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**REPORT BY THE EXTERNAL AUDITOR ON THE PERFORMANCE AUDITS  
UNDERTAKEN IN THE 2004-2005 BIENNIUM**

**SUMMARY**

In accordance with Article 12 of the Financial Regulations and the additional Terms of Reference Governing the Audit, this document contains the long form report of the External Auditor on the performance audits undertaken in the 2004-2005 biennium, together with the comments by the Director-General thereon.

Decision proposed: paragraph 5.

1. The mandate of the External Auditor, as derived from Article 12 of the Financial Regulations, includes making observations with respect to the efficiency of the administration and management of the Organization. Following this mandate, in 2004-2005, the External Auditor has undertaken a number of performance audits.
2. Further to this mandate, the additional Terms of Reference Governing the Audit (para. 7 of the Annex to the Financial Regulations) stated that the External Auditor may at any time present reports to the Executive Board and the Director-General if, in the External Auditor's opinion, there are significant, urgent or pressing matters that need to be reported.
3. The report of the External Auditor on the 2004-2005 Performance Audits is attached as an Annex to this document. This is the second performance audit report undertaken in the 2004-2005 biennium, the first one being a report on the audit of the Medical Benefits Fund and a follow-up to the implementation of previous audit recommendations which was presented in the Spring 2005 (171 EX/32).

4. The External Auditor's recommendations can be found in bold type in paragraph 83. The "Comments by the Director-General" have been made in italics immediately after the recommendations to which they relate.

**Proposed draft decision**

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

The Executive Board,

1. Recalling Article 12.4 of the Financial Regulations and the additional Terms of Reference Governing the Audit (para. 7 of the Annex to the Financial Regulations),
2. Having examined the report by the External Auditor contained in document 174 EX/27,
3. Expresses its appreciation to the External Auditor for the high standard of the work presented in the document and endorses her recommendations;
4. Notes that the Director-General has agreed with all the recommendations and requests him to pursue full implementation of these recommendations on a timely basis;
5. Requests that the Director-General forward these reports together with comments from the Executive Board to the General Conference at its 34th session.

## ANNEX

### **REPORT BY THE EXTERNAL AUDITOR ON THE PERFORMANCE AUDITS UNDERTAKEN IN THE 2004-2005 BIENNIUM**

#### **INTRODUCTION**

1. Again this biennium, our long form report on the United Nations Educational, Scientific and Cultural Organization (UNESCO) is divided into several parts. Part 1 was published in Spring 2005 as document 171 EX/32. It followed up the implementation of previous recommendations and also included our performance audit of the Medical Benefits Fund. This report for the Spring Board in 2006 is Part 2 and it contains the remainder of our performance audit work for this biennium, completing our audit of extrabudgetary funds. Part 3, for Autumn 2006, will contain primarily our financial audit work as well as a follow-up of all our previous work.

2. This report was prepared in English.

#### **ACKNOWLEDGEMENT**

3. We wish to express our appreciation for the cooperation and assistance during our audit by the Director-General, his officers, and members of his staff. We also wish to express our thanks to the governing bodies for the support and interest shown in our reports.

Sheila Fraser, FCA  
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10 February 2006

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## MAIN MESSAGES

UNESCO currently has more than 1,900 extrabudgetary (EXB) projects, and their expenditures in 2004 plus their budgets for 2005 exceeded US \$594 million. The regular budget appropriations for the same period were US \$610 million. Thus EXB programme activity is significant relative to UNESCO's regular programme.

We audited 10 extrabudgetary projects and one special programme managed by UNESCO field offices in Bangkok, Brasilia, Dakar, New Delhi and Phnom Penh. We also reviewed the work of the Internal Oversight Service (IOS), which examined more than 50 additional projects in its field audits. This audit is conducted as a second phase to complement our audit of the overall extrabudgetary management regime at Headquarters in document 169 EX/29. Our scope was the planning, implementation, monitoring, reporting, and overall management of UNESCO's extrabudgetary projects, primarily in the field.

In our previous audit report in document 169 EX/29, we concluded that extrabudgetary funds did not receive a proportional share of management attention. There was no overall management of extrabudgetary funds, which, for the most part, were managed on a project-by-project basis. We identified some major examples of the lack of overall management, such as the large number of dormant projects (more than 100 of them had deficits) and the possible consequences thereof, such as financial inconsistencies and irregularities, inaccurate reporting, projects unrelated to UNESCO's priorities, breaches of UNESCO's regulations and rules, delays in implementation, and failure to identify and evaluate results.

While UNESCO has taken action to address some of the risks identified in our previous audit, much more remains to be done. Many of the problems point to the lack of a strategic overview and management oversight of the main components of the EXB project portfolio, such as projects in Brazil.

In this audit, we found some examples of good practices. However, we also found examples of serious problems such as:

- a lack of an overall vision, strategy and policies to guide UNESCO's extrabudgetary activities;
- extrabudgetary programmes and projects not clearly related to UNESCO's mandate and priorities, which call into question the value added by UNESCO;
- projects and programmes started without proper review, approval and monitoring, creating serious risks for UNESCO;
- projects without basic plans to guide implementation, avoid delays and enable effective monitoring;
- failure to comply with regulations and rules, creating financial loss and additional risks for UNESCO;
- projects without expected results to give focus to planning and implementation;
- major projects without independent evaluations to determine whether results are achieved and whether UNESCO adds value;

- inadequate financial and narrative reporting to governing bodies, donors and UNESCO management.

In our view, these findings could be symptomatic of general failings that apply beyond the specific projects we audited. We have concluded that, despite the studies and initiatives undertaken since our last audit, UNESCO has not established effective management control over EXB activities. We have been informed that UNESCO is aware of most of these problems and is taking steps to improve the management of extrabudgetary funds, although many improvements have not yet had any operational impact. But the risks have been recognized and reform is under way. In this report, we make observations and propose recommendations to support the reform process.

## MANAGEMENT OF EXTRABUDGETARY FUNDS

### The planning, implementation, monitoring, and reporting of extrabudgetary projects

#### Background

1. Extrabudgetary (EXB) funds are those that do not form part of the assessed contributions of Member States to the regular budget. The Director-General (DG) is authorized to receive such funds from governments; international, regional, national or non-governmental organizations; the private sector; and individuals for the implementation of programmes and projects consistent with UNESCO's aims, policies and activities, and to incur obligations for such activities in accordance with its rules and regulations and the agreements made with funding sources.

2. As Exhibit 1 illustrates, UNESCO currently has more than 1,900 EXB projects with expenditures in 2004 plus their budget allotments for 2005 exceeding US \$594 million. The regular budget appropriations for the same period were US \$610 million. Thus EXB programme activity is significant relative to UNESCO's regular programme. Dividing the number of projects into the value of projects in Exhibit 1 gives an average value of about US \$30,000 per project. Some EXB projects exceed tens of millions of dollars. Further, as the examples in this report show, many projects are closely related to and in fact follow on logically from one another.

**Exhibit 1: Profile of UNESCO's extrabudgetary projects 2004-2005**

<b>Selected statistics</b>	<b>2004-2005</b>
Total value of EXB projects (in US \$)	594,138,000*
Number of active projects	1,976
Average dollar value of a project (in US \$)	30,067

\* Based on actual expenditures for 2004 and budget allotments for 2005. The 2004-2005 budget for EXB projects in document 32 C/5 was US \$346 million, based on the funds already received or firmly committed at that time.

3. In our previous report on the management of extrabudgetary funds: roles and responsibilities, reporting, and support costs issues (169 EX/29), we examined how Headquarters managed the EXB portfolio overall. We observed that there was a need to:

- manage extrabudgetary funds as a whole, as well as the individual contributions;
- show the extent to which extrabudgetary activities support UNESCO's priorities;
- better define roles and responsibilities;
- improve planning and resource mobilization;
- strengthen financial controls and quality assurance;
- better monitor the implementation of extrabudgetary funds;
- upgrade and modernize the management of support costs.

