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NEW AUDITS BY THE EXTERNAL AUDITOR

PART I

AUDIT OF THE UNESCO PARTICIPATION PROGRAMME

SUMMARY

In accordance with Article 12.4 of the Financial Regulations, the External Auditor submits the audit report on UNESCO's Participation Programme.

Action required of the Executive Board: proposed decision in paragraph 139.

Cour des comptes	Office of the External Auditor of the United Nations Educational, Scientific and Cultural Organization	UNESCO

AUDIT OF UNESCO'S PARTICIPATION PROGRAMME

Cour des comptes: UNESCO-2012-11

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I. LIST OF RECOMMENDATIONS

Recommendation No. 1: the Organization should only use "per-country financing limits" to optimize the volume of requests submitted by potential beneficiaries. In order to enforce the priorities set by the General Conference and the Secretariat effectively, the financing limits should nonetheless be established in a more differentiated way among beneficiary groups (particularly by also applying to geographical priorities) and be notified to Member States in order to limit their requests.

Recommendation No. 2: given that the Participation Programme is a State assistance tool rather than a form of redistribution, there should an eligibility criterion comparable to the "GDP per inhabitant threshold" adopted by the Secretariat in 2006, that would ensure a correlation between the funding and the material and/or economic capacities of beneficiaries. To avoid making this a merely secondary or incentive criterion, it should be made official by means of a General Conference resolution.

Recommendation No. 3: except for unquestionably well-founded exceptions (political unrest, natural disasters and so forth), countries that have not fulfilled their accountability requirements for projects from previous biennia should not be able to submit requests for the current biennium. This ineligibility could be reconsidered once the obligations have been fulfilled, including during the allocation process under way for the current biennium (particularly for a possible second call for proposals for short projects – if the new approach is adopted).

Recommendation No. 4: given that some thematic priorities remain unfulfilled since they are not well served by the project selection model, it is recommended that, in order to render the "gender equality" priority effective, potential beneficiaries should be required to include at least one project relating to this priority in the top half of their list of requests.

Recommendation No. 5: the question of the appropriateness of the Participation Programme's support for the material operations of National Commissions should be brought before the General Conference and unambiguously clarified. With this in mind, in order to eliminate local conflicts of interests and in the light of the difficulty of establishing a clear and controllable boundary, it is strongly recommended that any projects or expenditure on direct material support for the operations of National Commissions be excluded from Programme funding. The support that the Organization legitimately intends to provide to the National Commissions, in the framework of their Charter, should be recorded and managed transparently as part of the regular programme (ERI budget).

Recommendation No. 6: in order to facilitate the processing and the quality of applications submitted by the National Commissions, it is strongly recommended that an interactive tool be developed to help in preparing, presenting and submitting requests for funding to the Participation Programme. This tool should be constantly available and updated, and must include all formal directives and informal advice enabling National Commissions to ensure a certain standard of quality in requests from the outset.

Recommendation No. 7: an in-depth review is recommended of the policy and tools for training the operational staff of National Commissions mainly responsible for contributing to the procedures of the Participation Programme; this must involve at a minimum a more rigorous and relevant selection of the staff to be trained and the use of the most economic and effective resources (involvement of field offices, creation of courseware).

Recommendation No. 8: it is most strongly recommended that the governance of the process for the allocation of funding be reconsidered, delegating authority over these decisions to the Assistant Director-General for ERI; the quality, neutrality and relevance of these decisions should be ensured by the collegiate functioning of the Intersectoral Committee on which each of the sectors and services at Headquarters chiefly concerned (BSP, BFM) should be represented and have, as a responsibility, an expert role.

Recommendation No. 9: it is recommended that the Secretariat make a real and determined effort to reduce the economic cost of processing requests under the Programme. Common-sense measures should be taken, such as restricting, for reasons of efficiency, the number of applications that each group of countries may submit depending on its priority; duplicative paper trails should be eliminated; and delegations should hold sole responsibility for submitting the original files on behalf of the National Commissions, thus ensuring authentication of signatures as required.

Recommendation No. 10: subject to substantial improvements in decision-making, notification and payment lead times, and in order to avoid overloading the services (including the sectors) at the very beginning of the biennium, which is severely damaging to the quality of evaluations and decisions, it is recommended that consideration be given, for implementation in the 2014-2015 Programme, to instituting two project submission phases, the first from January to June in the first year of the biennium (long projects), and the second from September to November of the same year (short projects).

Recommendation No. 11: no financial report should be deemed to have been “checked” unless the supporting documents for the expenditures reported have been examined. To give genuine effect to this principle, it is recommended that a systematic scrutiny be introduced, entailing liaison among ERI/PPE, the Bureau of Financial Management (BFM) and the Internal Oversight Service (IOS) and that, the field offices, subject to exceptions, be given authority to check financial reports on Participation Programme projects.

Recommendation No. 12: to give full meaning to the principle of evaluating Participation Programme projects, monitor the effective implementation of funded activities and contribute to the substantiation of the Programme’s consistency with UNESCO’s strategic objectives, the system for evaluating implemented projects and their impact should be strengthened, in particular by routinely drafting sectoral, geographical and thematic synopses of evaluation reports, sharing best practices with National Commissions and by genuinely applying the sexennial evaluation rule in order to provide a sound basis for decisions by the governing bodies.

Recommendation No. 13: it is now necessary to enshrine in statutes, through a General Conference resolution, the principles, policy lines, conditions and *basic* rules for managing and evaluating activities funded under the Participation Programme, with only the Programme’s *major* appropriation priorities being set out in the biennial C/5 resolution, and with the Director-General holding responsibility for decisions on the most appropriate management conditions and choices to ensure results. From this standpoint, and in the interest of efficiency and economy, a greater role upstream expertise, monitoring of financial implementation and final project evaluation must be granted to the field offices.

I. Objectives, scope and method of the audit

1. After the notification dated 19 July 2012, a team of three auditors conducted a general audit of the Participation Programme (PP) (procedures, management and results), in accordance with terms of reference provided previously to the Secretariat. The overall objective was to analyse and evaluate the consistency of the Programme's orientations, priorities and achievements with UNESCO's Medium-Term Strategy for 2008-2013 and to assess the efficiency and effectiveness of its management. The audit assignment covered all projects supported by the Programme, including emergency assistance programmes, over the 2008-2009 and 2010-2011 biennia and in 2012. The audit was conducted at UNESCO Headquarters in Paris between 27 August and 7 September 2012, then during field missions in a sample of 10 countries from 15 October to 15 November 2012.

2. The work included the following:

- analysis and evaluation of the integration and complementarity of the Participation Programme with the Organization's other intervention tools, in terms of both beneficiaries and contents;
- assessment of how efficiently UNESCO is able to select projects in relation to its chosen objectives;
- analysis and evaluation of procedures in terms of efficiency, effectiveness and economy, from reception to closure;
- ensuring that the projects conducted and results produced are tangible and in accordance with the objectives set out in funding decisions.

3. The audit was conducted in accordance with the international auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI), UNESCO Financial Regulations and the additional terms of reference governing the mandate of the External Auditor.

4. All draft findings and recommendations were discussed with Headquarters staff. The National Commissions concerned were able to contribute such comments, explanations and complementary information as they deemed appropriate after they had been provided with summaries of the findings prepared in the field. **The Secretariat has verified the validity of the facts set out in this document, which fully takes account, where necessary, of its comments and any additional factual information provided in response to the submission of the interim report.**

II. The Participation Programme

5. The management of the Participation Programme comes under the Sector for External Relations and Public Information (ERI). The other programme and functional sectors and services (human resources, finance, support, internal oversight) are also very much involved. Certain local and regional offices also participate in the management and evaluation of the Programme, which is therefore of considerable significance in terms of UNESCO-s in-house organization.

6. The first "UNESCO technical programme" was established in 1955/56 (8 C/5) to provide assistance to Member States for unplanned ("special") activities. This became the Participation Programme through a resolution of the General Conference adopted at its ninth session (included in document 9 C/5). It is therefore a well-known programme which has existed for over 55 years and has always been characterized by the direct assistance it has provided to Member States (National Commissions), following priorities which were partly determined by the States themselves and conducting actions not directly included in the Organization's regular programme.

7. Non-governmental organizations (NGOs) maintaining official relationships with UNESCO can also receive direct support. In Chapter K of the Basic Texts, under paragraph 3.2 of the General Principles of the Directives concerning UNESCO's relations with NGOs, it is stipulated that cooperation with national or local NGOs is to be "conducted in consultation with the National Commission for UNESCO of the Member State concerned". Thus, there are two levels of collaboration with NGOs (UNESCO and the National Commissions), which is also true for the Participation Programme.

8. Actions and projects funded by the Programme may be of regional, subregional or national scope. The principles and modalities of funding are determined by resolutions of the General Conference.

2.1 Applicable sources of law

9. Reference texts are numerous and can lead to a wide range of sometimes divergent interpretations of the Participation Programme and the conditions in which it is implemented. The first significant finding in this regard is that the Programme, although under way for a number of decades, has never been durably codified. Its very existence and its objectives and operational modalities are determined specifically and in full by a resolution of the General Conference at each session (in the framework of the approved C/5 budget).

10. This very short-term approach is partly counterbalanced by the Programme's inclusion in the Medium-Term Strategy. For example, the Strategy for 2008-2013 (34 C/4) contains the proposed budget for the Programme ($19,070,000[1] per biennium), together with $53,100 for operating costs and $1,135,000 for Headquarters staffing. Despite this overall medium-term budgeting, there is no corresponding strategy in terms of content or objectives.

11. Given that the National Commissions play a central role in the implementation of the Programme, it is important to refer whenever necessary to the Charter of National Commissions for UNESCO, adopted at the 20th session of the General Conference. In particular, to make clear the relationship between the parties and their mutual responsibilities, the Charter states that "National Commissions collaborate with each other and with UNESCO's regional offices and centres in fostering regional, subregional and bilateral cooperation in education, the sciences, culture and information, particularly through the joint formulation and execution of programmes. This cooperation may bear upon the [...] implementation and evaluation of projects and may take the form of joint surveys, seminars, meetings and conferences [...]".

12. The Charter also states that "**it is incumbent upon each Member State** [...] **to provide its National Commission** with the status, structure and resources necessary to enable it effectively to discharge its responsibilities" and that each Commission requires "a permanent secretariat, provided with [...] a high-level staff [and] sufficient financial means to enable it to carry out [its] functions". Article V of the Charter states that UNESCO supplies the Commissions "to the utmost of its ability, with the facilities needed for the discharge of their functions [...] by providing training for new Secretaries-General, [...] by providing them with material assistance [and by] entering into contracts with them, wherever necessary, for the execution of activities included in its programme". Thus, the Organization has good reason for funding the National Commissions and their functions. The question of how UNESCO may fund their activities and functions remains unclear though and, as will be seen, this ambiguity affects the Participation Programme.

2.2 Biennial rules

13. The Participation Programme as such is therefore approved by the General Conference before the beginning of each biennium. In light of the area chosen for the audit, the most recent regulatory sources have been examined. The programmes for the last two biennia were defined as

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[1] United State dollars.

"direct complementary assistance for initiatives undertaken by Member States and Associate Members […] in line with the priorities that they determine", but which must nonetheless "fall within the strategic objectives and biennial sectoral programme priorities of the Organization." Document 36 C/5 states that efforts will continue "to obtain from the various beneficiaries of the Programme […] evaluation and financial reports […] as well as record-keeping […]". It emphasized the need for improved formulation, evaluation and follow-up of requests and to ensure that "accountability mechanisms [were] strengthened to improve programme execution, management, monitoring". A priori, the Organization is therefore adopting for the current biennium a reliable tool for the organization, analysis and follow-up of the Participation Programme.

14. The most recent principles of the Participation Programme are set out in detail in the resolutions contained in document 36 C/5. The numbers of eligible areas in the Programme remains high, but the number of requests which may be submitted by each Member State is restricted to ten, and the level of priority to be given to each project is determined by each National Commission. Of the total amount, 5% is reserved for international NGOs in an official partnership with UNESCO, and they may submit separate requests. Requests from other NGOs, national ones, are included in the maximum of ten. The General Conference sets the deadline for the submission of requests for each biennium; National Commissions may ask for funding contributions or request that the projects be implemented by UNESCO. The amount of each request submitted for funding by the Participation Programme is restricted to $26,000 for national projects, $35,000 for subregional or interregional projects, $46,000 for regional projects and $50,000 for emergency assistance. A financial report and a detailed report on project results are required, as is a sexennial report, to enable the Secretariat to provide to the governing bodies an assessment of the Programme's impact and its consistency with the Organization's aims and priorities.

15. The particularity of the aforementioned biennial resolutions is that the general rules of the Participation Programme are set out in full every two years. It is probably one of the longest General Conference resolutions, which is surprising since the budgetary implications, while not negligible, are limited ($20 million to $30 million, depending on the biennium).

16. Although deciding on the rules for the Programme every two years ensures that it is always adaptable to the current situation, short-term thinking prevails and it can be difficult for UNESCO and the National Commissions to have any durable strategy.

2.3 Implementation

17. Complementing the aforementioned Basic Texts, the Administrative Manual provides detailed information on procedures. These are listed in a technical letter addressed by the Director-General to the National Commissions and permanent delegations at the beginning of each biennium, setting out the scope of the Participation Programme, modalities for the submission of requests, and the supporting documents to be provided.[2]

18. The letter contains information on deadlines, the internal organization of the consideration and follow-up of applications, the interpretation of budgetary rules and, particularly, the implementation of control mechanisms which mean that, for example, contributions will not be made for a given biennium to a beneficiary which has failed to comply with rules on accountability or evaluation in previous biennia.[3]

19. Procedures for considering applications (which are assessed below) have become complex. As well as ERI, they involve all the sectors and services of UNESCO at several stages in the life of

[2] It is because of the contingent nature of this mechanism that the letter issued in January 2012 reflected the context of budgetary restrictions and determined the consequent priorities to be applied in 2012.

[3] It therefore becomes a "blocked" country which, while it can make submissions to the Programme, cannot benefit from it until it has fully complied with its obligations in terms of management, control and evaluation or has reimbursed the sums the use of which has not been justified.

an application (including the request, examination by Intersectoral Committee for the Participation Programme and consideration of the evaluation and financial reports) whenever compliance with rules on management and accountability and consistency with UNESCO objectives are verified.

