cash generating assets.

Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment. Intangible assets are capitalized in the financial statements.

Software acquisition and development

Acquired computer software licences are capitalized based on costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for use by IIEP are capitalized as an intangible asset. Direct costs include the software development employee costs and overheads which can be directly attributed to preparing the asset for use.

Amortization

Amortization is provided on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets over their useful lives. The useful lives of major classes of intangible assets have been estimated as follows:

Class of intangible asset	Useful life (in years)
Software acquired separately	5
Software internally developed	5
Licences and rights	2–6 years (or period of licence or right if shorter)

Accounts payable and accrued liabilities

Accounts payable are financial liabilities for goods and services that have been received by IIEP and invoiced but not yet paid by the reporting date.

Accrued liabilities are financial liabilities for goods and services that have been received by IIEP and which have neither been paid by nor invoiced to IIEP at the reporting date.

Provisions and contingent liabilities

Provisions are recognized for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event; it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not made for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are disclosed where a possible obligation is uncertain but can be measured, or where IIEP has a present obligation but cannot reliably measure the possible outflow of resources.

Employee benefits

The Institute recognizes the following categories of employee benefits:

- short-term employee benefits;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

Short-term employee benefits

Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. Short-term employee benefits comprise first-time employment benefits (assignment grants), regular monthly benefits (wages, salaries, allowances), compensated absences, and other short-term benefits (education grants, home leave, etc.).

An expense is recognized, under staff costs, when employees render service to the Organization and a liability is recognized for any entitlement that has not been settled at the reporting date.

Post-employment benefits

IIEP's post-employment benefits are comprised of after-service health insurance (ASHI) and United Nations Joint Staff Pension Fund (UNJSPF or 'the Fund').

The Institute participates in the UNESCO ASHI programme. UNESCO provides health insurance coverage to retired staff and their dependents. The right to benefit for such coverage (ASHI) is acquired and accumulated during the retirees' active service in the Institute. Under this programme, staff retiring, who have reached their fifty-fifth birthday and who have completed at least ten years of participation in the Medical Benefits Fund as at the date of their separation, may opt to remain (indefinitely) in that Fund as an associate participant with UNESCO continuing to participate in the funding of their contributions. The ASHI programme at UNESCO is a defined benefit plan for entities under common control.

UNESCO performs annually both a long-term projection and an actuarial valuation of the ASHI scheme to measure its employee benefits obligation. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other group entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual entities participating in the plan. The Institute, as well as other participating group entities, is not in a position to identify its share of the underlying financial position and performance of the plan on an IPSAS 39 – Employee Benefits basis with sufficient reliability for accounting purposes, and hence has recorded this plan as if it were a defined contribution plan. The contributions of the Institute to the UNESCO ASHI programme consists of contributions to the UNESCO Medical Benefits Fund assessed in accordance with the Rules of the UNESCO Medical Benefits Fund.

The Institute, being an integral part of UNESCO, participates in the UNJSPF, which was established by the United Nations General Assembly to provide retirement, death, disability, and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances, and other conditions of service of the United Nations and the specialized agencies. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. IIEP and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify IIEP's proportionate share of the defined benefit obligation, the plan assets, and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, IIEP has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39. IIEP's contributions to the Fund during the financial year are recognized as staff costs in the Statement of Financial Performance.

Other long-term employee benefits

Other long-term employee benefits are benefits which are expected to be settled more than 12 months after the end of the reporting year. This is comprised of accumulated leave and repatriation grants. The liability

recognized for these plans is the present value of the defined benefit obligations at the reporting date. The liability is calculated by an independent actuary using the Projected Unit Credit Method.

Interest cost, current service costs, and actuarial gains or losses arising from changes in actuarial assumptions or experience adjustments are recognized in the Statement of Financial Performance under staff costs.

The current portion of these other long-term benefits is presented in the current liabilities section of the Statement of Financial Position. The current portion is determined as the largest amount between the amounts due to be settled within 12 months after the reporting date or the amount for which IIEP does not have an unconditional right to defer settlement of the liability for at least 12 months.

Termination benefits

Termination benefits generally include indemnities for voluntary redundancy, and are expected to be settled within 12 months of the reporting date. This employee benefit is presented in the current liabilities portion of the Statement of Financial Position.

Tax

The Institute enjoys the privilege of tax-exemption. As such, the Institute's assets, income, and other property are exempt from all direct taxation.

Revenue recognition

Revenue from non-exchange transactions

Revenue from non-exchange transactions is measured based on the increase in net assets recognized. Where the full criteria for recognition of an asset under a non-exchange agreement are not fulfilled, a contractual right may be disclosed. The revenue from non-exchange transactions is as follows:

- **Assessed contributions**

Assessed contributions, made available from UNESCO in force of a specific signed agreement and presented as UNESCO financial allocation in the Statement of Financial Performance, are approved for each financial year and are recognized as revenue at the beginning of the relevant year as soon as the amounts are communicated to the Institute.

- **Voluntary contributions**

Voluntary contributions and other transfers which are supported by enforceable agreements are recognized as revenue at the time the agreement becomes binding and when control over the underlying asset is obtained, unless the agreement establishes a condition on transferred assets that requires recognition of a liability. Conditions are imposed by donors on the use of contributions, and include both a performance obligation to use the donation in a specified manner, and an enforceable return obligation to return the donation if it is not used in the specified manner. The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date.

As IIEP satisfies the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognized.

Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are recognized as revenue when received.

- **In-kind contributions**

In-kind contributions of goods that directly support approved operations and activities and can be reliably measured are recognized and valued at fair value. These contributions include the use of premises and utilities. In the case of the use of premises, the contribution value is based on the commercial rate for renting the building.

In-kind contributions of services, such as the services of volunteers, are not recognized.

Revenue from exchange transactions

Other sources of revenue from exchange transactions are measured at the fair value of the consideration received or receivable, and are recognized as goods and services are delivered.

Expenses

Under accrual accounting, expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets. Expenses are recognized when the transaction or event causing the expense occurs, and the recognition of the expense is therefore not linked to when cash or its equivalent is received or paid.

Expenses from non-exchange funding agreements are recognized when the funding is legally in force, except where the agreement establishes a condition on transferred assets. In such cases, expenses are recognized as services are performed, and the conditions on transferred assets are fulfilled consistent with the terms of the agreement. Advance payments are amortized based on objective evidence to reflect the risk of non-recovery.

Where revenue is recognized from in-kind contributions, a corresponding expense is also recognized in the financial statements.

Note 3: Accounting estimates, assumptions, and judgements

The preparation of financial statements in accordance with IPSAS requires making judgements, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities at the end of the reporting year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future years.

The areas where estimates, assumptions, or judgements are significant to IIEP's financial statements include, but are not limited to, employee benefits and provisions for litigation. Changes in estimates are reflected in the year in which they become known.

Judgements

In-kind contribution calculation for the use of premises

IIEP undertakes a valuation of the in-kind contribution for the use of premises. This exercise is performed by experts hired by IIEP.

The factors that impact the valuation are the following:

- availability of similar assets for rent; and
- office space shared with other organizations.

Estimates and assumptions

IIEP based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of IIEP.

Provisions for litigation

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Additional disclosure of these estimates of provisions is included in **Note 19**.

Employee benefits

The cost of employee benefits is determined using actuarial valuations, which involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, and future cost increases. Due to the complexities involved in the valuation and its long-term nature, an employee benefit liability is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details about employee benefits are provided in **Note 16**.