4. This time we examined these issues, and others, to see how UNESCO manages EXB projects, primarily in the field.

## Focus of the audit

5. This project completes our examination of the management of extrabudgetary funds that began three years ago. In this audit we tested the implementation of EXB policies, primarily in the field, using in particular UNESCO's Extrabudgetary Activities, A Practical Guide (the "EXB Practical Guide") as a point of reference.

6. The objectives were to examine:

- *Selection and approval of programmes and projects*: whether programme and project proposals are assessed for support for UNESCO's priorities (e.g., whether results are defined and there is a plausible connection to C/4 and C/5 priorities).
- *Project documents*: whether project plans and other documents are accurate and useful, especially the time-frames, costs of outputs and outcomes.
- *Project implementation*: whether UNESCO's regulations, rules and the terms of the signed project document have been complied with and whether the rate of project output implementation is monitored and adjusted to improve the efficiency and effectiveness of the final outcomes.
- *EXB reporting and management*: whether timely and appropriate summary reports, briefings, audits and evaluations of EXB programmes and projects are prepared for UNESCO management and for the project sponsors.

7. In this audit, we selected 10 EXB projects to examine in the field, during visits to field offices in Bangkok, Brasilia, Dakar, New Delhi and Phnom Penh. In addition, we audited the establishment of a new EXB programme in Brazil, Criança Esperança, that raised similar planning concerns and additional issues. Cases 1 to 11 in Appendix 1 briefly describe the selected programme and projects and there are references to them throughout this report.

8. We also reviewed the reports on more than 50 EXB projects by the Internal Oversight Service (IOS) in its audits of field offices during the past five years.

9. The projects are used as examples to illustrate the observations in the report. We do not give an opinion on any specific projects or the actual results achieved. The observations should not be read as casting doubt on the merit or success of projects, nor should they be interpreted as criticism of donors or recipient countries. It is management's responsibility to ensure there is an assessment of how well projects support UNESCO's priorities. A full evaluation of their effectiveness, including their impacts, would cover a longer period.

## Observations

### *Overall framework for EXB activities*

10. We expected that UNESCO management would have articulated an overall vision of what EXB funds could accomplish for UNESCO, a strategy to achieve that vision, and policies that define its emphasis and limits. Such a strategy document would identify EXB funding needs, and relate extrabudgetary to regular budget activities in the programme sectors and geographic regions where UNESCO operates. It would identify UNESCO's priorities, main areas of strength and concentration, opportunities and risks, and set the stage to develop high-quality programmes and project proposals to guide potential international, national and private sector donors.

11. **Need for a strategic overview to guide all EXB activities.** Although the C/4 Medium-Term Strategy and the C/5 Programme and Budget mention EXB, they have provided little guidance about priorities for EXB. There has been no overall management of extrabudgetary funds at Headquarters, with defined roles and responsibilities. We found in the field that the EXB portfolio was managed on a project-by-project basis and was not subject to sufficient review and challenge by Headquarters.

12. Recently, more attention has been given to defining strategic direction. For example, in the regular budget programme management cycle, sectors are required to prepare strategic frameworks. Also, at Headquarters, there is one EXB programme that attempts to set strategic priorities: the Capacity-Building for EFA (Education for All) Programme. Rather than waiting for donors to suggest projects, this programme seizes the initiative, and develops a list of high priority projects that are then suggested to donors. The Social and Human Sciences Sector also has published a list of potential partnership projects, although it does not suggest priorities. There is a need for a more comprehensive list or “pipeline” of proposed EXB projects for donors, with clearly identified priorities in case the funds offered by donors fall short of the total needed.

13. Although these ideas are promising, there is a need for an overall vision, strategy and policies to guide EXB activities throughout UNESCO and not just on a sectoral or regional basis. The need was identified by UNESCO itself in the C/3 document published in 2002. However, the situation has not improved despite significant growth in the EXB portfolio.

14. **Inadequate reviews of EXB programmes.** We looked for instances where, even without a guiding strategy and policies, UNESCO management periodically reviewed the progress of some programmes or types of projects – for example, in particular countries, regions or cross-cutting themes – to see if results were being achieved and the wishes and priorities of governing bodies and donors were being met. Such a review process would help management prepare a strategic framework of priority programmes and regions, determining levels of effort, selecting activities for evaluation, examining synergy between activities in various places, and requesting EXB funds in the future. With UNESCO’s years of EXB experience and high growth in the number and value of EXB projects, we expected to find more formality in management’s review, particularly of large EXB projects and programmes.

15. There have not been any reviews by senior management of the major components of the EXB project portfolio, such as large programmes in Brazil, Iraq, or elsewhere, or groups of projects for the European Community or UNDP.

16. We consider the lack of a strategic overview and direction to be a major weakness in the planning and management of extrabudgetary activities in UNESCO. In our opinion, senior management should develop a strategic framework for all the major components of the EXB programme, and regularly review their programme accomplishments. UNESCO needs a forum for senior management to oversee EXB activities strategically, as well as the performance of all EXB programmes and projects. This forum might also select at least one major EXB programme a year for evaluation, and then review the results. The College of Assistant Directors-General might be an appropriate forum. There also needs to be a focal point to coordinate and draw connections among projects, collect summary-level information, and ensure it is presented to senior management and the governing bodies to support their discussions and decisions.

17. **Management oversight of UNESCO’s largest EXB programme, in Brazil, has been inadequate.** The UNESCO Office Brasilia (UBO) is by far the largest field office in the UNESCO system, with about US \$270 million in project receipts for the 2004-2005 biennium. At 31 December 2005, the UBO counted close to 7,500 people (about 200 corporate staff, 1,300

project consultants and contractors, and 6,000 part-time contractors in the São Paulo family schools project). The types of opportunities and problems encountered there present significant risks; for example, the dramatic growth and variety of the work in Brazil, the difficulties in applying overall rules and regulations in a decentralized environment, and the unique characteristics of the work funded primarily by the national and state governments for their own particular benefit. And there are very few independent evaluations of the impacts of UNESCO's work in Brazil.

18. The scope of our audit this year included one programme and four large projects in Brazil. We found serious problems in several of the large projects and the Criança Esperança programme. We found that there has not been sufficient effort either by Headquarters or field management to analyse, review options and explain this rapidly developing situation and its strategic implications to the Director-General and to the governing bodies. The cases in Brazil illustrate the need to provide clarity to the following questions:

- How big should particular UNESCO field programmes be?
- How much should UNESCO be involved in national execution as an implementing agency?
- Can some project ideas and some of the administrative lessons be exported to other countries?

19. Piecemeal efforts have been made to cope with the growth in UNESCO's EXB programmes in Brazil, and in particular with the operational need for better administrative systems (which have been improved in the past five years). But Brazil is now such a large part of UNESCO's business that the implications of the work there must be faced directly and both strategic and operational issues addressed comprehensively and impartially.

20. We carried out our audit in May 2005 and provided management with a draft project report. Although we do not normally make recommendations in draft project reports, in this instance we included an overall recommendation because our findings were important and urgent. We recommended an overall paper be prepared and presented to the Executive Board dealing with the strategic implications of UNESCO's experience in Brazil, including the impacts and comparative advantages, links with UNESCO priorities, resolving conflicts between national and international rules, relationships with partners and other international organizations and exit strategies.

21. As we prepared this audit report, we noted that the Director-General had instructed Headquarters central services, coordinated by the Bureau of Field Coordination and working closely with programme sectors and a special team, to assess all UBO extrabudgetary projects and activities and to reorient its operations. The team's work addresses some of our observations in this report. We have been advised that UNESCO management has prepared a paper that will be presented to the 174th session of the Executive Board (174 EX/21).

22. We are currently carrying out our statutory audit work on UNESCO's financial statements for the biennium ended 31 December 2005. As part of our regular audit approach, this exercise includes a financial audit at the UBO because it undertakes a large volume of EXB activities. We have yet to assess whether issues identified in this report will have an impact on our audit opinion on UNESCO's financial statements. Any such impact or any further financial or management issue arising from our financial audit work will be included in our report to the Executive Board in the autumn of 2006.