2.4 Past audits

20. Clearly, while the Participation Programme is very popular with some and criticized by others, none of the actors concerned (permanent delegations, National Commissions, the Secretariat and NGOs) are indifferent to it. This is probably why recent years have seen so many specific audits on the Programme and why it has been mentioned so often in many other internal documents on related subjects. The last External Auditor's report was in 2000 (by the Auditor-General's Office of Canada). The most recent audits were conducted by the Internal Oversight Service (IOS): a general evaluation of the Programme in 2008 and an audit in six countries in 2009 are recent enough to be worth recalling.

21. The work of IOS had drawn attention to the very large numbers of requests submitted by National Commissions, far exceeding the Programme's financial capacities and leading to major administrative expenditure for the consideration of applications which were ultimately rejected. This reflected a lack of stable, harmonized guidance for proposed projects and the excessive time taken up by the consideration of requests by numerous different actors. In fact, deadlines for the submission of financial and evaluation reports (particularly the fact that in some cases these documents were allowed to be produced as late as the end of the *biennium* following that in which the project was executed), as well as monitoring and assessment measures, were not appropriate.

22. The findings and observations made in 2008 and 2009 led the Internal Oversight Service to make a number of recommendations to the Secretariat, including the following:

- clarify the contribution of the Participation Programme to the Organization's general objectives and clearly define goals and expected outcomes;
- identify priorities to guide requests from National Commissions,
- improve the consideration of requests;
- reduce the maximum number of requests that a country can submit, in order to improve management efficiency;
- clarify the rules of ex ante and ex post technical evaluation;
- establish more selective criteria for the consideration of capacity-building requests from National Commissions ;
- bring forward deadlines for the submission of financial and evaluation reports;
- disseminate best practices.

23. Regarding management improvements, IOS particularly recommended making the consideration of requests more efficient (especially through analysis of risks linked to beneficiaries to optimize monitoring) and strengthening communication and assistance to National Commissions.

24. Lastly, in December 2011, in the framework of a study of relations between the Secretariat and National Commissions, IOS noted that the Participation Programme did not always work towards UNESCO priorities in the countries concerned and that cooperation between the National Commissions and local UNESCO offices was insufficient.

2.5 Measures implemented following the most recent audits

25. On the initiative of ERI, which is responsible for the Programme, a number of measures have been adopted and actions undertaken in response to some of the aforementioned audit recommendations, mostly to improve the management of the Programme. Some actions which required decisions of the General Conference because they fell within the framework of its biennial resolution were rejected by the Conference and could not therefore be implemented.

26. The submission deadline for the financial and evaluation reports of projects was changed to April of the year following the end of the biennium. The evaluation and decision-making process for requests was strengthened through better coordination between the services involved in the assessment of applications, improving the work of the Intersectoral Committee, efforts to guide applicants in the preparation of their projects and closer attention to the list of countries which failed to comply with rules on accountability and evaluation.

27. A proposal from the Directorate seeking to favour projects in African countries by setting a deadline for the submission of their requests at 31 January of the first year of the biennium, a month before all other requests, was rejected in 2011. Aside from that, most of the recommendations have come to nothing; the reduction in the number of requests each country can submit was not adopted, the dissemination of best practices has taken place only on a very minor scale and there has been no exploration of ways to tighten priorities.

III. Effectiveness of the Programme

3.1 Rules established by the Member States

28. The resolutions which have been adopted over the years to determine the characteristics of the Programme have led to a framework which is geographically poorly targeted, with a great diversity of small-scale actions whose connections to the Organization's principal priorities are sometimes unclear.

29. *The Programme is poorly targeted geographically*. In 36 C/Resolution 69, it was decided that priority for the Participation Programme would be given to proposals from the least developed countries (LDC), developing countries, countries in post-conflict and post-disaster situations (PCPD), small island developing States (SIDS), countries in transition and middle-income countries (MIC). In the previous resolution (35 C/Resolution 67) SIDS, PCPD and MIC were not included in the priority strategy.

30. Thus, of the total number of Member States and Associate Members of UNESCO, 168 countries (out of 203), or 83% of potential beneficiaries, are being given priority for the allocation of funds from the Participation Programme. The concept of priority no longer has substance and the resulting strategy leads to a scattering of funding among a multitude of countries.

31. *Actions are numerous, small-scale and disparate*. The Participation Programme has taken the shape of a then large number of micro-projects relating to all the sectors of UNESCO. The average amount per project is relatively low ($20,000 in 2008-2009 and $22,000 in 2010-2011). It should be noted that these amounts are sometimes comparable with those allocated to activities directly undertaken locally under the regular programme and that they nonetheless serve to implement significant actions in most of the beneficiary countries.

32. Under the most recent resolution (36 C/Resolution 69), financial assistance from UNESCO can be used to fund a limited range of goods and services: the services of specialists, not including staff costs and administrative support; fellowships and study grants; publications, periodicals and documentation; equipment (other than vehicles), and conferences, meetings, seminars and training

courses. The distribution of assistance allocated during the period under consideration is shown in table 1.

Table 1: Distribution of assistance (percentages)

	2008-2009	2010-2011	2012-2013
Conferences and meetings	23.1%	22.3%	26.0%
Seminars	19.4%	23.0%	27.0%
Equipment and supplies	25.2%	22.3%	16.3%
Fellowships	5.0%	3.8%	3.8%
Consultants	14.9%	15.3%	16.7%
Publications, translation and document reproduction	12.4%	13.3%	10.2%

Source: ERI data, adjusted by the auditor

Note: data in the 2012-2013 column relate only to requests for the biennium which had been approved as of the date of the report.

33. Despite the separation within ERI between the Participation Programme and the Fellowships Programme Section, a considerable share of the projects approved still serves for the granting of fellowships and related actions. The share of spending on equipment and supplies fell significantly from 2012 onwards, particularly following an ERI initiative aiming to improve control over the acceptance of equipment requests for National Commissions. This decision is seemingly controversial, and still submitted to the Director-General for arbitration. Nonetheless, it is an important issue, and will be further considered in the report.

34. The distribution of approved projects by sector shows a considerable dominance of education-related areas, and cultural projects are relatively overrepresented (the respective proportions for the Education Sector and Culture Sector decline slightly in the last biennium, but the trend is unchanged).

Table 2: Requests approved, by sector (excluding NGOs)

	2008-2009				2010-2011			
	Number of projects	**Amount approved for PP ($ millions)**	**% PP**	**Sectors' share in the regular programme (Part II.A)**	**Number of projects**	**Amount approved for PP ($ millions)**	**% PP**	**Sectors' share in the regular programme (Part II.A)**
Education	258	5.133	31.49%	39.1%	277	6.203	38.1%	40.3%
Natural Sciences	136	2.668	16.37%	20.4%	106	2.369	14.6%	20.1%
Human and social sciences	61	1.261	7.70%	10.5%	59	1.252	7.7%	10.1%

Culture	191	3.822	23.45%	18.5%	149	3.331	20.5%	18.3%
Communication and information	98	2.003	12.29%	11.5%	89	1.910	11.7%	11.3%
Subtotal	**744**	**14.887**			**680**	**15.065**		
				Other actions				
Gender equality	8	0.176	1.1%		3	0.065	0.4%	
DPI	1	0.015	0.1%		1	0.020	0.1%	
ERC/RPO/PTS	7	0.138	0.8%		-	-	-	
ERI/NCS/NAC	62	0.892	5.5%		56	0.855	5.3%	
ED (IIEP)	8	0.188	1.2%		11	0.265	1.6%	
Subtotal	**86**	**1.410**			**71**	**1.205**		
TOTAL PP	**830**	**16.297**			**751**	**16.270**		

Source: ERI data and reports to the General Conference, adjusted by the External Auditor

35. Ultimately, despite the overrepresentation of cultural programmes, the Participation Programme more or less matches, in sectoral terms, the major areas of funding allocation adopted for the regular programme.

36. The particular appetite for cultural programmes may, however, characterize applicants' own priorities, which also have to be taken into account in the allocation of the Programme's resources. There is a trend associated with this sectoral distribution, however, which might be worrisome: a significant rise in the share allocated to conferences and seminars over the years. That item made up 42% of the Programme's project expenditure in 2008-2009, but 53% of budgets approved in 2012 are now allocated to it. Indeed, reviews conducted in the field have shown that such activities were those which most often showed gaps or even uncertainties in terms of the correct justification of spending.

3.2 Management of the Programme by the Secretariat

3.2.1 Management of the Programme’s objectives

37. *Respecting the Organization’s overall objectives*. The resolutions from the 35th and 36th sessions of the General Conference call on potential beneficiaries to submit requests consistent with the general objectives and priorities of UNESCO. A review of requests submitted to the Intersectoral Committee, however, shows a long list with rather unconnected themes and objectives, based on all kinds of arguments to explain that the imposed criteria had been met (especially in terms of strategy and priorities).

38. In principle, the procedure adopted to review each application should effectively check compliance with such priorities. However, this procedure is inconsistently applied according to the sectors tasked with assessing the applications. Due to the fact that not all sectors have the same overall appreciation of the Programme and its usefulness, some sectors may show considerable indulgence towards applications submitted on the principle that funding allocated may be greatly effective on the ground, whereas another sector may feel that most projects are so far removed from its priorities that the assessment generated is difficult to accept.

39. Using the same approach that led to so many countries being prioritized that the very notion became far less meaningful, the priority given in early 2012 (through a directive from the Director-General) to the submission and review of projects of potential beneficiaries from the Africa region has definitely lacked effectiveness, as no real and practical limitation has been placed on other requests. These other requests, which have been as numerous as in previous years, were then reviewed on a staggered timetable, thereby jeopardizing the normal implementation of projects according to the time frames imposed by the Programme, and creating additional pressure on the schedule for providing final reports and evaluations.

40. The quality of the contribution of sectors and units at Headquarters must therefore be questioned: it is generally held that the workload of processing Participation Programme requests has a weak cost-efficiency ratio. The fact that so many opinions are required for the decision-making process on low-value projects (systematic opinions for IT equipment purchases of any kind and cost, opinions on planned publications, opinions on final financial reports and so on) weighs heavily on support by the Organization’s officials for the Programme. This is especially true because their place in the assessment arrangements and selection procedure is not clearly stated in internal texts. Amidst the strain on (particularly human) resources, the fact that Headquarters sectors and services are focusing on their “own priorities and constraints” puts the Programme at risk of being managed in a secondary or even negligent way.

41. *Respect for geographical priorities.* The geographical priorities of the Programme are very broad, as indicated in the resolutions setting them for the two most recent biennia. These objectives are on the whole achieved (in quantitative terms) thanks to the actions carried out by the Secretariat and the tools at its disposal. Although several means were used, effectiveness remained uneven.

Table 3: Geographical priorities

	2008-2009			**2010-2011**		
	Requests	**Sum approved ($) and share of total Programme[1]**		**Requests**	**Sum approved ($) and share of total programme[1]**	
Africa	275	5,373,090	28.5%	277	5,990,155	32.4%
Least developed countries	288	5,596,256	29.7%	290	6,194,605	33.5%
Developing island States[2]	-	-	-	148	3,155,275	17.1%
Total	563 (68% of total)	10,969,346	58.2%	715 (95% of total)	15,340,035	83%

Source: ERI data adjusted by the External Auditor.

(1) Percentages are calculated across the entire Programme, including NGO financing and operations.

(2) SIDS were not included in the list of priorities in the resolution for the 2008-2009 biennium.

42. The first of such instruments and the main management tool is the establishment (for internal Secretariat use) of indicative project financing limits by category of country. For this biennium for instance, it is $100,000 for LDCs and $65,000 for SIDS. Except for management incidents such as

a country block for non-compliance with accountability, these limits make it possible to use up the entire budget allocation for the Programme. The auditors found that this internal rule was respected across the board.

43. The advantage of these limits is that they clarify and streamline the internal management of funding requests, distribute available funds among countries and make it easier to achieve the budget target. Their disadvantage, however, is that they are not reported to Member States (despite their importance). The limits can also generate perverse effects such as reduced selectivity of requests provided that their total comes in under the limit and adaptation of the sum of certain requests, based not on an objective rethink of what is deemed legitimate assistance but simply to avoid exceeding the overall limit for the country concerned. The limits establish a mere facade of equality among Member States, as they actually favour the least populated countries, which receive the same level of assistance as those with a population that is 10 or 100 times larger. Having said that, while GDP per inhabitant is considered relevant to the allocation of assistance, the total population criterion should not be eliminated.

44. As stated previously, for the present this biennium the Secretariat decided to prioritize the review of requests submitted for Africa. The initial meetings of the Intersectoral Committee were therefore mainly or exclusively concerned with requests from Africa. This precedence explains why the proportion of African applications was considerably higher for the first year of the biennium. This gives such projects an advantage, as they will have more time for implementation. That does not, however, mean that the proportion of approved African applications will increase overall, as the budgetary distribution of funds is mainly dependent on financing limits.

45. For several years, the Secretariat has also chosen to intensify geographic prioritization by calling on countries whose annual GDP per capita exceeds $10,000 to refrain from submitting requests for funding. At a time of budget crisis, this initiative is even more relevant because the Programme in 2012-2013 has been cut drastically owing to the budget shortfall affecting the Organization. Another advantage of the initiative is that it partly unlocks the constraint regarding multi-criteria optimization for credit allocation by reducing the number of applicants. The initiative has yielded results, as many developed countries have not submitted financing requests. Nonetheless, applications from 25 high GDP countries have been received and accepted since the beginning of the biennium. This concerns, for instance, applications from Group II European countries with high GDP and – more typically – from certain island States with high GDP per capita which were invited to share the budgetary constraint on the Programme but which nevertheless used the geographical priority established in the resolution for SIDS to justify their requests.