Note 4: Accounting standards issued

Accounting standards adopted during the year

- **IPSAS 40 – Public Sector Combinations:** this standard prescribes the principles, accounting, and disclosure requirements of a public sector combination and its effects. A public sector combination is the bringing together of separate operations into one public sector entity. IIEP has assessed that the adoption of this standard does not have an impact on the financial statements.
- **IPSAS 4 – The Effects of Changes in Foreign Exchange Rates:** in November 2018, IPSAS 4 was amended. The amendment provides direction on how to initially apply IPSAS 4 Appendix A – Foreign Currency Transactions and Advance Considerations. IIEP has assessed that the adoption of this amendment does not have an impact on the financial statements.
- **IPSAS 39 – Employee Benefits:** in November 2018, IPSAS 39 was amended. The amendment provides direction on how to apply plan amendments, curtailment, or settlements. IIEP has assessed that the adoption of this amendment does not have an impact on the financial statements.

Accounting standards issued and to be adopted at a later date

- **IPSAS 42 – Social Benefits:** this standard is effective for the annual reporting year beginning on or after 1 January 2022. The standard establishes principles and requirements on the recognition, measurement, and presentation of social benefits in the financial statements. IIEP has not yet assessed the impact of the adoption of this standard.
- **IPSAS 41 – Financial Instruments:** this standard is effective for annual reporting years beginning on or after 1 January 2022. The standard establishes the principles for financial reporting of financial assets and financial liabilities for the assessment of the amounts, timing, and uncertainty of an entity's future cash flows. IIEP has not yet assessed the impact of the adoption of this standard.
- **IPSAS 2 – Cash flows – Changes in Liabilities Arising from Financing Activities:** the amendment to this standard is effective for annual reporting years beginning on or after 1 January 2021. The amendment establishes the disclosure principles that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. IIEP has not yet assessed the impact of the adoption of this standard.

Note 5: Cash

Expressed in US dollars	2019	2018
Current accounts	11 425 634	10 360 100
Total cash	11 425 634	10 360 100

As at 31 December 2019, USD 7,107,436 (2018: USD 5,225,291) available under ongoing Extrabudgetary contracts for projects with conditions and USD 7,268 (2018: USD 364,017) received in advance for future years and programmes is considered restricted cash. The remaining balance of USD 4,310,930 (2018: USD 4,770,792) is for other programme operations and the Stabilization Reserve Account.

Note 6: Investments

Expressed in US dollars	2019	2018
Current portion		
Loans and receivables (L&R)		
Term accounts	5 000 000	5 000 000
Term deposits	5 580 350	—
Total current portion	10 580 350	5 000 000
Non-current portion		
L&R		
Term deposits	—	5 707 754
Total non-current portion	—	5 707 754
Total investments	10 580 350	10 707 754

The total amount at the end of 2019 includes the 2015 investment of USD 5,580,350 term deposit, generating an interest rate of 1.95%, that will mature on 14 October 2020 and the investment of USD 5,000,000 in a term account, generating an interest rate of 1.96%, that will mature on 4 December 2020.

Term deposits as at 31 December 2019 are held by the Institute in a fiduciary capacity.

Note 7: Inventories

Expressed in US dollars	2019	2018
Publications for sale	57 235	45 146
Publications for distribution	6 360	5 016
Gross inventories	63 595	50 162
Write-down	(37 308)	(28 985)
Net inventories	26 287	21 177

Publications include publications held for sale and publications issued free of charge. The cost of inventories includes a write-down of inventory to net realizable value.

The publications stock is mainly comprised of the Fundamentals of Educational Planning series which highlights the recent developments in educational planning, policies, and their implications on States and governments. The other categories are related to case studies, monographs, and other works carried out by the Institute's researchers within its area of operation.

Note 8: Accounts receivable (non-exchange transactions)

Expressed in US dollars	2019	2018
Extrabudgetary contracts (current)	1 699 338	783 804
Allowance for doubtful accounts	(342 276)	(337 804)
Total accounts receivable (non-exchange transactions)	1 357 062	446 000

The allowance for doubtful accounts from non-exchange transactions is an estimated irrecoverable amount based on an aged analysis of outstanding amounts at the reporting date.

Details of allowances and reversals of provisions for doubtful customers and receivables written off are as follows:

Expressed in US dollars	2019	2018
Opening balance	337 804	329 278
Additions	14 786	19 754
Recoveries and write-offs	(10 314)	(24 135)
Reclassifications	—	12 907
Allowance for doubtful accounts (non-exchange transactions)	342 276	337 804

Note 9: Accounts receivable from exchange transactions

Expressed in US dollars	2019	2018
Amounts receivable for goods and services	26 694	20 722
Allowance for doubtful accounts	(10 156)	(12 362)
Net receivables from exchange transactions	16 538	8 360

The allowance for doubtful accounts from exchange transactions is an estimated irrecoverable amount based on an aged analysis of outstanding amounts at the reporting date.

Details of allowances and reversals of provisions for doubtful customers and receivables written off are as follows:

Expressed in US dollars	2019	2018
Opening balance	12 362	20 440
Additions	4 703	10 339
Recoveries and write-offs	(6 909)	(5 510)
Reclassifications	—	(12 907)
Allowance for doubtful accounts (exchange transactions)	10 156	12 362

Note 10: Advance payments

Expressed in US dollars	2019	2018
Advances to staff	183 661	78 368
Other advances	265 444	147 328
Total advance payments	449 105	225 696

Advance payments to staff concern travel advances for staff members, whereas other advances relate to prepayments for goods and services not yet delivered.

Note 11: Other receivables

Expressed in US dollars	2019	2018
VAT receivables	98 310	254 477
Accrued interest	30 877	33 005
Total other receivables	129 187	287 482

IIEP enjoys the privilege of tax-exemption; however, it makes cash payments for value-added tax (VAT) due to its suppliers and contractors. The VAT receivables relate to VAT recoverable from fiscal authorities (the French Government).

Accrued interest is for term deposits maturing in 2019 and 2020 (see [Note 6](#)).

Note 12: Receivable from (payable to) UNESCO

Expressed in US dollars	2019	2018
Due to other institutes/field offices	—	(4 384)
Due from (due to) UNESCO HQ	1 145 558	(63 950)
Total receivable from (payable to) UNESCO balances	1 145 558	(68 334)

Receivable from UNESCO represents payments made by IIEP on behalf of UNESCO HQ or other institutes/field offices and vice versa. Balances are agreed upon by both parties and repaid on demand.

Note 13: Property, plant, and equipment

The movement of PP&E by asset class during the reporting year is as follows:

Expressed in US dollars	Leasehold improvements	Communication and IT equipment	Furniture & fixtures	Other equipment	Vehicles	Total
1 January 2019						
Cost	606 685	1 278 166	104 071	132 874	22 202	2 143 998
Accumulated depreciation	—	(932 460)	(41 024)	(124 605)	(15 171)	(1 113 260)
Carrying amount	606 685	345 706	63 047	8 269	7 031	1 030 738
Movements 12 months to 31 Dec 2019						
Additions	89 995	153 481	3 556	—	—	247 032
Disposals	—	(84 413)	—	(460)	—	(84 873)
Disposals depreciation	—	81 611	—	261	—	81 872
Depreciation	(42 467)	(157 223)	(16 759)	(3 124)	(4 441)	(224 014)
Total movements 31 December 2019	47 528	(6 544)	(13 203)	(3 323)	(4 441)	20 017
Cost	696 680	1 347 234	107 627	132 414	22 202	2 306 157
Accumulated depreciation	(42 467)	(1 008 072)	(57 783)	(127 468)	(19 612)	(1 255 402)
Carrying amount	654 213	339 162	49 844	4 946	2 590	1 050 755
1 January 2018						
Cost	—	1 419 019	42 047	202 451	22 202	1 685 719
Accumulated depreciation	—	(1 127 629)	(26 350)	(190 637)	(10 731)	(1 355 347)
Carrying amount		291 390	15 697	11 814	11 471	330 372
Movements 12 months to 31 Dec 2018						
Additions	606 685	178 796	62 024	—	—	847 505
Disposals	—	(329 019)	—	(69 577)	—	(398 596)
Disposals depreciation	—	327 755	—	69 577	—	397 332
Depreciation	—	(130 966)	(14 674)	(3 545)	(4 440)	(153 625)
Adj. cost prior years	—	9 370	—	—	—	9 370
Adj. depr. prior years	—	(1 620)	—	—	—	(1 620)
Total movements 31 December 2018	606 685	54 316	47 350	(3 545)	(4 440)	700 366
Cost	606 685	1 278 166	104 071	132 874	22 202	2 143 998
Accumulated depreciation	—	(932 460)	(41 024)	(124 605)	(15 171)	(1 113 260)
Closing balance as at 31 December 2018	606 685	345 706	63 047	8 269	7 031	1 030 738