23. **Self-Benefiting Funds are subject to special risks.** A major component of the EXB portfolio that has not received much senior management attention thus far is Self-Benefiting Funds (SBFs).

SBFs are provided to UNESCO by particular countries for purposes within UNESCO's mandate, and they are spent in those countries for their own specific benefit. They are not new, but in Brazil there has been a quantum increase in recent years. In addition there are about 20 other countries that currently fund SBF projects, although for smaller amounts.

24. In our view, SBF projects present special risks. Because of their specific purposes, more care has to be taken to ensure they also support UNESCO priorities. Because they are sometimes closely related to the regular work of the national public service in a particular country, it is more difficult to ensure that UNESCO rules and regulations are followed for purchasing goods and services and hiring staff. Because they sometimes involve the implementation of large programmes, they may require project management expertise that is not always within UNESCO's sphere of competence, and in such projects UNESCO may have difficulty adding value. For these reasons, we believe SBFs need special policy guidance and management attention. No particular guidance is provided in the EXB Practical Guide, and until recently senior management did not give special attention to the problems we note above or to their broader implications. In our opinion, there is a need for specific guidance on dealing with the risks and creating successful conditions for managing SBF projects.

25. **Roles and responsibilities are still not clearly defined.** In document 169 EX/29 we recommended that the Secretariat appoint a focal point for preparing summary EXB information for senior management and governing bodies. We also noted that the responsibility for EXB management was dispersed. And in our conclusion we suggested that UNESCO develop an agenda and an action plan to monitor progress in implementing all aspects of an effective and efficient management framework for EXB. The findings in this audit reinforce our previous recommendations and suggestions, and add more weight to the need for better EXB information and overall programme coordination. There have been delays in preparing the overall action plan we suggested, in reaching agreement on improvements, in preparing a strategic framework, and in preparing summary information, and these problems continue to impede the overall management of EXB. We believe specific EXB responsibilities, tasks, and timetables should be more clearly defined; for example, for coordination, for preparing and approving policies (on matters such as delegation of authority, support costs and self-benefiting funds), and for preparing summary reports for governing bodies.

26. The remaining observations in this report largely follow the flow of the project cycle as described in Appendix 2. They are based on the one programme and 10 projects that we examined. Although they are not a representative sample of total EXB activity, they illustrate certain trends that in our opinion require serious management attention and action.

### *Selection and approval of programmes and projects*

27. Notwithstanding the lack of an overall strategic framework that defined the place of EXB activities, we expected there would be good planning documents to provide a basis for project implementation, monitoring, evaluation, reporting and an exit strategy. We also expected that these documents would be reviewed and assessed to ensure that they support UNESCO's priorities. Their development and approval is a responsibility of both Headquarters and field staff.

28. In UNESCO's current management process, we could find no incentives to encourage staff to screen out non-core project proposals, or point potential donors in another more appropriate direction. Most of the programme/project proposals we examined were advocacy documents, overly positive and optimistic, without a balanced assessment of the risks and pitfalls. Some projects were approved without appropriate management review and control, and others contained questionable information that did not provide a sound basis for the decision to proceed. By proceeding, these projects sometimes broke the rules and procedures and put UNESCO's reputation at risk.

29. **Some EXB project proposals were not carefully conceived or reviewed in advance to ensure they were within UNESCO's priorities, management capacity and other important considerations.** In order to have a realistic discussion about whether a project should go ahead, UNESCO management needs to see an explanation of EXB project objectives, what they can achieve, and how they will be implemented. This is the basis for deciding whether UNESCO will add value, has the management capacity, and whether an exit strategy is needed.

30. The EXB Practical Guide states that projects should reinforce rather than dilute the objectives and priorities of the Medium-Term Strategy and Programme and Budget. It asks for information about the relationship between the project and UNESCO's regular programme and the impact on priority groups and on global priorities (such as the environment and the cultural dimension of development) as defined in UNESCO's programme budget. In addition, the Guide describes how to test the strength of the connection among activities, outputs and goals using a logical framework analysis.

31. We found that proposals and project documents were invariably weak in explaining the expected impacts of projects, and the connection to UNESCO's priorities was taken for granted or assumed to exist. We saw only two projects that attempted to use the logical framework analysis (Cases 6 and 10; see Appendix 1, which contains a summary table (Exhibit 2) and a description of all the case projects (Exhibit 3)). For most projects, a connection could be inferred and for some it was demonstrated but only after the fact. However, some project documents had no expected results; some had no mention of UNESCO's priorities; and some had a brief reference to a priority group or to a section of the regular budget without a logical explanation of the link.

32. For example, in Cases 5 and 6, the objective was to help hire, train and provide support for health inspectors for a regulatory agency, ANVISA, in Brazil. Headquarters management has not demonstrated that either project is relevant to UNESCO's priorities or organizational strengths. In Case 11, supporting the Royal University of Fine Arts in Cambodia, the project document does not explain UNESCO's qualifications or experience in improving university management, or how the project relates to UNESCO's priorities, and there is no evidence that Headquarters management considered the question of UNESCO's comparative advantage.

33. UNESCO Headquarters is ultimately responsible for projects with purposes that are unclear or unrelated to UNESCO's priorities. In some cases, the sectors at Headquarters were consulted in advance and in others not, but there is no evidence they commented on the projects' relevance or suggested clarifications or modifications to the objectives to make the potential results and the connections to priorities clearer.

34. Nor did Headquarters make suggestions about strengthening the projects or setting up evaluation criteria so that success could be assessed later on. Headquarters review would have provided information to help make future planning decisions, such as starting the second ANVISA project, or expanding the weekend schools projects. Headquarters should also build in evaluable indicators and data collection systems so the results of projects can be assessed after they are completed, to inform future planning decisions, such as whether to expand weekend school programmes to other countries.

35. We believe there are strategic risks from continuing to undertake EXB projects without first ensuring they fit within UNESCO's mandate, priorities and organizational competence. Headquarters and field staff must work together to build stronger project proposals that have solid organizational support and a better chance of successful execution.

36. **Sometimes Headquarters sectors did not guide the development and acceptance of proposals, or respond when asked.** With respect to Brazil, on 21 March 2001 the Director-General instructed the sectors at Headquarters to give clearance or refusal within three weeks of receiving all project proposals from the UBO. Delays were common, despite the fact that the UBO sent frequent reminders. One of the projects we audited was approved by a Headquarters sector after 10 months and another after seven months. In addition, several of the projects outside Brazil suffered delays in starting partly because Headquarters units were slow in reviewing or approving proposals or in transferring the funds. Cases 3, 7 and 11 are examples.

### *Project documents*

37. We examined whether plans, agreements and other documents are accurate, complete and useful, especially the time-frames and end points, costs of outputs and outcomes.

38. **Some project agreements were signed without proper review and approval.** In three of the five cases we examined in Brazil, agreements were not properly reviewed and approved by Headquarters because the UBO did not submit the information as required. These are Cases 1, 4 and 5.

39. **Some proposed EXB agreements were not consistent with good management practice.** We found the following examples of agreements that had conditions that did not follow good management practices.

40. In Case 1, the agreement for Criança Esperança specified five youth organizations that would obtain permanent future funding under the agreement, and by doing so the Brasilia Office on its own committed UNESCO indefinitely, without a competitive process or an assessment of the NGOs' capacity to manage the funds. In Case 6, the ANVISA project document specifies the names of more than 500 contract staff who were carried over into this project from the previous one. They had been selected and employed in the previous project (Case 5) without a competitive selection process. In Case 7, the project document for the Pre Rup Temple specified as implementing agent a particular firm that then received two contracts estimated to cost US \$186,000. The firm had acquired prior experience in a previous phase of the project but was not selected through a competitive process.

41. Donor directed and sole source contracts such as these are contrary to good management practice, and they could have a negative impact on the Organization's credibility. Case 1 also broke UNESCO's financial regulations, rules and the guidelines on mobilizing private sector funds. The examples suggest these cases did not receive appropriate management review.