Table 4: 25 countries with GDP exceeding $10,000 per capita that have submitted requests for funding under the Participation Programme (decreasing order of GDP)

Country	Last known GDP ($)	Number of requests submitted for 2012-2013	Total sum requested ($)
Qatar	92,501	2	51,000
Austria	49,707	1	35,000
Andorra	44,952	3	103,704
Brunei Darussalam	31,008	7	257,565
Cyprus	30,670	6	146,000
Greece	26,427	3	96,452
Oman	25,221	9	187,284
Malta	21,209	2	38,400
Czech Republic	20,407	4	75,399
Bahrain	18,184	3	57,700

Slovakia	17,646	1	25,710
Trinidad and Tobago	16,699	8	207,775
Libya	15,150	8	202,000
Croatia	14,488	10	260,247
Chile	14,394	9	228,667
Hungary	14,044	1	24,000
Uruguay	13,866	10	187,530
Poland	13,463	1	35,000
Saint Kitts and Nevis	13,364	10	252,859
Latvia	12,726	4	67,000
Kazakhstan	11,245	6	128,695
Gabon	11,114	10	203,500
Argentina	10,941	10	252,501
Mexico	10,064	9	233,943
Total		**137**	**3,357,931**

Source: UNESCO

46. The GDP per inhabitant threshold is an efficient criterion in its own right. It is in keeping with the spirit of the Programme to provide complementary assistance to countries that are the least able to carry out certain actions with their resources alone, rather than systematically providing assistance to all. Provided there are not too many exceptions, it effectively makes it easier to allocate limited resources. However, it should be endorsed by the General Conference. For now, it remains an incentive criterion issued by the Director-General.

47. If the Organization wishes improved enforcement of its own geographical priorities, it should consider removing limits on the total amount of assistance for priority countries, or establishing differentiated ceilings. This would certainly lead the funding for non-priority countries (especially in Europe) to dry up. Also, if the criterion were confirmed by the General Conference, it would eliminate any country with GDP per capita exceeding $10,000 (or another threshold to be determined) from the Participation Programme.

48. Furthermore, one way of optimizing the financial and human costs of the intervention of the programme sectors and units at headquarters for the benefit of the project selection procedure could be to exclude requests from countries “blocked” for non-compliance with accountability requirements. Even when such requests are approved, they are never followed up by payment within a close deadline in keeping with the Programme’s requirements (project implementation within the biennium), and this increases the workload of the Secretariat for no good reason. It would also be useful to codify the stipulation that non-priority countries can only benefit from the Programme if the budget is available once the limit for priority countries has been reached.

Recommendation No. 1: the Organization should only use “per-country financing limits” to optimize the volume of requests submitted by potential beneficiaries. In order to enforce the priorities set by the General Conference and the Secretariat effectively, the financing limits should nonetheless be established in a more differentiated way among beneficiary groups (particularly by also applying to geographical priorities) and be notified to Member States in order to limit their requests.

Recommendation No. 2: given that the Participation Programme is a State assistance tool rather than a form of redistribution, there should an eligibility criterion comparable to the “GDP per inhabitant threshold” adopted by the Secretariat in 2006, that would ensure a correlation between the funding and the material and/or economic capacities of beneficiaries. To avoid making this a merely secondary or incentive criterion, it should be made official by means of a General Conference resolution.

Recommendation No. 3: except for unquestionably well-founded exceptions (political unrest, natural disasters and so forth), countries that have not fulfilled their accountability requirements for projects from previous biennia should not be able to submit requests for the current biennium. This ineligibility could be reconsidered once the obligations have been fulfilled, including during the allocation process under way for the current biennium (particularly for a possible second call for proposals for short projects – if the new approach is adopted).

49. *Specific objective of gender equality.* Although the proportion of financed projects relating to gender equality has been rising over the past two biennia, it remains at a modest level (7% of Programme allocations).

Table No. 5: Projects relating to gender equality

2008-2009		2010-2011	
Number of requests	Sum approved ($)	Number of requests	Sum approved ($)
50	990,500	66	1,347,270

Source: UNESCO, report to the Executive Board on the implementation of the Participation Programme.

50. Despite calls from the Secretariat (ERI), projects relating to women and gender equality have often been placed at the bottom of the list by requesting countries (in 7th or 8th position at the most). This is not a question of the quality of applications presented, but as the order of priority set by National Commissions cannot be changed, projects ranked in this way can rarely be selected and this UNESCO objective is therefore seldom addressed.

51. There is currently no formal rule or tool that seriously serves this objective unless requesting countries themselves make the effort to comply in good faith through their project lists. Introducing a binding rule, such as the obligation to include a project with this strategic objective in the top five projects, would ensure that – within the Participation Programme – this type of project is given the status befitting the intentions of the Organization.

Recommendation No. 4: given that some thematic priorities remain unfulfilled since they are not well served by the project selection model, it is recommended that, in order to render the "gender equality" priority effective, potential beneficiaries should be required to include at least one project relating to this priority in the top half of their list of requests.

52. *Support for National Commissions*. The findings of the External Auditor raise questions about whether support for National Commissions is, or has become, an additional implicit Programme objective.

53. Whereas the objectives and priorities set out in the General Conference resolutions are broad and imprecise, the Programme can be seen clearly to have acquired a privileged role and provide constant support for National Commissions – which are key bodies in the implementation of the Participation Programme.

54. In accordance with the Organization's commitment to the National Commissions and the provisions of the Charter, support for them takes the following forms: training programmes, consultations, seminars for Secretaries-General and so on. The question arises as to the extent to which the Participation Programme is a material support tool for these structures, without this being explicitly included in the list of objectives laid down in the resolutions or being a possible open interpretation of the Charter (see 2.1. para.12).

55. The issue takes on particular significance when it involves not only indirectly strengthening the National Commissions by giving them a concrete role in the Organization's actions (mainly by implementing the Programme's projects) but also directly increasing their means of action. Under the Participation Programme, there are many requests relating to the operation of the Commission themselves (anniversaries, travel, safeguarding of archives and various publications). Requests for the funding of equipment are very frequent, often for IT equipment of all kinds, but sometimes for equipment that is less directly linked to UNESCO strategy (such as a microwave oven and air conditioners). Actions were also often found that included the active and remunerated participation of officials from ministries or National Commissions who were paid additional remuneration of questionable legality and amounts that was charged to projects. The ambiguous conditions under which the sums were paid make it possible to circumvent the provisions of the Programme's rules that prohibit the use of funds to pay staff.

56. The scale of the phenomenon has recently prompted those responsible for this procedure at Headquarters to seek the opinion of the Director-General on the conditions under which these actions – as well as the use of consultants and the publication of journals or larger documents – could in the future be covered by the Programme. Without waiting for a reply, sectoral evaluations, backed by proposals from the Intersectoral Committee, have resulted in the suspension of some 50 applications for the current biennium and the significant reduction of budgets allocated for consultants, publication or travel expenses for many requests (the same categories of expenditure have also been placed under strict supervision for the implementation of the Organization's regular programme). However, there has only been a vague and subjective formulation of a narrow interpretation of the rules governing the use of funds from the Participation Programme. As the National Commissions have not been given any clear guidelines, in some cases (and for the poorest countries), they have faced unexpected difficulties, and this has also created a breach in equality among countries.

57. Based on a similar model to the one used to determine the DSA,[4] a sliding scale of acceptable set amounts (differentiated by region) for various categories of equipment, reception/hospitality costs, publication and other sensitive expenditure would optimize the work of project or report assessors and would provide a more objective basis for their opinions. In any event, potential beneficiary countries should receive accurate, clear information in advance on the conditions under which their projects are being or will be evaluated.

Recommendation No. 5: the question of the appropriateness of the Participation Programme's support for the material operations of National Commissions should be brought before the General Conference and unambiguously clarified. With this in mind, in order to eliminate local conflicts of interests and in the light of the difficulty of establishing a clear and controllable boundary, it is strongly recommended that any projects or expenditure on direct material support for the operations of National Commissions be excluded from Programme funding. The support that the Organization legitimately intends to provide to the National Commissions, in the framework of their Charter, should be recorded and managed transparently as part of the regular programme (ERI budget).

[4] Daily Subsistence Allowance.

3.2.2 Controlling the quality of applications

58. Beyond achieving the strategic objectives set by UNESCO, it is also important to question whether the approved applications are worthwhile, have a real impact and involve a close link with the Organization's action and whether the activities implemented under the Programme have the capacity to achieve the pre-defined goal. For this to be the case, all stages of the procedure (preparation of applications by National Commissions, evaluation by UNESCO experts, selection of selected applications discussed by the Intersectoral Committee and the decision made by the Director-General) must contribute to these objectives.

59. *Role of National Commissions in preparing applications*. Applications submitted to UNESCO[5] by National Commissions have several weaknesses, in terms of both form and content. The formal quality of the applications (use of the right form, legibility of signatures, name and status of representatives authorized to submit applications and so on) would not merit our attention if the toing and froing involved in clarifying such aspects did not delay the processing of requests and therefore the allocation decisions. A tardy allocation decision delays the payment of funds and further reduces the time frame available for implementation: this has often been found to affect the quality of projects, particularly of those to be implemented by a certain date (a symposium, conference, seminar or training course, for instance) that is impossible due to the delays. The projects are then postponed in poor conditions or "replaced" at the local initiative of National Commissions and thus bear little resemblance to the project that UNESCO initially intended to assist.

60. The shortcomings in content mainly relate to an insufficient link between the proposed actions and the specific priorities of the Organization, an inadequate description of the project, the inability to set up the action capacity needed to produce a significant impact and UNESCO's interest in directly funding the operations of requesting National Commissions. ERI has implemented initiatives to help applicants to improve the overall quality of their applications, including by improving the link between the projects submitted and the Organization's priorities. Setting aside the issue of material support for the operations of National Commissions, there are other improvements that could be considered.

61. Although the Handbook on the Participation Programme that brings together the main texts governing the Programme and templates for requests, supporting letters and financial reports is distributed to Member States, up-to-date standard forms are not available on the Organization's website and it is impossible to complete (with electronic tick boxes) and return them online. An improvement in this regard could be considered: although it would probably require tackling the issue of authenticating items sent electronically, it would eliminate all problems of formal compliance and would have the advantage of guiding applicants in the substantive drafting of their requests.

62. *Work of the National Commissions*. With a view to helping Member States to design their projects and draft their requests, this year UNESCO attached a list of 30 helpful points to the Headquarters directive. This checklist underlines the need for projects to be consistent with the Organization's priorities, contribute to its profile and avoid conflicts of interest. The list stipulates the information which must be included (place of implementation, short description, expected participation and other funding). It also indicates the formal requirements for documents submitted (standard form, title of signatory and so forth). The list then recommends the type of expenditure to be favoured (such as hiring rather than purchasing equipment for a one-off event).

63. These recommendations, which are the result of an operational interpretation of the provisions of the resolution that establishes the Participation Programme, as well as the requirements of the Directorate, should improve the quality of applications while also providing a more accurate and standardized basis for the assessors and their evaluations. The

[5] All meetings of the Intersectoral Committee in 2012, up to the beginning of September, were reviewed.

recommendations represent significant progress in the implementation of the Programme. It is nonetheless regrettable that they were only formulated on 13 January 2012, when the deadline for submitting applications for this biennium was imminent. This meant that most countries that are regular users of the Programme had prepared their applications months previously, sometimes with the form and content criticized above.

Recommendation No. 6: in order to facilitate the processing and the quality of applications submitted by the National Commissions, it is strongly recommended that an interactive tool be developed to help in preparing, presenting and submitting requests for funding to the Participation Programme. This tool should be constantly available and updated, and must include all formal directives and informal advice enabling National Commissions to ensure a certain standard of quality in requests from the outset.

64. *Role of the field offices*. The reviews carried out *in situ* have revealed the very uneven involvement of field offices in the preparation and implementation of the Participation Programme (only the Communication and Information Sector (CI) systematically involves the field offices in upstream evaluations). Most of the offices are only informed indirectly, through the recent registration of the projects in SISTER, of the requests submitted and the projects accepted in the countries situated within their geographical area. Whereas some offices regret this and welcome the prospect of being more involved more officially, at least through a more active exchange of information, others, on the contrary, categorically reject the idea of being stakeholders in this Programme.

65. The objections most frequently raised to the contribution of the field offices are the lack of time and resources to manage or contribute to the management of the Programme on the one hand, and, on the other, the overly "political" or, at best, "anecdotal" character of the projects, which are not in close step with the concerns and the strategic actions conducted locally under the regular programme and on the basis of extrabudgetary funds. More fundamentally, they reveal a wish not to be involved in a programme in which, because of their proximity or even their complicity in work with the National Commissions, the offices could be confronted with conflicts of interest which they do not wish to face.

66. The argument of lack of resources is hard to accept in view of the relatively low volume of projects conducted in each geographical area, including those for the cluster offices, and because the National Commissions retain the role of project managers, consuming most resources. The argument concerning the anecdotal character of projects should be countered in future by the work at Headquarters to restore to the Participation Programme the strategic coherence and substantive solidity which it has perhaps lacked in the past. The argument to the effect that the field offices should not be assigned responsibilities in areas that are not directly linked to the implementation of the Programme is not admissible either: it is based on the assumption that the Participation Programme remains independent or marginal in relation to the regular programme and is thus at odds with the strategic principle of coherent complementarity, the same principle that led to the reform of extrabudgetary funding through the introduction of the Complementary Additional Programme.

67. On the contrary, the experience of structures in the field, their knowledge of the Organization's action and of local conditions make them key partners and counsels for the National Commissions in preparing their application files and implementing projects. For the same reasons, the field offices are the experts best equipped to contribute to the selection of files upstream, and to check financial and evaluation reports on completion of a project. The issue of conflict of interest is not pertinent; or if so, it would also apply to the conduct of certain activities under the regular programme. This question has never been raised since the Organization rightly trusts its representatives on the ground to establish a fair and efficient balance between the strategic interests of the countries where they are located and those of the Organization as a whole.

68. The argument sometimes advanced whereby the field offices are not best placed to provide an expert appraisal of the local national context and of the needs of the countries in which they represent the Organization, or even that the field offices should not be the hub of such expertise, is flawed and betrays a readiness to centralize both expertise and decision-making inconsistent with the intention of the reform of the field network.

69. On-the-spot inspection of the projects has clearly shown that the evaluation of the financial reports submitted to Headquarters required, in nearly all cases, a knowledge of the local economic context, of national administrative practice and even of the language, without which verification of the financial statements may be impossible. The same applies, to an even greater extent, to the evaluation reports, particularly when the significance and the expected impact of the results assumed to have been achieved with funding from the Programme are substantial and can be verified. Nearness to the field and a knowledge of local actors and experts are irreplaceable in that regard: often lacking in appraisers from Headquarters, it is (or should be) available in the field offices.