At 31 December 2019 there are no heritage assets to declare, consistent as at 31 December 2018. The Institute has constructed improvements on leasehold property at the premises in Paris (France). Leasehold improvements are valued at historic cost.

Note 14: Intangible assets

Expressed in US dollars	Software	Software (work in progress)	Total
As at 1 January 2019			
Cost	—	142 330	142 330
Carrying amount	—	142 330	142 330
Movements 12 months to 31 December 2019			
Additions	53 007	28 562	81 569
Reclassifications	91 819	(91 819)	—
Amortization	(19 247)	—	(19 247)
Total movements 12 months	125 579	(63 257)	62 322
As at 31 December 2019			
Cost	144 826	79 073	223 899
Accumulated amortization	(19 247)	—	(19 247)
Carrying amount	125 579	79 073	204 652

Expressed in US dollars	Software (work in progress)
Carrying amount as at 1 January 2018	—
Movements 12 months to 31 December 2018	
Additions	142 330
Total movements 12 months	142 330
As at 31 December 2018	
Cost	142 330
Carrying amount	142 330

IIEP currently only recognizes software as intangible assets, as it is not considered probable that significant future economic benefits from copyrights and intellectual property will flow to IIEP.

Note 15: Accounts payable (exchange transactions) and accruals

Expressed in US dollars	2019	2018
Accruals	686 534	462 763
Suppliers payable	70 057	91 241
Total accounts payable (exchange transactions)	756 591	554 004

Note 16: Employee benefits

Expressed in US dollars	Actuarial valuation	IIEP valuation	2019	2018
Payroll and reimbursements	—	153 807	153 807	76 420
Accumulated annual leave	618 092	—	618 092	560 437
Repatriation benefits	91 006	—	91 006	45 425
Employee benefits (current)	709 098	153 807	862 905	682 282
Repatriation benefits	1 151 797	—	1 151 797	1 075 143
Employee benefits (non-current)	1 151 797	—	1 151 797	1 075 143
Total employee benefits	1 860 895	153 807	2 014 702	1 757 425

Employee benefits – current

Current or short-term employee benefits include payroll and allowances, education grants, home leave, accumulated annual leave (AAL), and the current term portion of repatriation grants.

Notwithstanding that AAL is fully included in short term as required by the standards since IIEP does not have an unconditional right to defer settlement of the liability for at least 12 months, expected payments in the next year are anticipated to be USD 618,092 for AAL.

Accumulated annual leave

IIEP staff can accumulate unused annual leave up to a maximum of 60 working days. On separation from IIEP, staff members are entitled to receive a sum of money for AAL that they hold at the date of separation.

Employee benefits – non-current

Non-current employee benefits relate to post-employment and other long-term employee benefits. This includes the long-term portion of the repatriation benefits.

Repatriation benefits

A staff member who has completed one year of continuous service outside the country of his/her recognized home is entitled upon separation from IIEP to a repatriation grant payable on the basis of completed years and months of qualifying service outside the country of his/her recognized home. For eligible staff members hired after 1 July 2016 the grant is payable starting on five years of expatriate service according to the current scale. Staff members are also entitled to travel and removal costs for repatriation on separation from IIEP.

Actuarial valuations

An actuarial valuation was carried out to calculate IIEP's estimated liability related to AAL and repatriation grants. The following assumptions and methods have been used to determine the value of these benefits as at 31 December 2019:

Discount rate	1.00% – the rate used is based on the Mercer Yield Curve as of 31/12/2019 with a maturity around 10 years (1.75% at 31/12/2018).
Inflation rate	1.75% (1.75% at 31/12/2018).
Pre-retirement mortality tables	2019 UN in-service mortality tables. (2017 UN generational mortality tables at 31/12/2018).
Salary increase rate	2% for annual leave. For repatriation grant a linear increase from 1.21% to 1.75% between 2020 and 2030 and 1.75% per year from 2031 and beyond (1.75% at 31/12/2018).
Retirement age	Age 65 for all employees for all benefits.
Turnover	Based on a study of UNESCO's turnover rates from 2017 to 2019.
Repatriation benefits	It is assumed that 75% of staff eligible for repatriation benefits on leaving actually claim their entitlement (80% at 31/12/2018). Repatriation travel and removal are estimated at USD 7,718 for staff members without dependents and USD 5,916 for staff members with at least one dependent (USD 6,605 and USD 8,014 respectively at 31/12/2018).
Accumulated annual leave	As the accumulation of annual leave by employees historically remains stable year on year, it is assumed that the total accumulated balance is a long-term employee benefit taken by staff members on separation from IIEP.

The following tables and text provide additional information and analysis on employee benefit liabilities calculated by actuaries:

Expressed in US dollars	Accumulated annual leave	Repatriation benefits	2019 Total
Defined benefit obligation 1 January	560 437	1 120 568	1 681 005
Employee benefits	560 437	1 120 568	1 681 005
Movements for year ended 31 December			
Service cost	34 551	70 071	104 622
Interest cost	9 578	19 212	28 790
Benefits paid	(22 543)	(51 919)	(74 462)
Actuarial loss	39 671	84 871	124 542
Foreign exchange difference	(3 602)	—	(3 602)
Defined benefit obligation for the year ended 31 December	618 092	1 242 803	1 860 895

Expressed in US dollars	Accumulated annual leave	Repatriation Benefits	2018 Total
Defined benefit obligation 1 January	554 190	1 073 460	1 627 650
Employee benefits	554 190	1 073 460	1 627 650
Movements for year ended 31 December			
Service cost	42 479	64 327	106 806
Interest cost	8 404	16 572	24 976
Benefits paid	(24 044)	(32 375)	(56 419)
Actuarial gain	(11 582)	(1 416)	(12 998)
Foreign exchange difference	(9 010)	—	(9 010)
Defined benefit obligation at the year ended 31 December	560 437	1 120 568	1 681 005

Actuarial loss for AAL and repatriation benefit obligations recognized amount to USD 124,542 for the year ended 31 December 2019. For year ended 31 December 2018 the actuarial gains for AAL and repatriation benefits obligations amount to USD 12,998.