42. **Some projects lack good plans to guide implementation, avoid delays and enable effective monitoring.** We expected Headquarters would set criteria for what is an adequate plan, and review the adequacy of plans before releasing funds. The project document should have a detailed, costed plan, and the Bureau of the Budget should provide funds for any project based on this costed plan. After the agreement is signed, project staff should prepare a more detailed operational plan. The Guide also requires the costed plan to be updated every year. We believe that plans should include the following information that we consider essential:

- measurable outputs;
- a baseline from which to measure progress;
- a time-frame;

- a cost estimate for each main activity;
- an indication of how other partners or organizations are involved.

43. We found serious omissions in many plans that lacked the essential requirements above. Planning appeared to be a paper exercise, not a useful management tool. There was little evidence that field offices reviewed work plans, and we also noted several cases in which the Bureau of the Budget did not insist on a time schedule before releasing funds. In addition, many work plans were not updated each year.

44. This approach to planning contributed to delays in implementation. Two projects that suffered major delays both had inadequate work plans (Cases 8 and 9). While this was not the only cause, it was an important factor that could have been mitigated. On the other hand, Cases 2 and 11 illustrate projects with good plans that were able to overcome a late start and serious operational difficulties on the ground. Cases 3 and 10 also had good annual operational plans, and in Case 10 there was evidence the plan was revised and improved each year.

45. We have been told this situation will be corrected once the management information system (SISTER) is revised and it includes information on all EXB projects, but we have not seen an implementation schedule or guidance that tailors the information to a project's size and complexity. In our view, specific guidance and training is necessary to produce just the essential information and avoid extraneous details.

46. **Expected results and exit strategies were not articulated.** We expected that project documents would specify a defined and feasible end point and that a strategy would be developed to get there. In concrete terms, good transfer planning should involve more than just turning over equipment and other assets to the recipients at the end of the project; there should be a plan to ensure they are properly supported and continue to be used. Exit strategies are especially important when results are vague, open-ended concepts such as “capacity-building” and “sustainability”. These terms particularly need to be defined in the project document and fleshed out during the project so there is a clear end point. We found that although capacity-building was frequently mentioned, it was not rigorously planned for, measured, or evaluated.

47. For example, in Case 3, the question of an exit strategy for education projects in Myanmar had been raised in the evaluation of the second phase (Case 2), but it was not addressed in the project document for the third phase. In Case 7, the restoration of the Pre Rup Temple, much effort was devoted to capacity-building, but the project had no specific objectives in this regard. In Case 11, UNESCO management and the donor seriously considered the question of sustainability of certain programmes at the Royal University of Fine Arts in Cambodia and decided on some specific actions that would help achieve them. But in our view, the project document could have had more detail about what specific capacities should be in place for UNESCO to withdraw successfully at the end of the project. New projects have extended support for two more academic years and the 2005-2006 project document has more information about the conditions necessary for sustainability.

48. In addition to our findings, the IOS has found cases where equipment was not transferred to recipients as required at the end of projects. And in Case 8, the very last activity was delivering a large item of equipment, with no time or resources left to support or monitor its use. We believe this situation was not unusual: none of the projects we examined had plans or resources for post-implementation support.

49. In our view, the examples we found are not atypical, in that many EXB projects continue from one phase to another without clear statements of results and plans for how to get there.

Although it may not be possible to define detailed expectations of results in advance, it is essential to try to visualize plausible end points, based on UNESCO's considerable experience in the field, and to develop a plan and support to maintain whatever improvements have been implemented. If the objective is to hand over a project that is sustainable, UNESCO has no processes in place to ensure this happens.

50. **Project documents lack important information about other parties that are involved.** Beyond the work plan for project staff, project documents should have information about how the project is linked to other funding sources, other projects, and other international agencies and partners. Such information is not currently required, but it would facilitate both the approval process and final evaluation.

51. In most of these projects, staff hired by UNESCO worked alongside others hired by national or state governments, and sometimes by other international agencies. All the project documents had some description of the main parties' responsibilities, but there was little information about other partners and stakeholders, closely related projects, or work by other international organizations. We note that related parties are not mentioned in the current SISTER management information system, either. The Secretariat informed us that a revised version of SISTER will provide for all types of partnerships to be recorded, but it will not address the issue of other parties who are not partners but who fund closely related projects. When UNESCO is involved in a major way with large projects, as in our case examples, it is essential for management to know about other significant players and thus be clear about UNESCO's specific responsibilities.

### ***Project implementation***

52. We examined some of the common problems found when implementing projects, such as delays and administrative shortcuts, and what management was doing about them. We looked at whether UNESCO's regulations, rules and the terms of the signed project document had been complied with; and whether the rate of project implementation was monitored and adjusted to improve the efficiency and effectiveness of the final outcomes. As noted in our previous report (169 EX/29), we consider the financial implementation rate to be an inadequate measure of performance, and instead we looked for monitoring of the rate of physical or operational progress on the ground.

53. Because some projects lacked work plans and had no useful progress points to monitor, it was difficult to assess whether they proceeded in a timely manner. For the other projects that had identifiable progress points, most suffered delays at all stages, for various reasons. Moreover, EXB projects usually report to many individuals, including the head of the field office, the administrative officer, Headquarters sectors and central groups, as well as to the donor and the recipient country or counterpart. This complicated reporting relationship makes it difficult to assess causes of problems and the responsibility for monitoring. Not surprisingly, many delays appear to be beyond the project team's control and some are beyond UNESCO's control. But there have been some delays in implementation that we believe were controllable. In addition we found lapses in monitoring where key requirements of project agreements were not completed.

54. **Important administrative rules were not followed.** We expected that field staff would be aware of the regulations and rules, such as the requirement to submit all proposed contracts over \$100,000 to the Contracts Committee. We noted instances when this did not happen such as in Case 1, where bypassing controls created risks.

55. We also found that some contract files lacked essential documents such as the ratings or performance assessments of candidates documenting the reasons why they should be hired or their

contracts extended. IOS audits have also identified many cases where field staff broke UNESCO's rules and regulations, and starting early in 2004 the audit teams began conducting practical training sessions at the end of their audits to ensure staff were aware of requirements. These failings pointed to a lack of staff knowledge or training, and the need to ensure that consolidated, clear and up-to-date administrative guidance is provided to all project staff. In addition to lack of guidance and training, we believe that inadequate monitoring is another cause of shortcomings in project implementation.

**56. Management and monitoring of the terms of signed project documents were often inadequate, leading to missed project outputs and delays.** All projects had a project manager who was either a UNESCO staff member or, more commonly, a contractor hired specifically for the project. We expected that the project manager would report regularly to the head of the UNESCO field office to ensure the terms of the agreement were carried out. We also expected the timing and frequency of internal reporting to the field office and Headquarters would be worked out before the agreement took effect. There was little evidence it was.

57. We found many examples where the terms of the agreement were not met. For example, in Cases 5, 6 and 8, important meetings, progress reports and equipment purchases were missed or delayed. We saw little indication that either field or Headquarters management was monitoring whether these terms of agreements were being followed.

58. We also expected that the head of the field office would review project progress regularly; for example, every month or three months or specifically in advance of external deadlines like donor meetings specified in the agreements. Project officers generally kept the main parties informed about their projects via mission reports, and this process seemed to work well for detailed operational problems. But missions did not always cover the main progress points, and we found few examples of regular or strategically timed project reviews by the head of the field office. An exception is Case 9, where the project team developed a report to help the head of the field office regularly review all EXB projects. This is a useful practice that could be applied to other field offices.

59. Effective monitoring includes applying lessons learned to future projects. Case 3 is an example where lessons were learned and applied from previous projects. On the other hand, Case 5 illustrates a failure in this regard, and the project was renewed before a review or an evaluation was conducted.

60. Headquarters has not prepared an analysis of the reasons for EXB project delays, although relevant information could be obtained from a review of the lessons learned sections of project completion reports. Half the projects we examined suffered from delays and some of these increased the cost and workload or reduced the quality and impact of projects. With some projects, the consequences were hard for us to determine. From our perspective, both field management and Headquarters need to analyse the reasons for delays, and for costs that are either lower or higher than expected, in order to monitor implementation properly.