70. *Training of National Commission officials*. The Secretaries-General of National Commissions are invited to Paris every two years for seminars on subjects which concern them. However, the subjects covered vary and the Participation Programme has only a place of secondary importance. Moreover, the persons responsible in practice for management of the Programme procedures often occupy lower-level posts in the Commissions. It is not so much the Secretaries-General who should be given training relating to the Programme but rather their colleagues who are directly responsible for the applications. Classic training activities bringing the officials together in one place would undoubtedly be too expensive. Yet there are possible alternatives. The first of these could enlist the help of the local offices: a contribution on their part to the in-service training of National Commission staff – by organizing a training session on the Programme at least once a year for Commission staff in their geographical area – should not be excluded *a priori.* The second alternative, in addition to initiatives to dematerialize procedures via a website dedicated to the Programme, would consider simple courseware for managing the applications/projects of the Participation Programme. The purpose of this tool would be to counter, as far as possible, the adverse effects connected with the rotation of National Commission staff.

Recommendation No. 7: an in-depth review is recommended of the policy and tools for training the operational staff of National Commissions mainly responsible for contributing to the procedures of the Participation Programme; this must involve at a minimum a more rigorous and relevant selection of the staff to be trained and the use of the most economic and effective resources (involvement of field offices, creation of courseware).

71. *Procedures and methods for the evaluation of applications*. The link between projects submitted for funding by the Programme and the priorities of the Organization, deliberately specified in the resolutions of the General Conference, is an essential point in the evaluation of requests. The procedure (form) provides for the clear mention, for each project, of the reference in the regular programme (within the framework of the C/5 document) to which the proposed action relates. An examination of the views expressed by the sectors shows that this is the point to which evaluators give most attention.

72. The very vast field covered by UNESCO's activities, the many and varied priorities within the framework of the C/5 document (nearly 600) and their often broad formulation may, however, give rise to differing interpretations. Whereas, for example, the Culture Sector is increasingly fastidious in its evaluations, endeavouring to select only those projects which correspond to the central core of its activities and to avoid broad interpretations, other sectors such as the Natural Sciences Sector and the Communication and Information Sector take a more indulgent approach. For the appraisal of the projects themselves, certain evaluators have developed analytical tools. Thus, in the Education Sector, one expert has devised a grid of criteria for appreciating the relevance of a

request with regard to UNESCO's framework of action and also for assessing its inherent soundness. Recourse by Headquarters to preliminary or even supplementary expert appraisal by field offices is patchy: almost routine in the Culture Sector, it is very infrequent in the Education Sector.

73. *Role of the Intersectoral Committee in the selection of projects*.[6] This body – whose status remains unclear –, chaired by the Assistant Director-General for ERI, brings together all of the units concerned by the Programme (ERI/PP, sectors with expertise and departments responsible for the Organization's priorities, strategy, financial management etc.). The decisions are taken collectively and a consensus is sought. Quality requirements concerning the assessment of application files and their content are strict, much higher than in the recent past. Particular attention is paid to the (infrequent) contributions of expertise from the field offices, the expected impact of the projects, the identification of potential conflicts of interest, expenditure priorities, and budget control through enforcement, with little room for manoeuvre, of the ceilings referred to earlier.

74. This encouraging strictness with regard to basic expectations contrasts with great differences, from one sector to another, in the quality of the preparation of applications and in the capacity of the individuals representing them to engage in constructive discussion on account of the varying degrees of interest of the sectors in the Programme. The main problem is still that requirements expressed in meetings do not always appear to have given rise to the upstream dissemination of clear rules, known to and applied by all. This concerns the consultation of field offices, the detection of conflicts of interest and the assessment of the impact of one means or another.

75. Although this change in practices is heading in the right direction, it remains incomplete, resulting in a low rate of decisions, with a significant proportion of files being returned for further scrutiny. For example, the meeting of 5 September 2012 considered more than 80 applications but only approved 34. Since the beginning of the current biennium, the Programme has thus fallen slightly behind schedule, with a rate of approval of less than 40%. This may well make it more difficult to manage the end of the Programme: by eliminating those projects that need time to be completed (since the rule is that they must be finalized before the end of the biennium) or, on the contrary and in order to allow them as much time as possible, by approving them too quickly at the cost of a deadlock on quality.

Table 6: Project implementation rate

	Amount (€)	Implementation rate
Participation Programme budget (adjusted) for project funding 2012-2013	13,167,500	
Total approved at 5/09/2012	4,706,582	35.74%
Total paid at 5/09/2012	2,154,425	16.36%

Source: UNESCO/ERI

76. Leaving aside the fact that it gives a false idea of the real and effective implementation of the Programme, the new "blocking" procedure for failure to observe accountability requirements gives rise to undesirable effects: indeed, in spite of this procedure, requests have, in certain cases, been given normal consideration in respect of the current biennium. Having obtained a positive

6 The observations made here stem not only from an examination of the documents regulating this committee and the collection of information (in interviews) from each ERI official but also from the External Auditor's participation, as observers, throughout the meeting on 5 September 2012.

recommendation, they have not however been cleared for payment before the country concerned has met all of its outstanding obligations. An exception to the rule of this sort, however limited, is harmful since, if the same country delays in complying with the procedure for projects funded under the Programme for previous biennia, it may not have enough time to carry out the new "funded and blocked" activities: there will then be no alternative to cancelling the decision made. The global implementation rate for the Programme will thus be reduced at the expense of countries complying with the rules. As indicated previously, an absolutely strict rule must be adopted, with no exceptions allowed: a country must not be permitted to submit projects for funding under the Programme if, at the deadline for the submission of new projects, it has not complied with the obligation to report on the projects funded under previous biennia[7].

77. *Formal decision and notification of beneficiaries*. The decisions made by the Intersectoral Committee must be endorsed by a formal decision of the Director-General and notified to the beneficiaries (National Commissions). Disbursement as appropriate of the approved funding (except if blocked) depends on this stage. It was found that such decisions were signed rapidly and, in the recent period examined, there was no significant divergence between the position of the Committee and the final decision. However, as the auditors observed in the course of the reviews undertaken in the field, reservations or observations made during the deliberations of the Intersectoral Committee are not always formally notified to the beneficiaries. Some of these observations can be substantial: this is the case when, for example, the Committee decides to reduce the amount of funding as compared with the request on account of over-generous estimates (specifically for purchases of equipment or the cost of certain publishing or meeting services); or when a project is only accepted with the proviso that certain parameters are clarified. It would clearly be useful, in order to avoid delicate discussions when accounts are rendered, if such observations or reservations were also communicated to the beneficiaries.

78. In order to establish a direct operational link between the expert decision of the Intersectoral Committee (including its observations and/or reservations) and the implementation of the project with UNESCO funding, decisions to make an allocation should certainly be signed by the chair of the Committee *on the authority* of the Director-General. It is essential to be very clear in this regard about the principle of governance underpinning the Programme: *to avoid a pernicious ambiguity between the programmatic and strategic ambitions of the Participation Programme and the reality of its implementation, it is imperative that the quality of the decisions made are not affected by any political factor or lobbying*. Entrusting the decision to a collegiate decision-making – and not merely advisory – body would give a sense of responsibility to the members of that body and would also increase confidence in the neutrality of the decisions made, no longer subject to influential persons or a political context.

Recommendation No. 8: it is most strongly recommended that the governance of the process for the allocation of funding be reconsidered, delegating authority over these decisions to the Assistant Director-General for ERI; the quality, neutrality and relevance of these decisions should be ensured by the collegiate functioning of the Intersectoral Committee on which each of the sectors and services at Headquarters chiefly concerned (BSP, BFM) should be represented and have, as a responsibility, an expert role.

3.2.3 Control of deadlines

79. Deadlines for the management of applications are of particular importance since projects must be implemented in the course of the biennium. Therefore rapid processing and payment increase the chances of success. Indeed they are an essential condition when the date of an event (e.g. anniversary, commemoration) cannot be altered. Conversely, a slow decision-making process

[7] Since the date for the submission of projects (end of February) in the first year of the biennium comes before the date for reports on the projects of the preceding biennium (end of April), it is obvious that this rule, even worded thus, will only apply to projects relating to the biennium before that or even earlier.

eventually puts a stop to actions conducted over a long period of time, even though they can be the most influential. At the last meetings of the Intersectoral Committee for the biennium, the criterion of implementation time may thus outweigh the intrinsic quality of the action. Delays in payment may result in the cancellation *in extremis* of an event.

80. An evaluation of the total amount of time taken to process applications during the 2010-2011[8] budgetary period was carried out on the basis of a random sample. It shows that the complete processing of the applications took 296 days, nearly a year, with very large variations since the standard deviation of the sample was 133 days. The audit of the Participation Programme carried out by IOS in 2008 recorded times between 234 and 354 days (average: 294 days), which suggests that the situation is not really improving. An evaluation of the current biennium is not possible but it is unlikely that the times are better in 2012, owing to the delay in the processing of requests (in September 2012, only 32% of the appropriation had been used) and the suspension of payments due to delays in the provision of financial statements by beneficiary countries. More routine observation by Headquarters units of the breakdown between the duration of the preparatory and decision-making stage and the payment stage should make it possible to determine more precisely the origin of the delays and to consider the corrective measures that could be taken.

Table 7: Average processing time for Participation Programme applications (2010-2011 sample – number of days)

Nature	Total processing time	from reception of applications to DG's decision	from DG's decision to payment	from Intersectoral Committee to DG's decision
Average time[9]	296	227	66	12
Standard deviation[10]	133	127	65	6

Source: External Auditor of UNESCO

81. *Processing and decision-making period*. This period accounts for most of the time taken to process applications. It depends to a great extent on the programming of the meetings of the Intersectoral Committee, which takes a decision on the requests after they have been examined. These meetings are spaced out between May in the first year of the biennium and the middle of the second year: the fact that the applications are all assembled during the first quarter of the first year of the biennium inevitably means that the average time taken to process them is considerable.

82. Another factor of delay concerns referral back to National Commissions for further preparation relating in part to formal shortcomings, which have already been mentioned and could be avoided. However several causes of delay stem from the way in which the Secretariat has chosen to organize the processing of Programme requests. The sectors, to which all of the applications are systematically referred by ERI/PP, regularly submit their evaluations after much delay. This makes the procedure lengthier and complicates the planning and preparation of Committee meetings: this agenda is often changed up to the last minute. Since requests are assessed sequentially, when several sectors or services are required to provide expert opinion or an evaluation, the delay due to one affects the others. Application files examined by the Intersectoral Committee are thus often incomplete; their examination is then naturally postponed until the next session.

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8 Sample of 37 files received between 1 March and 3 May 2010.
9 Average time, therefore the figures on the line do not add up.
10 The figure on the left is not the sum of the three others: in fact, only the first two periods are in sequence; the third is an intermediate period.

83. This is a further reason for supporting the provision of (preliminary) expert opinion by field offices, including advice on the financial or logistical aspects of requests (evaluation, in view of local procurement conditions, of the equipment budgets requested, the cost of services envisaged, particularly for seminars and conferences, and so on), leaving to Headquarters sectors and units the responsibility of simply confirming or else complementing the initial evaluation: a less onerous task which could then easily be programmed and finalized, for all the requests of the biennium, between March and June of the first year of the biennium.

84. *Payment time*. The period for processing after the meeting of the Intersectoral Committee depends solely on the administrative rules and practices of the Secretariat. It is extremely long, 66 days or more than two months, and highly dispersed (standard deviation 65 days), that is to say not under control. In fact, the first stage is the signature of the decision to allocate funding by the Director-General. This stage is not very long (12 days) although it could certainly be shortened; it would be practically reduced to zero if the authority for signing was delegated to the Assistant Director-General. Be that as it may, the amount of time involved is quite reasonable.

85. It is after the signing of the official decision that the administrative delays become really excessive (53 days on average). As the dispersion around this average figure is very large, the reasons are difficult to establish and are, no doubt, circumstantial for the most part.

86. The example of the sequence of operations following the Committee meeting of 5 July 2012 shows that this time-lag can be shortened. After the official decision was signed by the Director-General just seven days after the Committee meeting (D1), six days were needed for the decisions to be entered in SISTER and the funds earmarked in SAP (D2); the Bureau of Financial Management (BFM) then took eight days to validate the transactions (D3); a further 20 days were necessary for the preparation and signing of the letters notifying the beneficiaries and releasing the payments (D4).

87. The holiday period may have affected the time required to implement the decisions of the July meeting, but by eliminating the D1 period, anticipating the D2 and D3 time-lags by means of provisional registrations to be validated on the basis of the Committee's decisions and by generating the letters of notification automatically, the total time required for payment after the meeting of the Intersectoral Committee could be more systematically defined and reduced to less than 30 days, increasing accordingly the time available for implementing the projects. In any case provisional notification could be sent to the National Commissions on the day when the official decision is signed in order to ensure that the "appeal period"[11] for the decision may be covered and is not added to the other periods in the procedure.

IV. Efficiency

4.1 Actual management costs of the Participation Programme

88. The question arises of the Programme's actual operating costs. The budget for the current biennium provides an amount for overheads under the Participation Programme of US $1,462,000[12] (US $1,410,000 for staff costs and $52,000 for miscellaneous expenditure). These figures actually reflect only the direct expenditures incurred by ERI/PP, namely the salaries and expenses of the seven staff members in this Headquarters Section and its operating budget.

89. For a more accurate grasp of the Programme's management costs, however, account must be taken of the working time and operating costs of the other units involved in evaluation (the five Sectors, the field offices, the Africa Department and the Division for Gender Equality), decision

[11] Beneficiaries may appeal against the decision if it reduces the amounts requested or modifies the distribution of allocations by type of expenditure.

[12] Figures rounded up.

making (BSP and senior management), payment and auditing (BFM and Budget), evaluation (the Sectors) and general administration of the Programme.

90. Since the Organization does not have an analytical accounting system, the data required for evaluating the total actual cost of managing the Programme are not available in a simple form. The External Auditor has therefore made an estimate of these amounts, based on a detailed survey of the units involved in this Programme's management in order to determine the amount of time expended to it. The remainder of the evaluation has been based on an estimated distribution key for general administration costs. All these hypotheses were chosen on a minimalist basis.[13]

91. This – minimalist – evaluation shows that the total cost of managing the process is of the order of US $3.4 million for the biennium, thus slightly more than twice the amount shown in document 36 C/5, and is approximately 29% of the amounts distributed to the beneficiaries (22% of the total adjusted cost of the Programme – projects + management costs). This rate is high for a process with limited added value (the review, brief evaluation and payment of the applications is not complex). It should therefore be analysed seriously and more regularly by the Secretariat for submission together with reports to the governing bodies. The Programme's management cost is an important factor in the decisions to be taken by the General Conference on the Programme in comparison with other UNESCO programmes, in the context of the budgetary constraints facing the Organization. This finding in any event raises questions about the processing of applications and about the likelihood of streamlining and making savings.