The annual expenses amounts recognized in the Statement of Financial Performance are as follows:

Expressed in US dollars	Accumulated annual leave	Repatriation benefits	2019 Total
Service cost	34 551	70 071	104 622
Interest cost	9 578	19 212	28 790
Actuarial loss	39 671	84 871	124 542
Total expenses recognized for the year	83 800	174 154	257 954

Expressed in US dollars	Accumulated annual leave	Repatriation benefits	2018 Total
Service cost	42 479	64 327	106 806
Interest cost	8 404	16 572	24 976
Actuarial gain	(11 582)	(1 416)	(12 998)
Total expenses recognized for the year	39 301	79 483	118 784

The expected contribution of IIEP in 2020 to the AAL and repatriation benefits is respectively USD 75,400 and USD 91,005, which represents expected benefit payments for the year.

After-service health insurance

Contributions made during the year amount to USD 336,632. For the year ended 31 December 2018, the contributions amounted to USD 319,695.

United Nations Joint Staff Pension Fund

IIEP participates in UNESCO's financial obligation to the United Nations Joint Staff Pension Fund (UNJSPF or 'the Fund') consisting of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities. The latest actuarial valuation for the Fund was completed as of 31 December 2017, and the valuation as of 31 December 2019 is currently being performed. A roll forward of the participation data as of 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.

The actuarial valuation as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2%. The funded ratio was 102.7% when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as of 31 December 2017, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid by member organizations to the Fund during the three years preceding the valuation date. Total contributions paid by member organizations to the Fund during the preceding three years (2016, 2017, and 2018) amounted to USD 7,131.56M, of which 2.25% was contributed by UNESCO.

During 2019, contributions paid to the Fund by employers of member organizations amounted to USD 39.7M (2018: USD 37M). Expected contributions due in 2020 are approximately USD 40.8M.

Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments and these can be viewed by visiting the Fund at www.unjspf.org.

The Institute's contributions made during the year amount to USD 1,992,462. For the year ended 31 December 2018, the contributions amounted to USD 1,761,558. The Institute identified that the amount reported in its 2018 financial statements was incorrect. The 2018 comparative amount of contributions has been corrected from USD 59,353 to USD 1,761,558.

Note 17: Voluntary contributions with conditions – Extrabudgetary contracts

Expressed in US dollars	2019	2018
Condition on voluntary contribution		
1 January	5 225 291	4 678 371
Movements for the year ended 31 December		
Reversal of condition	(4 893 091)	(1 666 704)
Increase of condition	6 775 236	2 213 625
Condition on voluntary contribution at the year ended 31 December	7 107 436	5 225 292

The Institute recognizes as a liability conditions attached to Extrabudgetary contracts. Conditions are imposed by donors on the use of funds, and include both a performance obligation to use the funds in a specified manner, and an enforceable obligation to return the funds if they are not used in the specified manner. The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As the Institute satisfies the conditions on these Extrabudgetary projects/contracts through performance in the specified manner, the balance of the liability is reduced and an amount of revenue equal to that reduction is recognized.

In 2019, IIEP reversed conditions amounting to USD 4,893,091: USD 745,109 for the EU-funded Haiti project; USD 364,969 for the Agence Française de Développement project Plateforme d'expertise en formation professionnelle (PEFOP); USD 2,891,828 for the project AFD Quality; USD 830,786 for the AFD convention 2013; and USD 60,399 for the Annual Training Programme (ATP).

The new conditions in 2019 amount to USD 6,775,236: USD 1,023,238 for the EU-funded Haiti project; USD 406,086 FPI EU funding; USD 2,224,700 for the AFD project PEFOP; USD 2,746,292 for the project AFD Quality; USD 283,635 for the AFD project in Burundi; and USD 91,285 for the ATP.

Note 18: Advance receipts

The Institute recognizes as a liability advance receipts related to future years and within the framework of future programme activities. The amount indicated concerns voluntary contributions from Mexico and fees for the long- and short-term participants of the ATP.

Expressed in US dollars	2019	2018
Voluntary contributions received in advance	7 268	364 017
Advance receipts	7 268	364 017

Note 19: Other current liabilities

The Institute recognizes a provision when there is a present legal obligation as a result of a past event.

A best estimate of the amount to settle these outstanding obligations has been included in these financial statements, updated with the exchange rate applicable at the end of the year. The total amount accrued amounts to USD 480,450 (USD 526,129 in 2018).

Expressed in US dollars	2019	2018
Provision for litigation	480 450	526 129
Deferred income	188 838	198 284
Total other current liabilities	669 288	724 413

The deferred income of USD 188,838 (2018: USD 198,284) shows customer invoices already booked but related to 2020.

Provision for litigation movements:

Expressed in US dollars	2019
As at 1 January 2019	
Current portion	526 129
Non-current portion	—
Total	526 129
Movements during the year	(45 679)
As at 31 December 2019	
Current portion	480 450
Non-current portion	—
Total	480 450

Note 20: Net assets

Expressed in US dollars	1 January 2019 opening reserves	Surplus / (Deficit) for the year	Other adjustments to reserves	31 December 2019
Stabilization Reserve Account	9 666 267	—	351 303	10 017 570
Return of funds to donors	(505 642)	—	(46 298)	(551 940)
Other surpluses	5 375 528	1 262 878	(274 193)	6 364 213
Total net assets	14 536 153	1 262 878	30 812	15 829 843

Other surpluses consist of surpluses accumulated from previous years. These surpluses can be carried forward from one financial year to the next.

The following table provides the net assets details for the year ended 31 December 2018:

Expressed in US dollars	1 January 2018 opening reserves	Surplus / (Deficit) for the year	Other adjustments to reserves	31 December 2018
Stabilization Reserve Account	9 003 351	—	662 916	9 666 267
Return of funds to donors	(499 679)	—	(5 963)	(505 642)
Other surpluses	10 444 244	(4 432 182)	(636 534)	5 375 528
Total net assets	18 947 916	(4 432 182)	20 419	14 536 153

In accordance with Resolution 251 adopted by the Executive Committee of the Governing Board at its 28th Session in June 1993, the Director of IIEP established a Stabilization Reserve Account. The purpose of the Account is:

- a) to provide resources, through interest gained, which would enable the Institute to finance its yearly programme at a level compatible with the expectations of the Member States;
- b) to cover the payment of separation and other benefits of retiring or departing staff members of the Institute; and
- c) to provide resources, from the accrued capital, in order to finance the Institute's yearly programme, should exceptional economic or financial conditions warrant it, on the understanding that these resources will be returned to the Account within a financial year not exceeding three years.

The Account is administered in accordance with the Financial Regulations and Rules of the IIEP Special Account for Education Planning. During 2019, an amount of USD 591,157 (2018: USD 528,777), representing 5% of the Institute's previous year's payroll, and USD 178,862 of the previous year's interest gains for investments were added to this Account, as required by the Account's Financial Regulations.

Actuarial gains and losses reserves arise from the valuation of long-term employee benefits. Since 2017, these two reserves have been distributed between the Restricted and General Fund reserve, which constitute the Institute's main reserves.

Expressed in US dollars	2019	2018
Balance of Stabilization Reserve		
Account as at 1 January	9 666 267	9 003 351
Transfers of interest from previous year	178 863	126 296
5% of the Institute's previous year's payroll	591 157	528 777
Other transfers	—	7 843
Sub-total	10 436 287	9 666 267
Termination indemnity	(418 717)	—
Total Stabilization Reserve Account	10 017 570	9 666 267

Note 21: Revenue

Expressed in US dollars	2019	2018
UNESCO financial allocation	2 140 100	2 140 100
Voluntary contributions		
Voluntary contributions – Regular Programme	10 546 632	7 221 255
Voluntary contributions – Extrabudgetary	6 237 117	3 862 410
Voluntary contributions – Extrabudgetary inter-organization	1 318 530	1 574 584
In-kind voluntary contributions	1 887 397	1 714 314
Total voluntary contributions	19 989 676	14 372 563
Other revenue producing activities		
Revenue producing activities	894 761	687 803
Income from services rendered	173 758	157 835
Total other revenue producing activities	1 068 519	845 638
Other revenue		
Other revenue	252	150
Total other revenue	252	150
Finance revenue	356 492	310 466
Total revenue	23 555 039	17 668 917

The in-kind voluntary contributions correspond to the market value of the rental of IIEP premises. The Institute benefits from the use of its premises at no cost in Dakar from the UNESCO Office in Dakar, in Paris from the Government of France, and in Buenos Aires from the Government of Argentina. Estimated rental value for the year: USD 45,253 (Senegal), USD 1,714,645 (France), and USD 127,500 (Argentina). Estimated rental value for the year 2018 amounted to: USD 59,024 (Senegal), USD 1,529,290 (France), and USD 126,000 (Argentina).