**61. A “one size fits all” approach to project implementation and management is no longer appropriate.** The rules generally require Headquarters to be equally involved in all types of projects. We expected management would review the reporting relationships and delegated authority limits for field offices at regular intervals and, based on audit results and other feedback, consider making adjustments.

62. In keeping with our previous recommendation, a table of delegated authority and accountability for EXB has been drafted. We note that a Senior Task Force on Decentralization and

Delegation of Authority decided two years ago on three levels of delegated authority for projects, but these have not yet been formally adopted. Currently, for example, contracts below US \$100,000 can be handled without being referred to the Contracts Committee, and this delegation level has remained the same for many years and may now need to be reviewed. For a time, a higher delegation level was permitted to the Brasilia Office although it has now been withdrawn.

63. We would support a more strategic, risk-based approach to project implementation and management. Continuing to apply the same rules to large and small projects is inefficient: the less complex should be permitted less formal and less detailed management processes. Project managers could also be delegated more authority, with proper guidance, accountability, rewards and sanctions. Given proper controls and careful implementation, we believe project management can be simplified, leading to faster approvals and more streamlined implementation.

### ***EXB reporting and management***

64. We examined whether timely and appropriate summary reports including evaluations, briefings and audits about EXB programmes and projects are prepared for UNESCO governing bodies, management and the project sponsors. Evaluations of effectiveness are essential for identifying success, helping generate new projects where UNESCO can make a difference, and therefore making UNESCO a credible partner for donors.

65. **There are few independent evaluations of the results of projects or assessments of their impacts.** We expected that UNESCO Headquarters would commission or carry out independent evaluations of major projects to determine their contribution to UNESCO's priorities and objectives. Evaluation is required, and it is defined very broadly in the EXB Practical Guide as the systematic and objective assessment of the achievements, results or outcomes in terms of their relevance, effectiveness in regard to objectives, efficiency and sustainability of activities. The Guide states that impact evaluations after a span of years may have to be funded from sources other than the project budget. Mid-term evaluations should be done for projects longer than three years.

66. The EXB Practical Guide also states that the IOS should be consulted during project planning, and provide training and methodology. The IOS also funds and leads some evaluations. Evaluations are very important, but the workload is potentially very demanding. Under document 165 EX/19, the IOS has broad responsibilities for coordinating and implementing UNESCO's overall evaluation policy. However, it is unrealistic to expect them to review all 1,900 project documents, nor are they resourced to do so. The degree and type of IOS involvement in EXB evaluation needs to be clarified, and in setting its priorities the IOS should focus more attention on higher risk projects such as the large projects in Brazil.

67. Evaluation was not always mentioned in project documents and work plans. When evaluation was mentioned, it was often confused with monitoring. Evaluation is an independent assessment, usually at a point in time, whereas monitoring is an ongoing management responsibility. Short monitoring missions or field visits are important to check whether outputs are being delivered, but they are very different from evaluations, which should examine results and the achievement of programme objectives.

68. Half of the projects we examined had no evaluations. Two of the 10 projects had partial evaluations of results, but only one of these was done independently. Three others had or planned some independent examination at the end, but not an examination of the contribution to UNESCO's priorities. As can be seen in document 172 EX/22 and previous Board papers on evaluation, only a few EXB evaluations have been reported to the Board.

69. Evaluation continues to need strong leadership from Headquarters. As discussed earlier, most project proposals do not identify impacts or results, and much more thought would have to go into the project objectives (like, for example, capacity-building) before a meaningful evaluation could be done. Some of the requirements in the EXB Practical Guide are impractical for small projects, such as carrying out an evaluation and involving the donor and beneficiary, and there is a need for guidance about when a project requires an independent assessment. The main effort should be to set the stage for successful evaluations of UNESCO's value added in large EXB projects and programmes by ensuring that the requirement for evaluation and the expected impacts and other results are clearly identified in project documents, and there are appropriate indicators and data systems to track them.

70. **EXB narrative reporting is inadequate, and financial reporting is sometimes inaccurate and late.** We expected there would be timely and accurate reporting on both the results and the cost of each EXB project to the donor and to UNESCO management, as well as summary reporting on projects to UNESCO governing bodies. A wide variety of arrangements for project reporting exist, determined by the requirements of project sponsors and UNESCO. The EXB Practical Guide states that there shall be at least an annual narrative progress report, which is required irrespective of possible review meetings with the donor, as well as a project completion report.

71. Summary and detailed financial information is included in UNESCO's financial statements. On the other hand, there was little qualitative reporting to UNESCO's governing bodies on EXB programmes and projects. In the C/3 document (Report of the Director-General) there was limited information about results achieved through EXB projects including Brazilian projects despite their size.

72. Reporting to donors is of mixed quality. Narrative reports and financial statements are prepared, but they suffer from many problems and are sometimes late. Our cases included several where they were not prepared as required. Narrative reports were generally long, without executive summaries, and yet they also lacked important information. IOS audits have found many examples of late and inaccurate financial reporting, rating as unsatisfactory about two thirds of the cases examined. In document 169 EX/29 we recommended that senior management regularly review statistics on the timeliness and accuracy of donor financial statements, and this has not happened. These additional findings lend added urgency to the requirement for management to monitor EXB reporting.

73. We saw only a few examples of written progress reports to management about any of the projects we examined. Some obligatory field project reports were provided late, and several important reports were not prepared at all. For example, the first ANVISA project in Brazil, Case 5, was superseded in 2001 by the second, Case 6, but no completion report for the first project was prepared before the new project was started, to give a baseline for assessing what progress had already been achieved and what remained to be done. This was a serious omission. Moreover this case illustrates a failure in monitoring as the first project had still not been closed at the time of our visit in June 2005, and on 31 March 2005 there was a small deficit in the project account. Although some overlap between the two projects was expected, a three-year delay in closing the first project is unreasonable.

74. We noted some recent improvements in management reporting in several projects (Cases 4, 9 and 10). But these reports described progress in terms of financial and operational problems, and they do not report progress against plans. They lack, in particular, the overall assessment required by the EXB Practical Guide. They do not, for example, comment on whether important progress points identified in the project document or in work plans have been met, or whether projects have achieved any high-level impacts. This would require summary level reporting.

75. **The Internal Oversight Service (IOS) has carried out many EXB audits, but more work is needed.** The IOS has made major efforts to improve field office management. Most, but not all, IOS field audits examined some aspects of EXB projects, and a few audits focused entirely on EXB projects. Their audit findings support our findings about the need to improve EXB project planning and implementation.

76. IOS audits found many instances where financial rules, regulations and procedures were not followed; where non-standard agreements had been signed without proper review by Headquarters; where Headquarters groups had caused delays and other difficulties or failed to catch problems in particular EXB projects; where projects did not achieve their objectives because of poor monitoring; expenditures that were made for purposes not foreseen in project agreements; and other errors that reflect badly on UNESCO's administrative reputation. For example, the IOS found unsupported payments, overpayments, duplicate payments, payments without proof of goods or services provided and contracts improperly awarded without competitive tender or submission to the Contracts Committee.

77. The IOS follows up and reports regularly to management on the actions being taken to deal with the specific recommendations it makes. Generally management's response was positive, but much more effort is needed particularly to implement recommendations addressed to Headquarters. As noted earlier, the IOS also participates in management improvement efforts to correct the problems identified in audits.

78. By the end of 2005, the IOS would have completed the first full round of 69 performance audits of all UNESCO field offices started in 2001. We note that this included several audits of the UNESCO Office in Brazil, but no management audits of EXB projects in Brazil, although the IOS has carried out some audits of EXB projects elsewhere. IOS advised us that its strategy for the period 2001 to 2005 was to audit basic internal controls. IOS added that, starting in 2006 with the second round of field audits, its strategy will also focus on EXB projects and their performance. We support this initiative, and suggest particularly that IOS field audits examine all aspects of EXB project management, from planning to reporting (the latter being the primary focus so far). The IOS should also pay particular attention to EXB projects in Brazil in view of their large size and number. In addition, it would be useful for the IOS to audit any projects where third party organizations are carrying out the bulk of the work on behalf of UNESCO. To ensure this happens, project agreements should state that UNESCO has the right to audit third parties.