4.2 Arrangements for the processing of applications

92. Requests are reviewed by three primary stakeholders – ERI, the sectors, and BFM and, on occasion, the field offices, BSP and MSS. The desire for the sectors to be more involved in evaluating whether projects are well founded in terms of the Organization's priorities for management services (Bureau of Financial Management (BFM), and Sector for the Management of Support Services (MSS)) to assess the consistency and relevance of the project budgets submitted has increased review lead times and the divergence of views. It has, ultimately, increased the risk of requests being treated differently as no exact, quantified common assessment grid is used.

93. Requests are still being submitted on paper, the management principle of digitization has not yet reached the Participation Programme. Apart from the economic burden of this physical process, this impedes the management of the Programme in a number of ways. The requirement that requests be made by fax (a written requirement on the forms) not only clogs the receiving machines from the beginning of January, as most requests are submitted on the closing date, but also creates confusion. Faxed submissions are duplicated as the requests are also sent by post because original signatures of the persons authorized to submit requests are required. The same requests are also scanned and sent by Internet. In many cases, delegations submit a fourth copy to ensure that the applications are actually filed by the closing date. Owing to these multiple submissions, Headquarters staff (ERI/PP) not only print out huge quantities of paper, but also capture manually information that could have been submitted in electronic form and, lastly, assemble all originals, faxes and scanned documents to collate their content and ensure that there are no discrepancies among them.

94. These files, confusingly submitted by three means and in three different forms in order to meet the January deadline, then require around two months to process, which obviously gives rise to a high risk of error. The lack of links between the SISTER (projects) and SAP (finance) management systems entails further duplication in the process.

95. In spite of this cumbersome bureaucracy, the issue of signatures (in other words approval at the various stages of the process) continues to pose problems. The collection of physical

[13] The findings, the various assumptions used and the related calculations are annexed hereto.

signatures on the paper applications, done at an early stage at the National Commission level, raises difficulties that impair both the quality of the applications and the efficiency of the process, with rejections and delays. As there are no clear and specific guidelines for incontrovertibly identifying persons authorized to approve requests and as authentic, verifiable official stamps are required, applications are rejected, held in abeyance or accepted even though it is sometimes found ex post facto, during the audit of the accounts, that the request had not been signed by persons unambiguously authorized to do so (in some cases the names and titles are illegible). It is therefore clear that, as long as the Organization does not devise a system for the electronic submission of requests and authentification of signatories, it would be more efficient and economical for requests to be submitted officially by the delegations and by them alone, against a receipt.

96. The same intrinsic weakness undermines the obtaining of signatures internally: large numbers of signatures at several levels are required before an application reaches the Intersectoral Committee and, subsequently, until the disbursement of funds. Here, too, a digitized process with electronic approval would unblock and expedite the processing of requests. Furthermore, it is surprising that, in ERI, only the Assistant Director-General has the authority to clear certain documents on behalf of the Director-General, while letters of notification to the National Commissions are sometimes signed only by Chief ERI/PP, even though they constitute funding agreements.

97. In spite of the stated intentions, applications are made very often for matters that fall outside the priority areas identified by the Director-General, irrespective of the region, country, priority, title of the application, size of the various heads of budget requested, or whether the country has been “blocked” [14] The evaluation and selection mechanisms are therefore saturated at the beginning of the year, thus impairing the quality of the process, as many applications are not reviewed at meetings of the Intersectoral Committee because they have not been evaluated or are evaluated during the meeting itself.

98. The role played by the Africa Department, responsible for implementing that priority, also illustrates the low level of efficiency of the evaluation/selection process. Required to give an opinion on all applications under the Participation Programme from sub-Saharan African countries, it devotes a total of some US $85,000 to this task each year. However, the added value of its role is open to question. In regard to the merits of the applications, the sectoral evaluator in practice is most competent and is in contact with the programme specialist in the field office in question. Moreover, the opinions given by the Africa Department on the application files are often very brief.

99. Even if the experts in the Africa Department were to become more involved and devote more attention to these applications, the practical effect would be limited by the applicable procedural principles: in all cases, as noted above, the applicable rule is the budgetary ceiling by country, and that rule makes no distinction for Africa.

100. Ultimately, rationalization of the review of applications, further restricting the number of possible requests depending on the country’s status (priority or otherwise), the review of applications confined to those requests alone, the elimination of the paper trails within the Secretariat and in relations with the National Commissions, enhancement of the role of the delegations in submitting applications and the simplification of the round of signatures – in short, a series of practical, common sense measures – could lead to substantial savings on the Programme’s management costs and increase the efficiency of selection and decision-making processes.

[14] No disbursement may be made under the Participation Programme unless the National Commission has submitted updated financial statements on earlier projects.

Recommendation No. 9: it is recommended that the Secretariat make a real and determined effort to reduce the economic cost of processing requests under the Programme. Common-sense measures should be taken, such as restricting, for reasons of efficiency, the number of applications that each group of countries may submit depending on its priority; duplicative paper trails should be eliminated; and delegations should hold sole responsibility for submitting the original files on behalf of the National Commissions, thus ensuring authentication of signatures as required.

4.3 Time management of the decision-making process

101. In accordance with senior management guidelines issued at the beginning of January in the first year of the biennium, all requests for funding are submitted during the last few days of January. The originals, sent by post, arrive in stages in February and March. This build-up means that applications cannot be reviewed within the established time frames (15 days for sectoral evaluations and three months for the final decision by senior management).

102. At the same time, in the first quarter of the first year of the biennium, the financial reports and evaluation reports on the projects funded in the previous biennium are usually produced at Headquarters. This massive influx of documents overloads the Headquarters services (ERI, in particular), which are nonetheless required to review them in order to ascertain their quality and decide whether to "block" those countries that have not met their obligations.

103. At the same time, too, applications are reviewed for the current biennium. This extremely intensive sequence in the first few months of each biennium completely skews the process, which in practice cannot be implemented smoothly. This is all the more unnecessary for, as files are limited to budget ceilings set by country,10 applications submitted in January generally cannot be reviewed.

104. The staggering of applications and reports and better computerization would make the process more efficient and less subject to timetable pressure. Two distinct phases should therefore be put in place for management and for the auditing of the accounts, so that longer-lasting activities can be carried out at the start of the biennium, and short or occasional activities (such as ceremonies and seminars), with non-priority country projects being postponed to a second phase of processing at the end of the first year of the biennium. Such a reorganization of the processing and management of applications would not, in any case, be any less efficient than the current process, in which timing and quality are seriously compromised by the build-up of tasks.

Recommendation No. 10: subject to substantial improvements in decision-making, notification and payment lead times, and in order to avoid overloading the services (including the sectors) at the very beginning of the biennium, which is severely damaging to the quality of evaluations and decisions, it is recommended that consideration be given, for implementation in the 2014-2015 Programme, to instituting two project submission phases, the first from January to June in the first year of the biennium (long projects), and the second from September to November of the same year (short projects).

V. Controls and evaluations

5.1 Summary of the rules

105. The projects must be implemented before the end of the biennial budget period. The funds are released in full in advance, as soon as the project is approved. Financial checks are conducted ex post facto on the basis of a detailed financial statement of the activities carried out, certifying that the funds have been used for the purposes of the project and submitted no later than 30 April

of the year following the end of the biennium. Expenditure supporting documents must be held on-site for five years after the end of the budget period and be produced to UNESCO or the External Auditor upon written request. All unused funds must be repaid to UNESCO.

106. No fresh funding may be granted until the financial statements have been produced and the accounts closed. The beneficiary National Commission must submit an activity report on each project so that all action taken can be evaluated. The rules governing the Programme also provide for a sexennial report at the end of the Medium-Term Strategy (C/4 document). The Secretariat is supposed to use such reports to evaluate the impact and outcomes of the Participation Programme in the Member States, as well as compliance with the aims and priorities of UNESCO.

107. Any assurances given to Member States that the funds are being properly used therefore rest primarily on the effectiveness of verifications based on reports and documents. It is questionable whether the system of "blocking" countries is as effective as the more traditional system of advances and disbursement subject to the provision of documents as evidence of actual expenditure and proper project implementation.

5.2 Vetting of financial reports

108. *The financial statements are examined as a matter of form and ineffectually*. Until quite recently, the comptrolling mechanism established by the Secretariat basically required perusal of the financial statements. The National Commissions were very rarely requested to submit supporting documents. The Internal Oversight Service of UNESCO has audited Participation Programme projects in 20 countries since 2008 and it only informs on hard cases in its field-office audit reports.

109. This method of vetting financial reports is extremely ineffectual, however, in determining whether a project has been implemented as approved and whether the heads of expenditure reported in the financial statements are genuine and warranted. The documents are particularly short (generally one page) and contain a summary of expenses "incurred" by category as authorized in the grant decision. It is impossible to ascertain whether any inconsistencies detected (such as dissimilar totals and expenditure other than that authorized) were due to poor project implementation as a result of some vagueness in the rules of expenditure authority and booking, frequent material errors by the National Commissions or the lack of means of ascertaining what the reported figures actually reflected as no supporting documents were available.

110. Practically all financial statements contain numerous errors of form (signatures missing or unverifiable, name or title of the signatories missing or illegible, etc.). With only very few exceptions, this finding by Headquarters services was confirmed by the External Auditor during the on-site audits. In a word, the "evidence" submitted to Headquarters in the financial statements is nothing of the sort: no meaningful checks can be done on the basis of those documents alone. They are, however, reviewed twice in succession (but without supporting documentary evidence), first by ERI/PPE and then by BFM: both reviews give rise to two rounds of "dialogue" with the National Commissions, which might reasonably be irritated thereby, and neither review is based on a clear, shared policy on what constitutes an acceptable financial report. Be that as it may, without documentary evidence such vetting is, at best, purely nominal.[15]

111. *Inception of more rigorous evidence-based checks*. In Spring 2012 ERI began to request, in accordance with the rules governing the Programme, the submission of documentary evidence for some projects, as the financial statements did not provide reasonable and sufficient assurances

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[15] To avoid complete paralysis of the comptrolling procedure, BFM has adopted a policy of qualified acceptance of incorrect financial statements in some "less serious" cases. A financial statement is nonetheless found to be incorrect on the basis of flagrant mistakes, as latent flaws cannot be found without documentary evidence, and it is impossible to know what

that activities had been carried out within the scope of the granting decisions or as there was some doubt about the reasons given for the heads of expenditure.

112. The new practice has been applied to files from five countries. Most of the documents had still not reached Paris by the beginning of September 2012, several months after they had been requested. Furthermore, BFM has recently introduced a policy of checking by means of documents and by sampling: 80 projects have been selected, on the basis of equal geographical representation. Exhaustive scrutiny of the financial paperwork (the supporting evidence) will be made on 20 randomly selected projects, which is still only an extremely small and unrepresentative population (less than 3% of total projects).

113. These initiatives mark a positive change in the attitude to scrutiny of projects under the Participation Programme, but they have not yet really improved its effectiveness. As long as the checks are not actually targeted at countries that have the highest risk of mistakes or inadequacies, and as long as they apply only to a very small sample[16] based on the means available at Headquarters rather than on intrinsic Programme scrutiny requirements, an effective comptrolling mechanism (even by exception) cannot seriously be said to have been introduced. In conducting the on-site scrutiny of the complete files on 100 projects, the External Auditor found that the supporting evidence of expenditure was unacceptable in myriad cases (inadequate supporting documents, expenses ineligible by nature or unrelated to the project and misstatements or even false statements in the overall report by heading, etc.). Unless it is expressly decided to be satisfied with a status quo in which the checks on the implementation of the Participation Programme are obviously inadequate, the procedures and rules for the scrutiny of the financial reports should be developed to a greater extent.

114. *Improving the effectiveness of checks*. A number of formal but important rules on the production of financial statements (the official stamp, formal capacity, etc.) should be introduced. Above all, though, to be effective, letters of notification must be more specific and detailed. In particular, when the amounts allocated differ from the amounts requested, an express statement of the reasons for the reduction and the difference in the conditions on which UNESCO intends to fund the projects would place the project within a stricter framework than the current notifications to National Commissions. Moreover, the rules on expenditure authority should be clarified and specified (by circular and in the Participation Programme Guide), using no generic, vague or ambiguous terms.

115. Scrutiny of financial statements should be systematic or sufficiently frequent so that no beneficiary can expect the five-year document retention period to elapse without much risk of being audited.

116. It must be established, on principle, that scrutiny of a financial statement shall not be regarded as performed unless the related documents and reports have been examined. The only means of ensuring observance of this principle is to have such scrutiny performed as close as possible to the National Commissions, thus by the field offices. As the number of projects per country is small, it is perfectly feasible for field offices, even cluster offices, to vet the supporting documents. At the rate of one to two hours per project, oversight of a country's projects should not require more than *one to two days per biennium* of the time of the field offices' administrative staff. At the very least, consideration could be given to sampling based on the intrinsic project or country risks by offices with the widest geographical remit. The financial reports should then be certified by the Directors of the offices or their administrative deputies.

117. The assignment of tasks to ERI/PPE and BFM must, moreover, be clarified and rendered more efficient. An additional or supplementary audit of Participation Programme projects should be planned in cooperation with the Internal Oversight Service.

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[16] A few scores of more than 1,500 funded projects since the procedure was introduced.

Recommendation No. 11: no financial report should be deemed to have been "checked" unless the supporting documents for the expenditures reported have been examined. To give genuine effect to this principle, it is recommended that a systematic scrutiny be introduced, entailing liaison among ERI/PPE, the Bureau of Financial Management (BFM) and the Internal Oversight Service (IOS) and that, the field offices, subject to exceptions, be given authority to check financial reports on Participation Programme projects.

5.3 The system of "blocking" countries

118. *Operation of the system*. No payment may be made under the Participation Programme unless the National Commission has submitted financial statements for previous projects or, if applicable, has duly made all reimbursements (in the event of failure to implement actions or should financial, or where it is impossible to provide financial reports.[17])

119. In practice, late-reporting countries are divided into two categories: those that have submitted accounts and reports for past biennia but have not yet submitted one or more financial statements for the preceding period and therefore temporarily excluded from disbursements; and those that have not submitted reports for more than one biennium and are therefore excluded from the Participation Programme in the long term.