Income from services rendered include services provided to internal and external partners for consultation towards programme activities in line with UNESCO's mandate, and specifically IIEP's mandate. This is a net revenue after inter-fund eliminations.

Revenue producing activities include training programmes that IIEP offers on educational planning and management which are attended by trainees from all over the world. Funding from Governments of Member States or other donors' funding provide the necessary resources to finance participants' attendance of these programmes.

Note 22: Expenses

Expressed in US dollars	2019	2018
Staff costs		
International and national staff	12 006 327	11 029 488
Temporary staff	765 806	1 805 079
Other personnel costs	444 021	427 242
Total staff costs	13 216 154	13 261 809
Consultants, external experts, and mission costs		
Consultants	1 859 883	1 938 898
Staff mission costs	1 005 091	891 484
Delegates' and external individuals' missions	125 397	118 849
Other contracts	144 449	162 909
Total consultants, external experts, and mission costs	3 134 820	3 112 140
External training, grants, and other transfers		
Financial contributions	6 389	—
Grants and fellowships	376 271	308 067
External training and seminars	522 470	405 508
Total external training, grants, and other transfers	905 130	713 575
Supplies, consumables, and other running costs		
Communications	144 314	168 451
Equipment	221 839	207 159
Leases	1 958 546	1 754 558
Utilities	190 851	197 711
Maintenance and repairs	62 666	36 747
Other supplies	112 997	170 988
Total supplies, consumables, and other running costs	2 691 213	2 535 614
Contracted services		
Contracted research	—	—
Contracted seminars and meetings	24 854	59 406
Contracted document production	31 216	26 215
Other contracted services	1 818 002	1 871 803
Total contracted services	1 874 072	1 957 424
Depreciation and amortization	243 261	153 626
Total depreciation and amortization	243 261	153 626
Other expenses		
Foreign exchange losses	103 052	284 078
Other operating expenses	106 655	73 574
Loss on disposal	3 001	1 264
Total other expenses	212 708	358 916
Total finance costs	14 803	7 995
Total expenses	22 292 161	22 101 099

Expenses are broken down by their nature of expenditure. They relate to payments for the execution of the programme, the Governing Board, Directorate activities, and the Administration. In addition to these are the expenses for depreciation and amortization, rental of facilities, foreign exchange rate losses, and contracts for document reproduction which comprise IIEP's inventories.

Staff costs

International and national staff expenses include salaries, post adjustments, entitlements, and pension and health plan contributions for Professional and General Service category staff. This line also includes movements in the actuarial liability for AAL and repatriation benefits. Temporary staff expenses include all costs relating to the employment of temporary staff. Other personnel costs include reimbursement of medical benefits funds, medical claims, and the movement in the ASHI actuarial liability where this is recognized in the Statement of Financial Performance. This line also includes staff travel expenses which are not related to mission costs (home leave, family visits, education grants, interviews, separation).

Consultants, external experts, and mission costs

Consultants' expenses represent the cost of contracting consultants, including insurance and travel expenses. Staff mission costs are the mission and training costs for IIEP staff and temporaries. These principally concern travel and per diem expenses. Delegates' and external individuals' mission costs are travel and per diem expenses of representatives, delegates, individuals, and others (i.e. non-staff).

External training, grants, and other transfers

Financial contributions include contributions made to UN joint activities, publications, conferences, and programme activities. Grants and fellowships include study grants, fellowships, subventions, sponsorships, and grant-in-aid. Expenses for external training and seminars are mainly travel and per diem costs for participants.

Supplies, consumables, and other running costs

Communications expenses concern mainly telephone and postal/freight costs. Equipment expenses represent equipment purchases and costs during the year which do not meet the criteria for capitalization as PP&E or intangible assets. This line includes the expense which corresponds to the in-kind voluntary contribution for leases provided to IIEP at no cost. Maintenance and repairs expenses are mainly those incurred in relation to IIEP premises, including building renovation that does not meet the criteria for capitalization as PP&E. Other supplies include office supplies.

Contracted services

Contracted services represent expenses where IIEP has engaged a third party to perform work on behalf of IIEP. Major categories of these types of arrangement include research, seminars and meetings, and document production. Significant amounts fall within the category 'Other contracted services'. It should be noted that under certain arrangements, especially non-exchange contracts with not-for-profit organizations and government ministries for the implementation of activities under IIEP's mission and mandate, contracts are established which cover several types of services and work which cannot easily be allocated to a single category of contracted services.

Depreciation and amortization

Depreciation is the expense resulting from the systematic allocation of the depreciable amounts of PP&E over their useful lives (see [Note 13](#)). Amortization is the expense resulting from the systematic allocation of the amortizable amount of intangible assets over their useful lives (see [Note 14](#)).

Other expenses, foreign exchange, and finance costs

Other expenses are essentially composed of the allowance for doubtful accounts from exchange and non-exchange transactions based on an aged analysis of outstanding amounts at the reporting date.

Finance costs are mainly due to bank charges and commissions.

Note 23: Contractual rights

Under a number of existing voluntary contribution agreements, IIEP will gain control of the voluntary contribution asset (contributions receivable) if certain stipulations set out in the agreement are met by the Institute. Until the stipulations are met, these assets are not recognized in the Statement of Financial Position.

As at 31 December 2019, there are voluntary contributions with an approximate value of USD 31,036,008 (2018: USD 32,905,862) under existing agreements where it is considered probable that IIEP will meet the stipulations set out in the agreement.

Note 24: Budget

The budget is approved on a cash basis, whereby receipts are budgeted when it is planned that cash will be received and expenditures are budgeted when it is planned that payments will be made. The expenditures are classified between the regular and Extrabudgetary programmes.

Adjustments to appropriation

Appropriations represent amounts that have been approved by the Governing Board (GB or 'the Board') for different programme elements to the extent that funds are available. These appropriations can be increased, at the discretion of the Director of the Institute, through the transfer of additional contributions as long as these additional funds are used for purposes of the programme authorized by the Board and for purposes falling within the mandate of the Institute.

As stipulated in the GB Resolution n° 563 (paras. d and e) of the 59th GB, the Director is authorized to accept additional voluntary contributions, increase appropriations accordingly, and make transfers between appropriations lines within the limits authorized by the Board.

Governing Board Resolution

A comparison between the GB Resolution and the year-end total expenditure is provided. The presentation of the reconciliation of the accounts and budget, Statement V, separates the regular budget as voted in Resolution n° 561 from the Extrabudgetary programme of the same Resolution.

Extrabudgetary programme and other funds expenditure

The Director of IIEP is authorized to receive funds or assistance in kind from governments; international, regional, or national organizations; governmental or non-governmental institutions; and other bodies, as well as from individuals, for the implementation of the programmes, projects, or other activities consistent with the aims, policies, and activities of IIEP and of UNESCO, and to incur obligations for such activities in accordance with the Regulations and Rules of the IIEP Special Account and/or the Regulations and Rules of UNESCO and the agreements made with the donors.