## **Conclusion**

79. This audit identified many shortcomings and the need for management oversight of EXB in both Headquarters and field offices. In examining the cases, we noted some examples of good practices that could be extended more broadly to other EXB projects and activities. We are also aware of several management initiatives that have begun to improve EXB work processes, but much more remains to be done.

80. We have concluded that, despite the studies and initiatives undertaken since our last audit, UNESCO has not established effective management control over EXB activities. The EXB Practical Guide provides some guidance to field offices. However, there is no overall vision, strategy or policy for UNESCO's extrabudgetary activities.

81. In the projects we examined, we found specific examples of some problems we reported more generally two years ago, such as the need to strengthen the monitoring of projects implemented in the field, close dormant projects and clarify support cost arrangements. We also found examples of other problems:

- extrabudgetary programmes and projects not clearly related to UNESCO's mandate and priorities, which call into question the value added by UNESCO;
- projects and programmes approved without proper review, approval and monitoring, creating serious risks for the Organization;
- projects without basic plans to guide implementation, avoid delays and enable effective monitoring;
- failure to comply with regulations and rules, creating financial loss as well as additional risks for the Organization;
- projects without expected results to give focus to planning and implementation;
- major projects without independent evaluations to determine whether results are achieved and whether UNESCO adds value;
- inadequate financial and narrative reporting to governing bodies, donors and UNESCO management.

82. We have concluded that, despite the studies and initiatives undertaken since our last audit, the management regime for EXB needs major improvements. The experience in Brazil and elsewhere suggests that many improvements are needed, both in the field and at Headquarters.

### **Recommendations**

83. **We recommend that:**

1. **The UNESCO Secretariat develop an overall strategy and related policies to guide its extrabudgetary activities and present them to the governing bodies for approval.**

#### *Comments by the Director-General*

*Agreed. The key elements of a proposed overall strategy and related policies to guide the Organization's extrabudgetary activities were considered by the College of ADGs on 1 February 2006 and submitted to the Director-General, reflecting the views of the College. He has asked that the main elements of these proposals be set out in an INF document to be submitted to the 174th session of the Executive Board (174 EX/INF.4). Taking into account the comments of the Executive Board and further consultations with the field, the proposals will be finalized in June 2006 and submitted in their final form to the 175th session of the Executive Board.*

2. **The Secretariat clarify the roles and responsibilities of its organizational units in extrabudgetary activities. It should identify and assign a specific unit to be responsible for coordinating all extrabudgetary activities and for reporting their overall performance to the Director-General. This unit should also report regularly to the Executive Board on extrabudgetary activities and be the focal point to address audit observations and recommendations.**

*Comments by the Director-General*

*Agreed. The roles and responsibilities of the various organizational units within the Secretariat in relation to the management of extrabudgetary activities has been clarified in a Table of Authority and Accountability that will shortly be finalized. The Director-General has decided to assign responsibility to ERC/CFS for the coordination of all extrabudgetary activities and for reporting regularly on overall performance to him and the Executive Board. Furthermore, the Director-General has decided to entrust the College of Assistant Director-Generals to oversee extrabudgetary activities strategically, as proposed in paragraph 16 of this document. The College of ADGs will be supported by the Committee on Budget and Finance (CBF) for the supervision of financial and budgetary matters of the extrabudgetary programmes and projects.*

**3. The UNESCO Secretariat develop an action plan to improve the management of extrabudgetary programmes and projects and ensure that:**

- **proposals are accepted only if they clearly relate to UNESCO's mandate and priorities, and if UNESCO is in a position to add value to them and has the capacity to deliver the results;**
- **programmes and projects receive proper review and approval;**
- **programmes and projects have adequate plans that include expected results, major milestones, an exit strategy, and pertinent information on other major parties that are involved;**
- **regulations and policies are followed and that the implementation of projects is monitored, evaluated and reported.**

*Comments by the Director-General*

*Agreed. The Director-General is firmly committed to strengthening the management of extrabudgetary activities. A draft action plan that addresses all the concerns raised by the External Auditor is presented in document 174 EX/INF.4. This will be further refined in the course of finalizing the proposed overall strategy and related policies for extrabudgetary activities referred to above. The action plan, once finalized, will assign responsibility for each action proposed and for monitoring progress in implementing them.*

## ABOUT THE AUDIT

84. The audit's scope was determined in compliance with Article 12 of UNESCO's Financial Regulations and with the additional Terms of Reference Governing the Audit. We sought management's advice in selecting projects, and then we chose both large and small projects from all sectors, giving particular weight to Education, which is the sector receiving the largest share of EXB funds. We included projects in the sectors where we had not already conducted performance audits: Social and Human Sciences, Culture, and Communication and Information. We selected projects with bilateral, multilateral and private sector donors as well as self-benefiting funds. We also audited a new EXB programme in Brazil called Criança Esperança, which took effect in 2004. We audited the programme's planning and the framework, but we did not audit its implementation, which was just starting. Most of the projects we examined had been decentralized to the field.

85. The audit was carried out in accordance with generally accepted auditing standards, conforming to international standards of auditing and the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency.

86. Our criteria are drawn primarily from UNESCO's regulations and rules, in particular the summary publication UNESCO's *Extrabudgetary Activities, A Practical Guide*, published in January 2004, as well as relevant sections of the UNESCO Manual, the Financial Regulations and the guidelines for private sector fundraising in document 156 EX/38 and DDG/97/Memo/67. In addition we expected Headquarters to do the following things to manage and control EXB projects:

- provide strategic direction to UNESCO's EXB work that takes into account the plans of national governments and other international organizations;
- assess the extent of alignment of projects to UNESCO's priorities as described in the C/4 and C/5 documents;
- set criteria for what is an adequate work plan, and review the adequacy of all project work plans before releasing any funds;
- carry out an annual strategic review of projects under way, planned and completed;
- carry out audits of major projects and of the administrative framework for EXB management;
- commission or carry out evaluations of major projects to determine their contribution to UNESCO's priorities and objectives;
- review at regular intervals the delegated authority limits and, based on audit results and other feedback, consider making adjustments;
- send senior management to visit the main field locations and monitor their activities regularly.

87. The Secretariat has not placed any limitation on the scope or the reporting of the audit. Also, we have received explanations in response to all inquiries and have been given assurances that all significant information has been provided to us.

88. For information, please contact Nancy Y. Cheng, FCA, Assistant Auditor General, the External Auditor's representative at UNESCO, at <http://www.oag-bvg.gc.ca> or (613) 995-3708.

## Appendix 1 Project Cases

### Exhibit 2: Extrabudgetary projects selected for audit

Case and programme or project number	Focus	Location	Total budget* (in US \$)	Duration
1.	Criança Esperança	Brazil	10.1 million**	2004 onwards
2. MYA/96/004	Education	Myanmar	3.8 million	1997-1999
3. MYA/99/004	Education	Myanmar	5.6 million	1999-2001
4. 914/BRA/ 1055	Modernizing strategies	Brazil State of Pernambuco	6 million	1999-2005
5. 914/BRA/3022	Establishing the National Agency for Sanitary Surveillance	Brazil	21 million	1999-2002
6. 914/BRA/1000	Building capacity at the National Agency for Sanitary Surveillance	Brazil	44.3 million	2001-2007
7. 534/CMB/4000	Restoration of Pre Rup Temple, Angkor	Cambodia	227,000	2004-2005
8. 570/SRL/5000	Technical Assistance to Jaffna Library	Sri Lanka	200,000	2003-2005
9. 534/RAF/1001	Sub-Saharan Africa regional Education for All	West Africa (Dakar Office)	198,000	2003-2004
10. 914/BRA/3028	Escola da Família, Culture of Peace	State of São Paulo, Brazil	38.5 million	2003-2006
11. 552/CMB/4000	Assistance to Royal University of Fine Arts	Cambodia	446,000	2004
Total			130.4 million	

\* Budget figures have been converted at the United Nations rate of exchange at date of signature.