120. *Countries blocked in the long term*. According to a Headquarters statement in August 2012, 26 countries, or about 13% of Member States, were excluded from grants under the Participation Programme. This figure shows that the programme is in no way paralysed by the "blocking" system. Furthermore, in regard to the geographical distribution of "blocked" countries, some (five Western Europe countries) are unlikely to be granted funds in any case and very few least-developed countries or African countries (only three), which are priorities in theory, are on the list.[18] several specific problems nonetheless arise: nine Oceania countries (Fiji, Kiribati, Micronesia, Papua New Guinea, Samoa, Solomon Islands, Tokelau, and Vanuatu), fall into these categories, which suggests that provision should be made for a specific audit of their situation and measures to resolve the problem. Some countries simply cannot produce their reports in the aftermath of major political upheaval (Iraq and Libya).

121. Eight countries have been on the list for more than 10 years, and so a decision must be taken, at least in regard to some of them. In accounting terms, losses (unrecoverable debts) written off after a certain period would clarify the situation of the Organization; admittedly, this would not contribute to better management, but if the longest-standing debts are forgiven, then those countries could be reinstated on the list of beneficiaries. In essence, in cases of long-term recurrent blocking, consideration could be given to the enforcement of the rule suspending the right to vote applicable in respect of contributions, especially as some of the countries concerned pay biennial contributions that are sometimes dozens of times lower than their debt to the Organization, on account of the unjustified use of funding under the Participation Programme.

122. Ultimately, the rule of blocking funds has therefore proven effective when used, even if a number of specific problems remain to be resolved. It has played a part in ensuring that the great majority of countries now fulfil their accountability obligations.

123. *Countries temporarily late in fulfilling their obligations*. The rule on the date for submission of financial statements and evaluation reports by the National Commissions has been tightened recently. Previously set at the end of the biennium following project implementation, it has been

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[17] Accordingly, a total of US $1,274,000 was deallocated in the 2008-2009 biennium; a much smaller amount was deallocated in the following biennium.

[18] The specific situation of an African National Commission that lost a significant part of its records and was therefore blocked because of its inability to produce financial reports illustrates the need for more formal procedures for the structured storage of supporting documents.

brought forward, for projects implemented in 2010-2011 and following biennia, to 30 April of the year following the end of the budgeting period in which funds were allocated.

124. Greater strictness, recommended by the Internal Oversight Service, has led to a sharp increase in the number of countries that are in arrears with their obligations and, as a result, the cases of blocked funds, which in September 2012 amounted to nearly 50% of the files examined. The Secretariat should pay special attention to this situation, in particular by implementing the simplifications mentioned above, by raising awareness more actively among the National Commissions and, if necessary, by changing the criteria for allocating funds by country to avoid significantly impacts on the Programme implementation rate. It is not otiose to stress once more the merits of not examining requests by countries that have not fulfilled their obligations. Otherwise, to facilitate payment, it would surely be appropriate to deduct from future grants more than the current $100 limit in respect of unsubstantiated or unreimbursed amounts.

5.4 Shortcomings in evaluation

125. *No synopsis of results*. The impact of the Participation Programme in Member States and its general links to UNESCO's other activities are important questions to be raised in its overall evaluation. It must be noted, however, that very little is being done to elucidate these Programme management issues.

126. The activity analysis contained in the reports submitted by the Secretariat to the governing bodies has been reinforced in recent years. However, it falls below the required standard because it merely reproduces the raw (and largely unverified) data contained in the reports filed by the National Commissions and in often brief ex-ante or post-ante assessments produced by the sectors. An analysis by type of project could be done and a review of the activities and results for each objective of the approved C/5 document would be a first step in enabling the Organization to gauge the impact of the Programme.

127. Furthermore, summary feedback to the sectors, which is not provided at present, would improve insights into the Participation Programme's contribution to their objectives; that contribution is not currently reflected in their activity reports. These points shed light on the comment earlier in the report concerning the sectors' widely differing perception of the usefulness of the Programme and thus of the advantages of integrating it into their strategy and performance evaluation.

128. *No use made of the highly disparate project evaluation reports*. The External Auditor found during on-site missions[19] that the quality of project evaluation reports were highly disparate (even excluding cases where reports that were non-existent or composed of a few sheets of paper, devoid of significant content and paraphrasing the project document). While some reports are detailed and accompanied by supporting materials (videos, publications, photographs, etc.) as evidence of genuine and quality achievement, most are very succinct.

129. The current rules (in particular the instructions appended to notification letters) merely require that a report be provided, but do not contain substantial specifications as to their form or content, which makes both auditing and implementation difficult. Payments are released as soon as a report arrives at UNESCO, even before it is perused and evaluated.

130. Be that as it may, the sectors (which receive them systematically when they have contributed upstream project expertise) make minimal use of these reports. Sometimes reports are quite simply not used or they are used often as a simple statement of endorsement, issued for groups of reports, without analysis or comments. It is fair to say that some opinions on the final result of projects are much more thorough, but they too are never put to any use. No sectoral, geographical

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[19] Sample of 10 countries, see paragraph 118.

or thematic synopsis, has ever been attempted. Against that backdrop, it does not bode well for the sexennial evaluation required under rules governing the Programme.

131. The complicated and resource-intensive system for the evaluation of implemented projects, which is crucial to the assessment of the impact of the Programme and the improvement of its effectiveness,[20] has not yielded any results to date. The sexennial evaluation[21] is to be conducted by Member States but no indicators have been devised for use in recording Programme results methodically.

Recommendation No. 12: to give full meaning to the principle of evaluating Participation Programme projects, monitor the effective implementation of funded activities and contribute to the substantiation of the Programme's consistency with UNESCO's strategic objectives, the system for evaluating implemented projects and their impact should be strengthened, in particular by routinely drafting sectoral, geographical and thematic synopses of evaluation reports, sharing best practices with National Commissions and by genuinely applying the sexennial evaluation rule in order to provide a sound basis for decisions by the governing bodies.

VI. Conclusion

132. Perception and implementation of UNESCO's Participation Programme, which has featured in minds and habits for nearly 60 years, have changed gradually: initially a special programme designed to permit the implementation of activities "not included in the regular programme" of the Organization, many beneficiaries now regard it as a programme of "subsidies" and some even see it as a scheme for fair financial return. Yet, while it was initially designed to take into consideration the Member States' needs and objectives, as expressed through their National Commissions, the Organization's objectives and strategy should not be excluded from such consideration: as a buffer programme, a programme intended to provide some flexibility in the allocation of the Organization's global resources, it was nonetheless above all a *complementary* programme.

133. Some changes in its implementation should not be criticized today inasmuch as the spirit of the Programme and its generally accepted definition have changed. Ultimately it is the Member States, through collective decision making, that decide on the desired use to be made of the contributions that they provide to the Organization. The question currently raised by the Programme is whether the observed drift has been desired, merely passively accepted or simply endured. Apart from this basic question, the adequacy of the monitoring of Programme-funded activities in regard to their consistency with the stated objectives, their actual implementation, their quality and their actual impact gives cause for concern.

134. These two questions are all the more pressing because the Organization's resources are more constrained, cyclically or a more enduring trend, owing to the growing financial burden of multilateralism. As the Organization is refocusing its strategies and tightening its management in a drive for greater efficiency and economy, it would be alarming if the Participation Programme, which accounts for approximately 3% of UNESCO's regular budget, were to continue to lack a clear strategy and be managed indifferently merely because it is somewhat implemented outside the Organization, directly by Member States.

135. Practical, relevant and potentially efficient initiatives have been taken by ERI in the last two years, in support of the general decisions taken by Member States, to restore programme and strategic consistency and to oversee the management of the Participation Programme. Measures aimed at reinforcing the financial monitoring and evaluation of projects are contributing to this

[20] Previous or incomplete efforts have been made, however, to share examples of successful projects through fact sheets containing examples or summaries (Natural Sciences Sector).

[21] Out of the 10 countries reviewed during field missions, only one (in the Caribbean) had taken the initiative of producing a retrospective (decennial) evaluation of the Participation Programme; this high-quality evaluation had served as the basis for a refocusing of programme management at the national level in 2011.

effort, but the measures remain subject to the contingent nature of the resolutions and decisions of the governing bodies and are often mere incentives, as they have not been endorsed by the General Conference. They must therefore be formalized. More importantly, the Programme, its principles and implementing conditions all rest on successive biennial resolutions subject to economic uncertainties, and this weakens both the Programme itself and the new policy lines adopted by the Secretariat. General statutes must therefore be drafted for the Programme. Only the general appropriation priorities should be adopted by the biennial General Conference, while conditions for effective implementation should be left to the discretion of the Director-General, required, as mandated by the Member States and under her responsibility, to rule on the operational decisions for the Participation Programme.

136. As a complementary initiative designed and developed to meet the needs of beneficiary States, the Participation Programme should generally and at most steps of its management and evaluation, involve field offices centrally. This is no way implies that these local stakeholders would replace the Member States, which remain responsible for the requests that they submit to UNESCO and for mandatory reporting. In the interests of the efficiency and economy, field offices should be more active stakeholders, unless they are to be merely passive intermediaries for the central sectors, playing no strategic, political or functional role in the field.

137. In short, an era of greater constraint is beginning for the Participation Programme after nearly 60 years in existence, as for the Organization: it is important to make profound changes to the Programme's objectives, management and evaluation, otherwise its allocations from paltry regular programme resources will only diminish, as it will lack legitimacy and credibility.

Recommendation No. 13: it is now necessary to enshrine in statutes, through a General Conference resolution, the principles, policy lines, conditions and *basic* rules for managing and evaluating activities funded under the Participation Programme, with only the Programme's *major* appropriation priorities being set out in the biennial C/5 resolution, and with the Director-General holding responsibility for decisions on the most appropriate management conditions and choices to ensure results. From this standpoint, and in the interest of efficiency and economy, a greater role upstream expertise, monitoring of financial implementation and final project evaluation must be granted to the field offices.

Acknowledgments

138. The External Auditor thanks all of the managers and staff of ERI, as well as Headquarters sectors and functional services most sincerely for their availability and transparent contribution to this audit. The External Auditor auditor also thanks the 10 National Commissions consulted, their Presidents, Secretaries-General and staff for their welcome, their practical and technical contribution and the logistical support provided during the on-site missions.

VII. Proposed decision

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

The Executive Board,

1. Having examined document 191 EX/28 Part I,

2. Expresses its satisfaction to the External Auditor for the high quality of the report;

3. Invites the Director-General to report on progress achieved in the implementation of recommendations in her report on the follow-up of all recommendations made by the External Auditor.

Director-General's comments

The Director-General thanks the External Auditor for his audit report on UNESCO's Participation Programme and notes its usefulness and its relevance to the constant endeavour to improve. She accepts most of the recommendations made therein and will strive to implement them to the extent possible. It should be made clear in this connection that some of the recommended changes require approval by Member States of UNESCO and should, in principle, be endorsed by the General Conference.

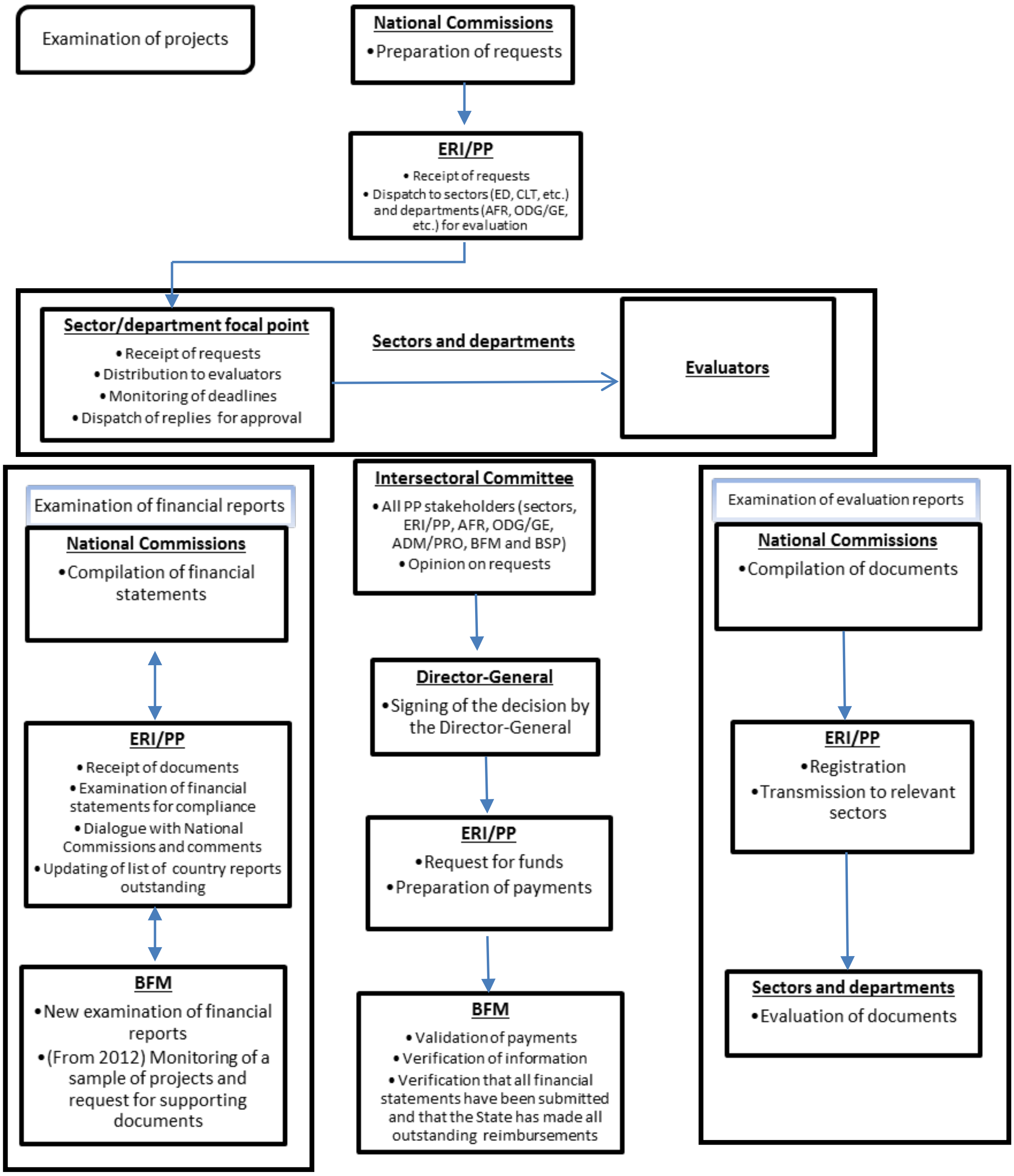
With regard to the delegation of authority for the decisions relating to the allocation of funds, which is the subject of Recommendation No. 8, the Director-General takes note thereof but considers that the final decision is one of her prerogatives and, therefore, must be her direct responsibility.