The approved budget covers the financial year from 1 January 2019 to 31 December 2019. The budget situation as at 31 December 2019, which concerns only allotments for the year 2019, shows non-implemented activities of USD 1,100,450. The total expenditure figure of USD 20,889,399 at this date contains

unliquidated obligations (ULO) amounting to USD 1,998,970 and a reduction of USD 2,633,895 for inter-fund eliminations.

The budget and the accounting bases differ. The budget is prepared on a modified cash basis whereas the financial statements are prepared on the accrual basis. A Statement of Comparison of Budget and Actual Amounts is provided in these financial statements (see Statement V). Reconciliations between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the financial statements for the year ended 31 December 2019 are presented.

Reconciliation: Budgetary result with net surplus

Expressed in US dollars	2019
Surplus / (Deficit) for the year	1 262 878
Less of income	(1 565 190)
ULOs	(1 998 970)
Accounting basis adjustments:	
Rental of premises (in-kind)	1 887 397
Foreign exchange losses	103 052
Prior year ULO expenditure	1 046 051
Depreciation	243 261
Accruals reversal	(364 580)
Accruals	615 070
Advance payments	(10 438)
Operating gains/(losses)	7 042
Employee benefits	211 488
New acquisitions property, plant, and equipment	(328 601)
Other adjustments	(8 010)
Total accounting adjustments	3 401 732
Budget result on budgetary basis	1 100 450

In order to reconcile the budget actual amounts to the net surplus per the Statement of Financial Performance, budget accounting and financial statements accounting have to be taken into account.

The budget is prepared using the best knowledge of donor contributions and expenditure estimates. The financial statements are prepared on a full accrual basis in compliance with IPSAS requirements. The principal adjustments impacting the reconciliation between the budget and the Statement of Financial Performance are as follows:

- ULOs not recognized under accrual accounting.
- Capital expenditures capitalized and depreciated over useful lives under accrual accounting (generally recorded as current-year expenses in the budget).
- In accrual accounting, employee benefit obligations are reported in the Statement of Financial Position, and movements in the obligation can impact the Statement of Financial Performance.

Reconciliation: Budgetary result with net cash flow

2019 Expressed in US dollars	Operating activities	Investing activities	Financing activities	Total
Actual net surplus as per the Statement of Comparison of Budget and Actual Amounts				
<i>Budget result on budgetary basis</i>	1 100 450	—	—	1 100 450
Basis differences				
<i>ULO</i> s	1 998 970	—	—	1 998 970
<i>Additional income</i>	1 565 190	—	—	1 565 190
<i>Other basis differences</i>	(3 401 732)	—	—	(3 401 732)
<i>Timing differences</i>	104 631	(328 601)	77 110	(146 860)
Actual amount in the Statement of Cash Flow	1 367 509	(328 601)	77 110	1 116 018

Basis differences

The budget is prepared on a cash basis. It includes non-cash elements in the form of ULOs and non-received assessed contributions. In order to reconcile the budgetary result with the Statement of Cash Flow, these non-cash elements are removed as basis differences.

Timing differences

The budget and the Statement of Cash Flow both represent the cash and accrued amounts for the year ended 31 December 2019.

Presentation differences

Presentation differences concern differences in the format and classification schemes in the Statement of Cash Flow and the Statement of Comparison of Budget and Actual Amounts.

Unliquidated obligations

Expressed in US dollars	2019	2018
Opening balance, 1 January	1 689 039	1 821 794
Less payments against ULOs	(1 046 051)	(880 467)
Savings on prior year ULOs	(603 418)	(849 519)
Total prior year ULOs	39 570	91 808
Current year ULOs	1 998 970	1 597 231
Total ULOs	2 038 540	1 689 039

For budgetary purposes the Institute records ULOs, which are commitments that are not recognized in the Statement of Financial Position. These ULOs concern budget commitments which have not yet given rise to the delivery of a service at the reporting date and real accruals for goods and services received but not yet invoiced and for travel which has taken place during the year. ULOs are included in the actual amounts of the budget expenditure as at 31 December 2019. Total ULOs at the reporting date are USD 1,998,970 (USD 1,597,231 in 2018).

Budget commitments are not recorded in the financial statements whereas real accruals are recognized in accordance with IPSAS.

Note 25: Financial risk management

The Institute's financial risks are managed in accordance with the risk management policies of UNESCO. UNESCO's risk management policies, along with its Investment Policy and the Financial Regulations and Rules of the Special Account of IIEP, aim to minimize potential adverse effects on the resources available to IIEP to fund its activities. The primary objective of UNESCO's Investment Policy is the preservation of the value of resources of the organization. Within this general objective, the principal considerations for investment management are, in order of priority, security of principal, liquidity, and rate of return. UNESCO has an Investment Committee comprised of senior management representatives and external member(s) who advise the Chief Financial Officer on the investment and cash management policies of UNESCO, on overall investment strategy, and on related risk management.

Fair value of financial assets and liabilities

The fair value of cash, investments, accounts receivable from exchange and non-exchange transactions, receivable from UNESCO, and other receivables approximate their recorded carrying amount due to their short-term nature.

The fair value of accounts payable, payable to UNESCO, and other liabilities approximate their carrying value.

Credit risk

Credit risk is the risk of financial loss to the Institute if customers or counterparties to financial instruments fail to meet their contractual obligations. It mainly arises from IIEP's cash, investments, and receivables.

- **Investments and cash**

The investment management function is centralized at UNESCO HQ: field offices and institutes are not permitted to engage in investing. In accordance with its Investment Policy, UNESCO applies limits on investment counterparty exposures to mitigate credit risk. These limits are based on several criteria including a minimum long-term rating of A-, a minimum short-term rating of A-1, and all investment counterparties being established in a country with a long-term rating of at least AA-. All investments were compliant with UNESCO's Investment Policy.

- **Receivables**

Receivables are mainly from donors and fellowships. An allowance is established when there is objective evidence, based on a review of outstanding amounts at the reporting date that a State will not comply with the original terms of the receivables.

Liquidity risk

Liquidity risk is the risk that IIEP might not have adequate funds to meet its obligations as they fall due. The Institute ensures on the basis of cash flow forecasts that it has sufficient cash on demand to meet expected operating expenses.

As at the year end, IIEP's cash and short-term investments amount to USD 22,005,984 which is substantially more than the current liabilities equaling USD 9,403,488. Therefore, the Institute is not exposed to a significant liquidity risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of a financial instrument fluctuates due to changes in foreign exchange rates. IIEP is exposed to foreign exchange risk on revenues and expenses denominated in foreign currencies, predominately euros. A 1% increase or decrease in the exchange rate would not have a material impact on the financial statements.

The Split Assessment System, whereby the Institute receives a portion of assessed contributions in euros in order to cover expenses which are denominated in that currency, is a means of ensuring that most of the exposure to exchange fluctuations between euros and US dollars is mitigated.

Foreign currency risk related to IIEP's Extrabudgetary activities is managed through individual project budget planning for foreign currency expenditure.

Interest rate risk

Interest rate risk arises from the effects of market interest rate fluctuations on the fair value of financial assets and liabilities and/or on future cash flows. The Institute is mainly exposed to interest rate risk on its financial interest-bearing assets.

A 1% increase or decrease in interest rates would not have a material impact on the financial statements.

Concentration risk

The concentration risk of IIEP is mitigated by the counterpart and country limits established by the Investment Policy of UNESCO.