\*\* Actual funds raised in the 2004 and 2005 fundraising campaigns.

### Exhibit 3: Project descriptions and analysis

#### Case 1

#### Brazil: Criança Esperança

**Description:** In 2004, the UNESCO Office Brasilia (UBO) began a unique extrabudgetary programme in partnership with a very large and influential Brazilian private sector communications firm. UNICEF had acted as the partner since 1986. The partnership emphasizes education and cultural activities, with the intention of reducing crime and meeting some of the social needs of underprivileged children in Brazilian cities. The campaigns in 2004 and 2005 raised

US \$10.1 million. UNESCO's association with the project was prominently mentioned during the fundraising and it continues to receive much visibility in the media.

Under the terms of the agreement, the partner assembles talent and produces shows for an annual fundraising campaign that runs on national television for about a month. The partner's services and facilities are provided free. Five projects run by non-governmental organizations (NGOs) receive permanent funding. For the rest, the UBO uses a selection committee to prepare a list of the projects to be funded. This list is presented to the partner to ratify the final decision. UNESCO lends its name to the fundraising activities and provides expertise in selecting NGOs that are to receive the balance of the funds. It is also required to monitor the use of funds and provide reports to the partner.

**Analysis:** Our examination of the planning for the partnership agreement revealed significant lapses in complying with Executive Board decisions on fundraising with the private sector, and other regulations and rules. The project was negotiated entirely by the Brasilia Office with no input or reviews by any of the sectors or functions at Headquarters, bypassing the corporate processes that had been put in place to identify and mitigate legal, political and commercial risks arising from private sector fundraising. The main problems were:

- The UBO prepared only an advocacy document informing the Director-General of the project's highlights but none of the risks, such as the fact that the requirements for consultation had not been met, that UNESCO was inheriting five projects that would be funded permanently, and that there was an overall limitation of 5% of funds collected for direct project costs.
- The majority of the funds are raised through telephone pledges. The UBO signed agreements with telephone and credit card companies for the collection of funds and with some NGOs for their distribution. These and other agreements were not submitted to the Legal Affairs and the Comptroller for review and concurrence.
- By May 2005, the UBO had signed four contracts with NGOs ranging from US \$370,000 to US \$926,000. These were all well above the delegated authority limit, yet they were not reviewed by the UBO or Headquarters contracts committees, as required.
- The UBO had not taken steps to ensure that the funds collected were being properly accounted for and deposited in UNESCO's account in a timely manner.
- The UBO did not analyse the overhead costs it would be absorbing for this partnership before it agreed to waive the overhead charge.
- There is no requirement for independent evaluation in the agreement.

We also noted that some activities may have resulted in UNESCO assuming some legal responsibilities prior to signing the partnership agreement and prior to informing the Director-General. These also were not included in the letter to the Director-General. We informed the Director-General about our concerns, and the Director-General responded by assigning various Headquarters functions to review the matter.

## Case 2

### **Myanmar: Improving access of children, women, and men of poorest communities in Myanmar to primary Education for All**

**Description:** This is the second phase of a project implemented for UNDP from 1996 to 1999 with a budget of US \$3.8 million, as part of the Human Development Initiative from 1994 to 2001 in Myanmar. At the time, only one third of the children in Myanmar completed the five-year cycle of primary education, and it took each one an average of 10 years to do so. Education received limited government funding and real per capita expenditure on education had declined. This project set out to improve access to schooling and the quality of education, build capacity, and improve the information and communication in rural communities. It also included some income generation activities.

**Analysis:** This is a large, well-planned and well-documented project following the best practice methodology used by UNDP. Lessons were learned and applied from a previous project. Nevertheless there were serious implementation problems, which seem due primarily to the difficult environment in which the work took place. Coordination was complicated by the number of parties involved, including UNDP, UNESCO, UNICEF and the counterpart government, and perhaps by the fact that both UNESCO Headquarters and the Bangkok Office were involved. Clearer terms of reference and levels of delegated authority for each party would have improved implementation.

## Case 3

### **Myanmar: Primary Education for All**

**Description:** Like Case 2, this project concerns the education sector in Myanmar and is part of Phase 3 of UNDP's Human Development Initiative. It ran from 1999 to 2001, and the initial budget was reduced. Total expenditures were US \$3.5 million out of an original budget of US \$5.6 million.

**Analysis:** Following the model of all UNDP projects, it was planned and documented in detail. The project provides good examples of plans and reports, although the Terminal Report lacks some important features, such as discussion of an exit strategy or the disposition of US \$800,000 in equipment.

## Case 4

### **Brazil: Formulate and implement modernization strategy, state of Pernambuco**

**Description:** This project began as part of a general agreement for assistance to the state of Pernambuco, Brazil, in November 1999. Expenditures to 30 April 2005 were US \$6.3 million and at the time of our field visit there was a deficit of \$40,447 in the project account. The main activities were implementing a system of educational evaluation in Pernambuco, training in evaluation, improving student competence in literacy and mathematics, and opening the schools every Saturday and Sunday.

The evaluation programme developed a methodology for testing student performance in reading and mathematics, then applied this to all state schools in 2000 and again in 2002. There are indications that this part of the project was successfully completed and transferred. The Open Schools programme is now the main activity in this project. It was developed as a response to juvenile violence, and initiated in August 2000. The objective was to offer education alternatives, culture, sports and leisure to youths in the less-favoured communities of the Metropolitan Area of Recife.

From 30 Open Schools in the year 2000, the project now has about 400 and has expanded to other parts of the state.

**Analysis:** This case illustrates a project with many successful activities and some successful results, but some process failings. It lacked advance approval from Headquarters, a proper project document and work plan, and formal monitoring and reporting. Although the agreements do not explain a connection to UNESCO's priorities, one can be inferred: while the main purpose of keeping schools open on weekends is to reduce youth violence, this may also improve regular school attendance, literacy or graduation rates, results that fit directly into the priorities of the Education Sector. There is a need for an independent evaluation of UNESCO's value added, and the development of an exit strategy for the open schools programme as for the evaluation programme.

## Case 5

### **Brazil: Cooperation for the development of actions in sanitary surveillance**

**Description:** The National Agency for Sanitary Surveillance (ANVISA) is a new regulatory agency created by the Brazil Ministry of Health in 1998 to control the quality of drugs, food and environment in hospitals, restaurants, schools, ports, airports and borders country-wide. The main objectives of this technical cooperation project were to implement and organize the agency by improving managerial systems and training professional staff, to undertake scientific research in sanitary surveillance, and to disseminate information to help control drug adverse reactions.

This project ran from 1999 to 2002, although it is still open in UNESCO's books. Expenditures to 31 March 2005 were US \$22 million, and there is currently a deficit of \$7,683 in the project account. Another project with the same general objectives and many of the same staff started in 2001.

**Analysis:** This case concerns a project in a food and drug regulatory agency, unrelated to any of UNESCO's organizational strengths. The project was not approved by Headquarters in advance. It is difficult to identify any concrete results from UNESCO's involvement, and the experience was not properly assessed or evaluated before a second project was undertaken in the same agency.

The project planning and administration was inadequate in the following respects:

- No planned results are stated, such as when ANVISA was expected to be operational, or the types of regulatory or safety decisions ANVISA and/or UNESCO were expected to make.
- No outputs are stated, such as the number of staff to be trained or when key systems were expected to be operational.
- There was no discussion of what specific improvements were expected at the end of the project, or an exit strategy.
- Initially, there was no provision for support costs although these were added in later as a cost element in amendments.
- There is no discussion of any relationship to other projects, other partners, or other sources of assistance, although we were told UNDP, WHO and the US FDA were also providing assistance to ANVISA.

- There are no written reports to indicate that UNESCO management reviewed project performance and spending against the terms in the overall cooperation agreement and amendments.
- There were no regular or summary reports of results or highlights prepared or any review by UNESCO management of whether the terms in the agreement were being followed, and no project completion report had been prepared.