As to the role of the field offices throughout the process of the Participation Programme, referred to in Recommendations Nos. 11 and 13, the Director-General considers that the recommended improvements are a step in the right direction. However, if these recommendations are to be implemented effectively, the role must be discussed in depth within the Secretariat.

The Director-General will report on the implementation of the above recommendations in accordance with the usual practice.

ANNEX I

Simplified flow charts of Participation Programme procedures



ANNEX II

Estimates of Participation Programme management costs (2012-2013)

Unit contributing to programme management	Staff expenses (US $1000)			Operational expenses (US $1000)	Total (US $1,000)
ERI/PP	1,409			53	1,462
ERI senior managers	¼ x D1 + 1/16 x ADG		133	N/A	133
Sectors		*Projects received*	Total cost	N/A	354
	Education	*511*	84		
	Natural Sciences	*219*	35		
	Social and Human Sciences	*154*	25		
	Culture	*370*	71		
	Communications	*201*	50		
	Gender Equality	*39*	6		
	Africa	*480*	83		
	Total		***354***		
MSS/PRO	200 hours (P-4)		38	N/A	38
Regional offices	Advice and assistance for National Commissions: 700 projects x 2 hr (P-1)		90	N/A	276
	Participation in project expertise: 700 projects x 1 hr (P-1)		45		
Financial management	1/3 G6 (monitoring of financial reports) + 1/10 P-3 financial analyst (introduction and supervision of monitoring system) + 64 P-1 hours (reporting and preparation of the General Conference)		44	N/A	44
General administration	1- Total budgets for allocation: 178,300 General administration, governing bodies (13,700), management (21,800), United Nations system (13,300)/human resources management (34,600)/financial management (14,800)/support (80,000) 2- Budget code: (7 + 4.76 FTE)/ 1,935 FTE = 0.0061 3- Allocated cost: 178,300 x 0.0061				1,088
Total					3,395

Note: The budget code applied to budgets outside ERI is calculated as a ratio [ERI staff allocated to the PP]/total Headquarters staff.

Calculation of the costs of involving sectors and departments

Average work time spent on each Participation Programme project

ODG/GE	(2) Work time per project (minutes)	(3) Value of work time (standard cost, US $1,000/year)	(4) Cost per project (US $)
Project allocation and follow-up to replies	20	152	30.80
Project evaluation	25	152	38.50
Intersectoral Committee preparation/participation	35	152	53.90
Project supervision by senior managers	5	226	11.45
Review of evaluation report	20	152	30.80
Total	**105**		**165.45**

CI	(2) Work time by project (minutes)	(3) Value of work time (standard cost, US $1,000/year)	(4) Cost per project (US $)
Project allocation and follow-up to replies	30	73.5	22.34
Project evaluation	90	152	138.60
Intersectoral Committee preparation/participation	20	152	30.80
Project supervision by senior managers	15	226	34.35
Review of evaluation report	15	152	23.10
Total	**170**		**249.19**

CLT	(2) Work time per project (minutes)	(3) Value of work time (standard cost, US $1,000/year)	(4) Cost per project (US $)
Project allocation and follow-up to replies	15	73,5	11.17
Project evaluation	40	152	61.60
Intersectoral Committee preparation/participation	45	152	69.30
Project supervision by senior managers	15	226	34.35
Review of evaluation report	10	152	15.40
Total	**125**		**191.82**

ED	(2) Work time per project (minutes)	(3) Value of work time (standard cost, US $1,000/year)	(4) Cost per project (US $)
Project allocation and follow-up to replies	25	73.5	18.62
Project evaluation	45	152	69.30
Intersectoral Committee preparation/participation	15	152	23.10
Project supervision by senior managers	10	226	22.90
Review of evaluation report	20	152	30.80
Total	**115**		**164.72**

Calculation of the costs of involving sectors and departments (continued)

Average work time spent on each Participation Programme project

SHS	(2) Work time per project (minutes)	(3) Value of work time (standard cost, US $1,000/year)	(4) Cost per project (US $)
Project allocation and follow-up to replies	30	105.5	32.07
Project evaluation	30	105.5	32.07
Intersectoral Committee preparation/participation	40	105.5	42.76
Project supervision by senior managers	20	105.5	21.38
Review of evaluation report	30	105.5	32.07
Total	**150**		**160.33**

SC	(2) Work time per project (minutes)	(3) Value of work time (standard cost, US $1,000/year)	(4) Cost per project (US $)
Project allocation and follow-up to replies	20	73.5	14.89
Project evaluation	20	152	30.80
Intersectoral Committee preparation/participation	60	73.5	44.68
Project supervision by senior managers	10	226	22.90
Review of evaluation report	30	152	46.20
Total	**140**		**159.47**

AFR	(2) Work time per project (minutes)	(3) Value of work time (standard cost, US $1,000/year)	(4) Cost per project (US $)
Project allocation and follow-up to replies	20	73.5	14.89
Project evaluation	50	152	77.00
Intersectoral Committee preparation/participation	30	152	46.20
Project supervision by senior managers	5	226	11.45
Review of evaluation report	15	152	23.10
Total	**120**		**172.64**

Sources: The sources of the data in the two previous tables are document 36 C/5, auditors' surveys of sectors and services (determination of work time spent on project examination, evaluation and monitoring), and ERI/PP (SISTER) for the number of projects reviewed per sector; the standard UNESCO costs per grade have been used to estimate work-costs.

ANNEX III

Amounts approved, by Participation Programme "beneficiary group/geographical region"

($)	2008-2009		2010-2011		2012-2013 (Year 2012)	
AFR	4,911,490	*26.1%*	5,853,852	*31.6%*	2,072,839	*49.9%*
APA	3,835,206	*20.3%*	3,577,590	*19.3%*	816,446	*19.7%*
ARB	1,614,300	*8.6%*	1,138,632	*6.2%*	187,000	*4.5%*
EUR 1	491,600	*2.6%*	481,300	*2.6%*	-	*0.0%*
EUR 2	1,919,804	*10.2%*	1,767,449	*9.6%*	250,546	*6.0%*
LAC	3,489,665	*18.5%*	3,490,923	*18.9%*	450,108	*10.8%*
OING	806,114	*4.3%*	865,227	*4.7%*	132,400	*3.2%*
Urgent	1,781,759	*9.5%*	1,327,790	*7.2%*	244,820	*5.9%*
Total	**18,849,938**	*100.0 %*	**18,502,762**	*100.0 %*	**4,154,159**	*100.0 %*

United Nations
Educational, Scientific and
Cultural Organization

Executive Board

Hundred and ninety-first session

191 EX/28
Part II

PARIS, 12 April 2013
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Item **28** of the provisional agenda

NEW AUDITS BY THE EXTERNAL AUDITOR

PART II

AUDIT REPORT

MANAGEMENT OF UNESCO'S BUDGETARY AND FINANCIAL CRISIS: IMPACTS OF ONGOING REFORMS, EMERGENCY MEASURES AND THE RESULTANT STRUCTURAL MEASURES

SUMMARY

In accordance with Article 12.4 of the Financial Regulations, the External Auditor submits the audit report on the management of UNESCO's budgetary and financial crisis: impacts of ongoing reforms, emergency measures and the resultant structural measures.

Action required of the Executive Board: decision proposed in paragraph 149.

	Office of the External Auditor of the United Nations Educational, Scientific and Cultural Organization	

AUDIT REPORT

MANAGEMENT OF UNESCO'S BUDGETARY AND FINANCIAL CRISIS: IMPACTS OF ONGOING REFORMS, EMERGENCY MEASURES AND THE RESULTANT STRUCTURAL MEASURES

Cour des comptes: UNESCO-2012-14

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I. LIST OF RECOMMENDATIONS

<u>Recommendation No. 1</u>: The External Auditor recommends that no specific reform action be taken without *first* having benchmarked explicitly the strategy under which it falls, stating the exact (rather than generic) goals sought and the time frames to be observed, and without having established a system of *auditable* qualitative and/or quantitative indicators for use in monitoring the progress of the planned reforms.

<u>Recommendation No. 2</u>: the External Auditor recommends that all papers produced with a view to reforming the Organization since 2010 be collated rationally, strategically and consistently in order to extend the purpose of the "roadmap" beyond mere implementation of the budget in document 36 C/5 and that it be linked to specific action plans and long-term schedules.

<u>Recommendation No. 3</u>: the External Auditor recommends that the many working groups working on the various aspects of the reforms be rationalized, that each be given terms of reference and a clear governance structure, that their work and timetables be coordinated and that the Deputy Director-General be responsible for leading all of these activities and reporting on them, for final decision, to the Director-General, who alone is accountable for the Organization's management to the governing bodies.

<u>Recommendation No. 4</u>: more so than in any other area in the daily management of the Organization, the External Auditor recommends that a study of the short-, medium- and long-term operational and economic impact be conducted *specifically* for each and every staff-management scheme and individual measure (individual separation and the freezing, abolition or transformation of posts).

<u>Recommendation No. 5</u>: the External Auditor recommends that there be no further delay in developing and implementing a comprehensive and strategic staff restructuring plan. The potential economic impact and social sensitivity of such a scheme are all additional reasons for the Directorate to put in place controlled, efficient and transparent governance and change-management methodology.

<u>Recommendation No. 6</u>: the External Auditor recommends the introduction of precise evaluation tools to measure and monitor the achievement of qualitative and quantitative objectives for each field of application and recommendation of the TASCO mechanism.

<u>Recommendation No. 7</u>: the External Auditor recommends improving the traceability of decisions made by the Director-General by compiling a dossier for each decision documenting in detail, according to a consistent framework that is applicable by all, the decisions and opinions relating to the reorganization of sectors and services, so as to have to hand historic information that can be used to evaluate measures envisaged and their impact.

<u>Recommendation No. 8</u>: The External Auditor recommends that the assessment and decision-making tools used for restructuring be improved: in particular, a table should be provided for each unit concerned, showing the expected cost reductions in terms of staff and administrative expenses and this analysis should be extended house-wide in order to eliminate false economies resulting from the simple internal transfer of charges. These documents should be systematically updated when the work plans are updated in order to provide comprehensive and objective elements for analysis, warning and decision-making.

<u>Recommendation No. 9</u>: In view of the fact that the reform is wide-ranging and deeply structural, the External Auditor recommends that the review of the field network reform in general and in particular with regard to Africa include a clearer financial arbitration that is

consistent with the high priority assigned to it in UNESCO's strategy and is able to guarantee the project's success within the time limits set.

Recommendation No. 10: Considering the necessarily limited duration of the Emergency Fund, the External Auditor recommends that the financing of recurring operating expenses with the fund be strictly barred, save exceptions truly justified by the endangering of strategic priorities that the resources of the 36 C/5 budget are unable to meet, which should then be covered normally by the 37 C/5 budget.

II. PURPOSE AND SCOPE OF THE AUDIT

1. From 12 to 30 November 2012, a team of six auditors reviewed, at UNESCO Headquarters, the Organization's responses to its critical budgetary situation, by examining ongoing reforms and new structural measures adopted as from the beginning of 2012. Two auditors had previously audited, from 6 to 17 February 2012, the emergency measures taken as from 1 November 2011 to cope with the sudden cash-flow crisis.

2. The audit was conducted in accordance with the International Standards of Auditing (ISA) and with the various texts in force at UNESCO, in particular Article 12 of UNESCO's Financial Regulations and the Annex on the Additional Terms of Reference Governing the Audit.

3. Each finding and recommendation has been discussed with the managers of the Headquarters offices and sectors concerned. The exit meeting held on 30 November was attended by the Organization's most senior officials. Points were finalized during the mission and subsequently while the report was being drafted. Remarks and comments by the various units that had been requested to state their views on the draft audit report have been taken into account as and when necessary.

III. CONTEXT

4. UNESCO is in an extremely difficult financial situation owing to the suspension, in late 2011, of contributions by two Member States. The resultant budget shortfall amounted to nearly 30% for the 2012-2013 biennium and was worsened by the very substantial expenditure brought forward at the end of 2011. The emergency savings achieved in the last two months (some $30 million)[1] did not suffice to cover the shortfall of more than $70 million caused by the withholding of assessed contributions.

5. Emergency steps were therefore taken to contain the immediate cash-flow crisis. Other steps were considered for the longer term.

6. An 18-target crisis management roadmap was drawn up and the Executive Board of UNESCO, at its 189th session (March 2012), requested the Director-General to implement the roadmap. A progress report was submitted at the 190th session (October 2012).

7. The purpose of the first audit of the emergency measures was to appraise the way in which UNESCO had reacted and organized itself in response to the immediate crisis and the consideration that it had given at the time to the management of the medium- and even long-term consequences of the financial and budgetary shortfall.

8. The audit at the end of 2012 dealt mainly with roadmap targets 10 to 18,[2] as they were geared to efficiency, savings and management performance. Furthermore, while excluding actual programme choices from the audit, the External Auditor analysed and appraised the organization and methods used to adapt the programme (including the constitution and use of the emergency fund established by the Director-General) and the reform of the field network.

9. Within that remit, the goals set for the audit were therefore to: (i) evaluate the roadmap targets' consistency with and the relevance to the financial and management issues facing the Organization as a result of the current crisis; (ii) evaluate the organization and methods

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1 The $ currency symbol used throughout this document denotes the United States dollar.
2 See Annex.

adopted by UNESCO; (iii) evaluate the relevance of the ways and means chosen to attain the targets that the Organization had set for itself; (iv) identify the initial results obtained under each target, analyse its capacity to attain the results sought and evaluate the quality and relevance of responses thus made to financial and management problems. The following lines of investigation were retained as standard: conduct of the reforms and overall consistency; management of staff costs; implementation of the TASCO recommendations;[3] measures to reorganize units and sectors;[4] implementation of the reform of the field network; management of the emergency fund, and management of the governing bodies.

10. During their investigations, the auditors reasoned that as there was no factual or environmental evidence of an end in sight, the difficulties that have beset the Organization since 2011 should be regarded as long lasting and, in view of their intensity and the speed of onset, be qualified quite frankly as a "crisis": that epithet, which seemed to be routinely avoided within the Organization, is merely indicative of the nature, breadth and efficiency that might be expected of the requisite measures.