The maximum exposure to any single banking group is limited to 7% or 10% of UNESCO's internally managed investment portfolio depending on the financial rating of the counterpart.

Furthermore, the exposure to a specific country should not exceed 25% of the portfolio, except for France, which, as the host country of the Organization, has a limit of 35% with a condition that 10% of this 35% is allocated in instruments that are cashable within three business days.

All investments were compliant with UNESCO's Investment Policy.

Note 26: Capital management

IIEP defines the capital that it manages as the aggregate of its net assets, which is comprised of accumulated balances and reserves. IIEP's objectives in managing capital are to safeguard its ability to continue as a going concern to fund its asset base and to fulfil its mission and objectives. IIEP's overall strategy with respect to capital management includes the balancing of its operating and capital activities with its funding on an annual basis.

IIEP manages its capital structure in light of global economic conditions, the risk characteristics of the underlying assets, and working capital requirements. IIEP manages its capital by reviewing, on a regular basis, the actual results against the budgets approved by the Governing Board.

Note 27: Related party disclosures

Governing bodies

The Institute is administered by its Governing Board ('the Board') which is composed of 12 members including the Chairperson and an Executive Committee of four members, which acts on behalf of the Board. The members are chosen for their competence and sit in a personal capacity. They do not receive any remuneration from IIEP.

The Board meets once a year whereas the Executive Committee meets once every two years. In exceptional circumstances, the Executive Committee may choose to meet. The Institute incurs the costs related to travel and subsistence of the members for the execution of their duties.

Receivable from/payable to UNESCO

These transactions are transactions between IIEP and UNESCO, the controlling entity. Inter-entity transactions are recorded on a gross basis. The services received without charge are not recorded. The main services received without charge are the following:

- payroll management services,
- information technology services, and
- legal services.

Key management personnel

Key management personnel are the members of the management team, which has the authority and responsibility for planning, directing, and controlling the activities of IIEP. There are currently 10 individuals considered key management personnel in 2019:

- IIEP's Director
- Deputy Director
- Technical Cooperation Team Leader
- Training and Education Programmes Team Leader (new appointment)
- Research & Development Team Leader
- Publications & Communications Team Leader (new appointment)
- Library & Institutional Knowledge Team Leader
- Administration Team Leader
- Head of Office (Buenos Aires)
- Head of Office (Pôle de Dakar)

Two individuals departed in 2019: Training and Education Programmes Team Leader and Publications & Communications Team Leader.

The aggregate remuneration paid to key management personnel includes net salaries; post adjustment; entitlements such as allowances, grants, and subsidies; and employer pension and health insurance contributions.

Key management personnel also qualify for post-employment benefits (see [Note 16](#)) at the same level as other employees. Key management personnel are ordinary members of the UNJSPF.

	2019	2018
Number of individuals	12	10
Expressed in US dollars		
Compensation and post adjustment	1 485 571	1 395 370
Entitlements (allowances, grants, and subsidies)	128 399	99 734
Pension and health plans	433 790	382 308
Total remuneration	2 047 760	1 877 412
Outstanding advances against entitlements	29 816	—
Reimbursement of US income tax	15 012	11 311

Advances are those made against entitlements in accordance with staff rules and regulations. Loans granted to key management personnel are those granted under staff rules and regulations. Advances against entitlements and loans are widely available to all IIEP staff.

Note 28: Segment information

Segment information is based on geographical operation and programme specificity. The segment information is provided for:

IIEP Paris: The regular and the Extrabudgetary programmes respond to the strategic objectives and outputs as outlined in IIEP's Medium-Term Strategy. Programme operations are carried out at national, regional, inter-regional, and global levels.

IIEP Buenos Aires: Programme operations are similar to IIEP Paris. However, the Buenos Aires Office responds more often, though not exclusively, to services requested from Member States within the Latin America region.

Fellowships: From October to June, IIEP offers an annual intensive training programme on educational planning and management, which is attended by Fellows from all over the world. Funding from Governments of Member States or other donors' funding provides the necessary resources to finance participants' attendance of this programme. The residential course in Paris runs from January to June.

IIEP Pôle de Dakar: Pôle de Dakar is a platform of expertise for education sector analysis and monitoring global education goals in Africa. Pôle de Dakar also receives other contributions for the execution of projects within its area of expertise.

FINANCIAL POSITION BY SEGMENT AS AT 31 DECEMBER 2019

Expressed in US dollars	IIEP Paris	IIEP Buenos Aires	Fellowships	IIEP Pôle de Dakar	Inter-fund eliminations	TOTAL
ASSETS						
Current assets						
Cash	6 139 124	1 011 189	649 410	3 625 911	—	11 425 634
Investments	10 580 350	—	—	—	—	10 580 350
Inventories	26 287	—	—	—	—	26 287
Account receivable (non-exchange transactions)	1 020 274	8 800	38 061	289 927	—	1 357 062
Account receivable (exchange transactions)	5 297	—	11 032	209	—	16 538
Advance payments	321 984	26 800	—	100 321	—	449 105
Other receivables	129 187	—	—	—	—	129 187
Receivable from UNESCO	1 499 695	(701)	884 666	712 102	(1 950 204)	1 145 558
Total current assets	19 722 198	1 046 088	1 583 169	4 728 470	(1 950 204)	25 129 721
Non-current assets						
Property, plant, and equipment (PP&E)	994 103	6 183	—	50 469	—	1 050 755
Intangible assets	204 652	—	—	—	—	204 652
Total non-current assets	1 198 755	6 183	—	50 469	—	1 255 407
TOTAL ASSETS	20 920 953	1 052 271	1 583 169	4 778 939	(1 950 204)	26 385 128
LIABILITIES						
Current liabilities						
Accounts payable and accruals	576 198	50 301	—	130 092	—	756 591
Employee benefits	668 660	16 594	—	177 651	—	862 905
Voluntary contributions with conditions – Extrabudgetary	2 916 917	—	91 285	4 099 234	—	7 107 436
Advance receipts	7 268	—	—	—	—	7 268
Other current liabilities	415 051	65 399	119 642	69 196	—	669 288
Payable to UNESCO	—	960 557	989 647	—	(1 950 204)	—
Total current liabilities	4 584 094	1 092 851	1 200 574	4 476 173	(1 950 204)	9 403 488
Non-current liabilities						
Employee benefits	712 786	10 845	—	428 166	—	1 151 797
Total non-current liabilities	712 786	10 845	—	428 166	—	1 151 797
TOTAL LIABILITIES	5 296 880	1 103 696	1 200 574	4 904 339	(1 950 204)	10 555 285
NET ASSETS	15 624 073	(51 425)	382 595	(125 400)	—	15 829 843
TOTAL NET ASSETS/EQUITY BALANCE AT THE BEGINNING OF THE YEAR	14 497 029	327 921	139 389	(428 186)	—	14 536 153
Other adjustments	63 794	—	—	13 316	—	77 110
Return of funds to donors	(10 111)	—	—	(36 187)	—	(46 298)
Total items recogn. directly in Net Assets	53 683	—	—	(22 871)	—	30 812
Surplus/(Deficit) for the year	1 073 361	(379 346)	243 206	325 657	—	1 262 878
Total recognized revenue and expense for the year	1 127 044	(379 346)	243 206	302 786	—	1 293 690
NET ASSETS AT THE END OF THE YEAR	15 624 073	(51 425)	382 595	(125 400)	—	15 829 843