## Case 6

### **Brazil: Cooperation for the development of actions in sanitary surveillance**

**Description:** This project began in 2001 and carried on from 914/BRA/3022 (Case 5). The purpose was to improve the safety, quality and efficiency of the services provided by ANVISA, the food and drug protection agency in Brazil. The project has been extended to December 2007. The total approved budget was revised in 2004 and is now more than R \$118 million. Expenditures to 31 March 2005 were US \$23 million.

**Analysis:** Like its predecessor, this project also lacks cohesion with UNESCO's objectives and priorities. In addition it retained more than 500 consultants who were recruited without public competition for the previous project. Some other failings of the previous project have been corrected; for example, there is a plan with a logical matrix of objectives, time-frames and costs. But some key terms in the project document have not been fulfilled, such as the purchase of a safety room, and the requirement for regular reports, and these failings have not been monitored by UNESCO management. There is also a need for an independent evaluation of UNESCO's value added and for an exit strategy.

## Case 7

### **Cambodia: Restoration of Pre Rup Temple Phase 3, Angkor, Siem Reap**

**Description:** This project is the third phase of a restoration project that began in 1995. It is part of the major international effort to stabilize and restore the main monuments of Angkor, which were designated a World Heritage Site in Danger in 1992. As such it fits within UNESCO's priorities, although the connection was not explained in the project document. UNESCO heads the Secretariat for the International Coordinating Committee and various subsidiary bodies that bring together the activities of some 20 countries channelling an average of more than US \$5 million a year to help preserve and develop Angkor.

**Analysis:** The project was planned and administered well except for some operational and administrative delays. The administrative delays were within UNESCO's control and should have been foreseen. Some of the operational delays were not new and could have been foreseen, given the experience the team had already gained working on previous phases of the project, while others were beyond the team's control. The project proposal did not include an exit strategy or provision for evaluation. In view of the donor's clear statement that this would be the final phase, it is unfortunate that the objective of capacity-building was not more explicitly planned and developed.

## Case 8

### **Sri Lanka: Technical Assistance to Jaffna Library**

**Description:** This project was to help reconstruct and re-equip the Jaffna Public Library that was burned during the Civil War, destroying its collection of 97,000 books, some of them rare. It is both a major cultural centre and a landmark. Donors in many countries, including UNESCO and the Sri Lankan Government, had already contributed funds and books to the reconstruction. The building had been rebuilt and at the time of this project the refurbishment was nearing completion, with several million dollars in funding from the national and local governments. This project's objective was to provide reading and educational materials and wider access to knowledge through information technology and a mobile library vehicle. It was also intended to demonstrate reconciliation that would contribute to the ongoing peace process.

**Analysis:** The project was expected to finish in June 2004 but completion was delayed until 2005. Some delays were unpredictable, but inadequate planning and monitoring were also contributing factors. Although the proposal did not refer to UNESCO's priorities and it lacked specific outcomes, it clearly fit within the work of two sectors. The roles of various parties including other funding sources were not clearly defined. Outputs and time-frames were missing from the work plan. The library is now fully open and operating, with the handover of the last items, including the mobile library, taking place in April 2005.

## Case 9

### **West Africa: Support to strengthen the policy framework, capacities, and programmes for Education for All (EFA) in the crisis and post-crisis countries of West Africa**

**Description:** The purpose of this project was to help five countries in West Africa develop national action plans for Education for All, which included programmes to meet the Millennium Development Goals of providing universal primary education to all children by 2015. For Africa in total, achieving this goal will require an increase in the number of students from fewer than 100 million in 2000 to 180 million in 2015. This is a particularly challenging goal for the countries in West Africa that had been falling behind in offering primary education for a variety of reasons, among them the social and economic dislocation caused by political instability, civil wars and the HIV/AIDS pandemic.

**Analysis:** The project document is appropriately short, but lacks some important information. The objective relates closely to UNESCO's priorities, but the connection is not explained, nor are the partners' roles. The proposed work was vague because the agreement contained no outputs or expected outcomes. If these problems are corrected, this form of agreement could become a model for projects of this size and complexity. The project was administered by the UNESCO Dakar Office, which developed a useful progress report for management to monitor all EXB projects. However, the information provided to Headquarters was inadequate for the annual meeting with the donor.

## Case 10

### **Brazil: Escola da Família, Culture of Peace, State of São Paulo**

**Description:** The Family School Programme is an initiative of the São Paulo State Secretariat of Education, with the technical cooperation of UNESCO. The programme uses state public schools that are open on weekends to attract youngsters and their families to social and educational

activities in sports, culture, health and professional training. The intent is to improve self-esteem and the cultural identity of the different communities in the State of São Paulo. This project began in September 2003 and will continue for 36 months. It has an approved budget of R \$105 million and more than 40 full-time staff. It includes more than 5,000 schools and an average of about 10 volunteers and paid staff in each school. The approved expenditures to 31 March 2005 were US \$22 million, of a total budget of US \$38.5 million.

**Analysis:** The project was planned well, with one exception: there is no documented link to UNESCO's priorities. Nevertheless the project could have been related to improving regular school attendance, or literacy or graduation rates, results that fit directly into the Education Sector's priorities. In most other respects, the project documents are done well and could be used as models for other projects. Good management processes were set up and are operating, and already there is evidence of successful results. As with other schools projects in Brazil, there is a need for an evaluation that identifies UNESCO's value added and considers possible exit strategies.

## Case 11

### **Cambodia: National capacity-building for human resources in archaeology and architecture at the Royal University of Fine Arts**

**Description:** This project's objective was capacity-building by helping manage two faculties of the Royal University of Fine Arts, a higher educational institution. Previous projects had also supported these two faculties of architecture and archaeology, which are important to preserving Cambodia's cultural heritage. More than 650 students had already graduated from the programmes, some of whom worked at Angkor and for national government agencies. But there were problems that came to a head in 2001-2002 and pointed to a failure in sustainability. As a result, in 2002 the Director-General appointed a mission to determine whether improvements could be made. The result was the current \$445,930 funds-in-trust project, which was approved in October 2003 for one school year.

**Analysis:** While the project's objective indirectly contributed to the development of a culture of peace and to cultural preservation, the project document did not explain UNESCO's qualifications or experience in improving university management, or how the project related to UNESCO's priorities. The project was successfully implemented despite a late start. Although the project document was not specific enough about the conditions necessary for a successful exit strategy, this was a main concern both in the project's planning and implementation.

## Appendix 2 The EXB project cycle

<i>Stages in the project cycle</i>	<i>Responsible unit(s)</i>
<b>1. Preparation of the project</b>	
Field mission; preliminary discussions with the potential beneficiary; preparation of the project outline (in SISTER)	Programme Sectors, Field Offices
Initial soliciting of funding source	ERC/CFS, Field Offices
Preparation of full project document	Project Officer
Conclusion of agreement with the funding source	ERC/CFS (BB, DCO, LA)
Establishment of Plan of Operations with the beneficiary, for funds-in-trust	ERC/CFS, Project officer (BB, DCO, LA)
Creation of the project; request for funds	BB, ERC/CFS
<b>2. Implementation of the project</b>	
Launching of project activities (revised work plan, allotments)	Project officer, AO, BB
Procurement of equipment, works and services	ADM/PRO
Implementation/backstopping of project activities in accordance with project document	Project officer
Preparation of regular (annual/semi-annual) progress reports	Project officer
Preparation of regular financial statements	DCO/ACT
Preparation of annual revisions of the approved budget and of work plans	Project officer, AO BB
Contacts with the funding source: submission of progress reports and financial statements; seeking approval of revisions of project document and budget; transmission of fund request; co-ordination of regular review meetings	ERC/CFS
<b>3. Closing of the project</b>	
Final evaluation of the project	Project officer, IOS
Preparation of final report	Project officer, ERC/CFS/REP
Liquidation of all obligations	Project officer, AO
Preparation of final financial statement	DCO/ACT
Transmission of final report and final financial statement to funding source, with proposals on transfer of possible equipment	ERC/CFS
Closing of the account	DCO/ACT, BB, DIT

Source: EXB Practical Guide, p. 90.