FINANCIAL POSITION BY SEGMENT AS AT 31 DECEMBER 2018

Expressed in US dollars	IIEP Paris	IIEP Buenos Aires	Fellowships	IIEP Pôle de Dakar	Inter-fund eliminations	TOTAL
ASSETS						
Current assets						
Cash	6 527 584	769 698	460 318	2 602 500	—	10 360 100
Investments	5 000 000	—	—	—	—	5 000 000
Inventories	21 177	—	—	—	—	21 177
Account receivable (non-exchange transactions)	101 451	56 194	114 882	173 473	—	446 000
Account receivable (exchange transactions)	5 378	—	2 675	307	—	8 360
Advance payments	148 990	4 101	36 246	36 359	—	225 696
Other receivables	287 482	—	—	—	—	287 482
Receivable from UNESCO	779 657	40 325	754 370	369 898	(1 944 250)	—
Total current assets	12 871 719	870 318	1 368 491	3 182 537	(1 944 250)	16 348 815
Non-current assets						
Investments	5 707 754	—	—	—	—	5 707 754
Property, plant, and equipment	980 493	11 042	—	39 203	—	1 030 738
Intangible assets	142 330	—	—	—	—	142 330
Total non-current assets	6 830 577	11 042	—	39 203	—	6 880 822
TOTAL ASSETS	19 702 296	881 360	1 368 491	3 221 740	(1 944 250)	23 229 637
LIABILITIES						
Current liabilities						
Accounts payable (exchange transactions) and accruals	406 321	7 809	—	139 874	—	554 004
Employee benefits	560 361	1 206	—	120 715	—	682 282
Voluntary contributions with conditions – Extrabudgetary	2 232 702	—	60 399	2 932 190	—	5 225 291
Advance receipts	—	—	364 017	—	—	364 017
Other current liabilities	424 525	101 603	97 953	100 332	—	724 413
Payable to UNESCO	863 030	442 821	706 733	—	(1 944 250)	68 334
Total current liabilities	4 486 939	553 439	1 229 102	3 293 110	(1 944 250)	7 618 341
Non-current liabilities						
Employee benefits	718 328	—	—	356 815	—	1 075 143
Total non-current liabilities	718 328	—	—	356 815	—	1 075 143
TOTAL LIABILITIES	5 205 267	553 439	1 229 102	3 649 926	(1 944 250)	8 693 484
NET ASSETS	14 497 029	327 921	139 389	(428 186)	—	14 536 153
TOTAL NET ASSETS/EQUITY BALANCE						
AT THE BEGINNING OF THE YEAR	16 239 616	716 966	347 871	1 643 463	—	18 947 916
Other adjustments	(394 950)	418 719	(3)	2 616	—	26 382
Return of funds to donors	(1 727)	—	(4 236)	—	—	(5 963)
Total items recogn. directly in Net Assets	(396 677)	418 719	(4 239)	2 616	—	20 419
Surplus/(Deficit) for the year	(1 345 910)	(807 764)	(204 243)	(2 074 265)	—	(4 432 182)
Total recognized revenue and expense for the year	(1 742 587)	(389 045)	(208 482)	(2 071 649)	—	(4 411 763)
NET ASSETS AT THE END OF THE YEAR	14 497 029	327 921	139 389	(428 186)	—	14 536 153

FINANCIAL PERFORMANCE BY SEGMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Expressed in US dollars	IIEP Paris	IIEP Buenos Aires	Fellowships	IIEP Pôle de Dakar	Eliminations	TOTAL
REVENUE						
Voluntary contributions – Regular Programme	10 091 568	—	—	455 064	—	10 546 632
Voluntary contributions – Extrabudgetary	2 639 672	649 898	—	4 266 077	—	7 555 647
UNESCO financial allocation	2 140 100	—	—	—	—	2 140 100
In-kind contribution	1 714 644	127 500	—	45 253	—	1 887 397
Other revenue producing activities	249 293	51 115	613 411	154 700	—	1 068 519
Finance revenue	356 492	—	—	—	—	356 492
Other revenue	252	—	—	—	—	252
Inter-segment transfers	381 426	700	232 208	4 645	(618 979)	—
TOTAL REVENUE	17 573 447	829 213	845 619	4 925 739	(618 979)	23 555 039
EXPENSES						
Staff costs	9 958 905	475 712	—	2 781 537	—	13 216 154
Consultants, external experts, and mission costs	1 887 434	470 657	—	776 729	—	3 134 820
Supplies, consumables, and other running costs	2 334 987	177 475	—	178 751	—	2 691 213
Contracted services	1 197 519	95 623	—	580 930	—	1 874 072
External training, grants, and other transfers	420 002	—	328 043	157 085	—	905 130
Foreign exchange losses	146 692	(26 091)	—	(17 549)	—	103 052
Depreciation and amortization	216 248	4 859	—	22 154	—	243 261
Other expenses	98 979	—	—	10 677	—	109 656
Finance costs	2 468	10 324	—	2 012	—	14 803
Inter-segment transfers	236 853	—	274 370	107 756	(618 979)	—
TOTAL EXPENSES	16 500 086	1 208 559	602 413	4 600 082	(618 979)	22 292 161
SURPLUS/(DEFICIT) FOR THE YEAR	1 073 361	(379 346)	243 206	325 657	—	1 262 878

FINANCIAL PERFORMANCE BY SEGMENT FOR THE YEAR ENDED 31 DECEMBER 2018

Expressed in US dollars	IIEP Paris	IIEP Buenos Aires	Fellowships	IIEP Pôle de Dakar	Eliminations	TOTAL
REVENUE						
Voluntary contributions – Regular Programme	7 221 255	—	—	—	—	7 221 255
Voluntary contributions – Extrabudgetary	2 731 633	865 890	—	1 839 471	—	5 436 994
UNESCO financial allocation	2 140 100	—	—	—	—	2 140 100
In-kind contribution	1 529 290	126 000	—	59 024	—	1 714 314
Other revenue producing activities	242 492	44 146	199 014	359 986	—	845 638
Finance revenue	307 156	—	—	3 310	—	310 466
Other revenue	2	148	—	—	—	150
Inter-segment transfers	277 018	—	53 560	—	(330 578)	—
TOTAL REVENUE	14 448 946	1 036 184	252 574	2 261 791	(330 578)	17 668 917
EXPENSES						
Staff costs	9 861 810	804 080	—	2 595 919	—	13 261 809
Consultants, external experts, and mission costs	1 794 484	667 679	—	649 977	—	3 112 140
Supplies, consumables, and other running costs	2 161 172	183 923	1 970	188 549	—	2 535 614
Contracted services	1 356 130	149 873	—	451 421	—	1 957 424
External training, grants, and other transfers	152 514	52 245	238 495	270 321	—	713 575
Foreign exchange losses	238 282	(37 291)	—	83 087	—	284 078
Depreciation and amortization	126 585	5 741	—	21 300	—	153 626
Other expenses	49 212	13 887	(2 675)	14 414	—	74 838
Finance costs	1 357	3 811	—	2 827	—	7 995
Inter-segment transfers	53 310	—	219 027	58 241	(330 578)	—
TOTAL EXPENSES	15 794 856	1 843 948	456 817	4 336 056	(330 578)	22 101 099
SURPLUS/(DEFICIT) FOR THE YEAR	(1 345 910)	(807 764)	(204 243)	(2 074 265)	—	(4 432 182)

Note 29: Events after the reporting date

The new coronavirus disease (COVID-19) was declared a pandemic in March 2020. Global response to this outbreak continues to evolve. The effect of the steps taken across the globe to curtail the spread is likely to slow economic growth. While this has no impact on IIEP's 2019 financial statements, it may affect the Institute in 2020 with respect to its programme implementation, revenue generating activities, and the collection of contributions. It is, however, too early to measure the financial impact at this time.





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