11. Before the crisis broke, UNESCO had already, on the basis of statements and programmes and on the initiative of the Director-General, initiated several reforms or given thought to several lines of substantive reform (even before the publication of the findings of the independent external evaluation (IEE)).[5] One of the problems encountered in the audit therefore consisted in ascertaining whether those ongoing or completed reforms had, in addition to their intrinsic goal, enabled UNESCO to be better armed to weather the crisis. For if previously initiated reforms had no such effect, then they would have been purely formal, theoretical and disconnected with the real world in which the Organization now operates – a structural environment that is financially more constrained, more demanding and more uncertain than in the last 50 years.

12. Apart from the pre-crisis reforms, UNESCO has been obliged to put not only temporary emergency crisis-containment measures, but also more structural measures into practice either by expediting or broadening ongoing reforms or by taking new measures with long-lasting effects. Those measures were therefore analysed in terms of their capacity not only to reduce cost, and thus permit balanced budget implementation until the end of the 2012-2013 biennium, but also to inform the structure of new forms of robust and efficient organization and management.

IV. AUDIT FINDINGS

The audit findings for 2012 have been based on data relating to 2012-2013 budget implementation available as at 31 October 2012.

4.1 Emergency measures taken in late 2011

4.1.1 The context of ongoing reforms

13. Since the appointment of the current Director-General in October 2009, UNESCO has to some extent experienced the dynamics of internal change. Several efficiency-gains initiatives have been launched in order to achieve, in particular, structural optimization, lower administrative costs and efficiency gains in the support services, and were broadened after the IEE recommendations had been submitted.[6]

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[3] TASCO: *Towards Administrative Transformation and Strengthening Client Orientation.*

[4] The three sectors selected were the Education (ED), Culture (CLT) and Natural Sciences (SC) Sectors.

[5] International group of experts mandated by the General Conference.

[6] See documents 185 EX/18 and 186 EX/Decision 17.

14. Despite the scope of the efforts and at the very least the energy expended on those initiatives, many initiatives could not be put into effect substantively or in terms of time frames in accordance with the established goals. As early as January 2010, the Director-General had established several task forces to optimize the Organization's action and guide its strategic lines of emphasis. Owing to the lack of formalization and coordinated records, the External Auditor could not audit the work actually done by the task forces, follow-up action taken on their meetings, the progress achieved on their agenda, their outcomes and the use made thereof. No organized files on those working groups and on their findings were available in February 2012 when the External Auditor sought clarification of the context in which the crisis group had been established and the bases on which internal discussion on ways and means of handling the crisis could rest.

15. Poor traceability of the initiatives, meetings, discussions and reforms undertaken or initiated has undoubtedly impaired the Organization's capacity to rise optimally above the initial straightforward emergency measures taken in November 2011. This point will be examined below.

4.1.2 Immediate responses to the crisis (November 2011-January 2012)

16. In view of the financial difficulties, the Director-General gave consideration immediately to two forms of drastic measures, namely massive reduction in expenditure and raising new funds. The mechanism established, the initial financial-crisis management results obtained and the changes required to take up the challenges of the 2012-2013 biennium were detailed in the Director-General's address to the permanent delegations on 26 January 2012.

17. In regard to the cash flow, the Bureau of Financial Management (BFM) had, in mid-October 2011, warned of possible liquidity problems – in particular, the need for short-term borrowing from internal resources – as a result of the non-payment of contributions outstanding and due for 2011 (contributions for 2011 withheld by the United States of America amounted to $30.9 million + €35.6 million). No serious cash-flow crisis actually occurred at the end of 2011, as the forecast shortfall of some $43 million was offset by the early payment, in response to the Director-General's appeal, of some contributions for 2012 (Canada, Netherlands, Spain and Chile), expenditure cuts amounting to some $7 million and the transfer of cash from other funds ($14.5 million).

18. The Organization's room for manoeuvre in terms of the budget depended on the amount of unobligated funds as at 31 October 2011. Prudence required that commitments at that date be no more than 22/24th (92%), and they amounted to 91.1%. Owing to steps taken to cancel recruitment, they fell to 90.4% at 30 November, settling at 92% at 31 December. The $72 million shortfall was ultimately covered owing to the cancellation of some $30 million in scheduled expenditure and the carry-over of substantial expenses ($42 million) to the following biennium.

19. As UNESCO was faced with that major default in payment at the end of and thus very late in the year, it could hardly act otherwise. The economy drive was increased commensurately in 2012; it was considered at the time, rightly in theory, that such an effort spread over one year would be more manageable, as the time lag permitted a controlled and more efficient view of the savings to be made.

20. Action was taken to make immediate savings, in particular by establishing the UNESCO Efficiency Group, which identified 74 measures falling into two categories – those yielding short-term savings (quick wins) and those designed to improve procedural efficiency in the longer term. The measures adopted led primarily to a sharp fall in travel costs, a cut of more than 50% in publications, the simplification of working procedures, strict application of standards on office space allocation, the renegotiation of all contractual trade agreements

and the decision to keep 75% of regular programme posts vacant at Headquarters and in the field.

21. To complement those measures, the voluntary mutual separation programme launched on 25 November 2012 must be included among the emergency measures: it was not really structural for the long term in its design or in its achievements. It is reviewed later on in this report because it is, on the contrary, regarded by the Organization as the first phase of a broader staffing review initiative. It is nonetheless true that it led quite soon to a reduction in expenses.

22. No evidence has been provided of the conduct, at the time when those drastic year-end measures were taken to cut expenses even for the long term by amending the expenditure rules, of any serious, qualitative or quantitative assessment of those emergency measures' long-term impact on the Organization's programme activities or human resources management.

23. As to the governance of the crisis management, the organization and methodology adopted cannot be said to be clear and explicit; at any rate, the auditor has found only implicit traces thereof. This is no doubt due to the Organization's executive officials' self-imposed concern for reactivity, which is understandable in view of the necessity at the end of 2011 to act as swiftly as possible to contain cash flows, mobilize resources and decide to reduce expenses wherever possible.

24. Given the level of expenditure inertia in the Organization, the containment of nearly half of the financial shortfall is proof of genuine commitment on the part of UNESCO's senior officials – in BFM and the Bureau of Strategic Planning (BSP) in particular – and of the great efforts made to tackle the crisis immediately and effectively.

25. It must be noted at this stage of the analysis, however, that results-based budgeting and management (RBB/RBM)[7] methods would have undoubtedly helped to facilitate and render more efficient the identification, design and introduction of immediate crisis management action (and crisis management over time). That approach, which the Executive Board (185 EX/Decision 17) had invited the Director-General to introduce, has still not been put into practice at UNESCO. Better informed and more transparent cost management and more serious accountability on the part of sector officials would have made it possible to spread efforts to tackle the crisis more efficiently (with each manager knowing what to do without being obliged to turn constantly to the Director-General for a decision) – in a word, expending less energy to achieve the same result.

26. It may nonetheless be concluded that the Directorate's <u>emergency</u> responses to the crisis have been satisfactory in view of its sudden occurrence, the severity and complexity of the issues, and the sometimes rudimentary management and information tools at its disposal for tackling the crisis.

4.2 Implementation of the 2012-2013 budget

27. The budget initially approved in document 36 C/5 was $653 million, broken down into $249 million in activity expenditure and $404 million in staff costs.

28. To adapt the Organization's operations to the expected shortfall in revenue for the 2012- 2013 biennium, the sectors and central services drew up an initial set of work plans based on a $465 million ceiling (provisional work plan envelope) that was 29% below the appropriation in document 36 C/5 Approved. The work-plan amounts were not, however, broken down by activity and by staff (see 189 EX/15).

[7] Results-based budgeting/results-based management.

29. That very ambitious ceiling reflected the overarching goal of reducing expenses in order concomitantly to offset the effect on the 2012 and 2013 budget of the withholding of contributions by two Member States and of the carryover recorded at the end of the previous biennium. It was designed, moreover, to preserve programme appropriations as much as possible. That budget estimate was the outcome of a top-down Secretariat procedure rather than an assessment by the Organization's substantive sectors of possible savings.

30. The $465 million envelope thus adopted proved to be insufficient once distributed among the sectors on the basis of requirements they deemed "incompressible" and, as a result, in early 2012, lower reduction ratios than those set in the envelope had to be put into effect for the Secretariat of the Governing Bodies (GBS), the Bureau of Field Coordination (BFC), the Sector for External Relations and Public Information **(**ERI) and the Sector for the Management of Support Services (MSS), and new forecasts (forecast of work plans requirements) amounting to $511.4 million (190 EX/4) were made on 30 June 2012. The new forecasts were subsequently recosted on 31 October 2012 at $527.5 million (new forecast), which was 13% higher than the initial $465 million ceiling.

31. Scrutiny of budgetary implementation shows that there was an overspend in relation to the revised $465 million target budget ceiling.

32. Apart from staff costs, an analysis of the budget lines that had risen most sharply in the forecasts as at 31 October 2012, on the basis of the reduced $465 million "budget", shows that those increases were due primarily to:

– provision for common expenses deemed incompressible (MSS +17%);

– full provision for participation in the joint machinery of the United Nations system: the $12 million initially budgeted had been reduced to $4.8 million, as UNESCO had hoped to secure a deferral of part of the amount to the next biennium but, as no deferral had been granted, the expenditure forecast as recosted rose by +150%;

– the impact of cost increases (e.g. translation) under Part I.A (Governing Bodies),[8]

– provisions for the operation of the UNESCO Institute for Statistics[9] and the Programme of Education for Emergencies and Reconstruction (PEER) in Nairobi, pending additional funding.

33. In regard to staff costs, the reduced estimates in document 36 C/5 ($465 million), on which the work plans were based, were 14.6% lower than in initial document 36 C/5 Approved. The revised estimates ($527.5 million ceiling) were, however, only 10% lower owing, as explained by the Secretariat, to an underestimate in staffing projections yielding higher forecasts than previously recorded. As at 31 October 2012,[10] staff costs accounted for 72% of total expenditure and 86% of staff appropriations for 2012, which were higher than the expected execution rate.

34. All in all, the expenditure forecast as at 30 October 2012 for the end of the 2012-2013 biennium is generally only 19% lower than estimated in document 36 C/5 and falls far short of the 29% initial reduction target.

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8 According to the Secretariat, despite changes in working methods, Governing Bodies costs incurred by the Division of Conferences, Languages and Documents (CLD) rose from $567,000 at the 189th session of the Executive Board to $760,000 at the 190th session.

9 *UNESCO Institute for Statistics (UIS).*

10 See SMT management chart – *Financial management report October 2012*.

35. In their endeavour to ascertain whether the efforts made or contemplated by the Organization would suffice to attain the 29% reduction target in expenditure and resolve the current crisis, the auditors examined first of all the action taken by the Organization in deciding which main lines of reform to introduce and implement.

4.3 The slow pace of structural reforms

36. The current financial crisis at UNESCO broke while the Organization was already engaged in strategic reflection, pursuant to the Medium-Term Strategy (C/4) for 2008-2013. The budget contained in document 36 C/5 had been designed initially to follow on from documents 34 C/5 and 35 C/5 and thus covered the last biennium of the Medium-Term Strategy broken down into five overarching objectives and 14 strategic programme objectives.

37. In regard to management, the strategic framework was designed to improve management and laid emphasis on the establishment of a culture of evaluation, the introduction of a staff Headquarters-field mobility policy, alignment with the United Nations common framework and the strengthening of partnerships in order to raise the volume of extrabudgetary resources substantially.

38. The accomplishment of the Director-General’s expressed resolve, as from 2009, to pursue the overall reform contemplated, is illustrated clearly by the establishment of BFM in 2010, the strengthening of BSP, the reorganization of MSS in 2011 and the restructuring of the Culture Sector in 2011. These reform components, each distinctive, are nonetheless piecemeal and their integration into an overall coherent *management strategy* is unclear.

39. Lack of clarity in the reform strategy is also evident in the uncertain and even repetitive or superfluous approach taken to external consultations and follow-up action on recommendations.

40. Accordingly, for example, while IEE mandated in late 2009 by the Executive Board was under way, another consultation, launched by the Secretariat and involving a group of ten experts of different nationalities, was commissioned on 17 March 2011 and ultimately submitted a document substantively containing recommendations identical to the IEE recommendations.

41. Furthermore, the time lags observed in giving effect to those recommendations in terms of operational arrangements or effective implementation seem to be extremely long – some field reform arrangements had still not been finalized in 2012 and the partnership policy had not yet been formulated. By increasing the number of consultations and successive “ad hoc working groups”, the governing bodies bear some responsibility for those lags, as do the Member States with which the Organization is obliged to conduct lengthy negotiations on field-office redeployment.

42. The pace of reform initiation in regard to the reorganization of the Administrative Officers (AO), too, has been slow, for although the consultant submitted the report on 30 July 2010, the first significant implementation measure did not take effect until 12 February 2012. This time lag was conceivably entailed by the need to formulate a new overall organizational vision beforehand for the AO reform only but, here too, there is no evidence that UNESCO had formulated any such vision at the beginning of 2012.

43. The conduct of reforms at UNESCO is admittedly no easy matter. On countless occasions, the complexity of the governance structure, the rigidity of the management culture, the difficulty of moving the Organization towards a culture of accountability and, in some cases, the sectors’ over-independence of thought and action have been raised in

objection to the External Auditor. These psycho-sociological factors obviously have an effect on UNESCO's capacity to conduct reforms optimally, but they do exist and take particular forms in all organizations. The main points are to identify them and to adapt the change-implementation method accordingly.

44. All reforms must be guided by a strategy and by goals. Whether substantive or time-bound, goals must be clear and quantifiable. In principle, no change can be considered seriously if there is no substantive or time-bound indicator. All organizations are resistant to change and such resistance cannot be seriously countered if there is no pressure in terms of performance or time frames.

45. Performance and time-bound goals must be shared and supported by all drivers of change such as the Organization's senior officials, middle-ranking managers, staff and governing bodies. To avoid hesitations, reversals and impairment of consistent multilateralism, clear goals supported by the governing bodies must be set for all reforms, the Secretariat being in charge of designing, under its responsibility, the most appropriate means of achieving those goals. Rigorous methods and organization in designing and planning such reforms are thus required. As the IEE is limited in scope and in its recommendations, it cannot be the only benchmark for setting goals to that end.

Recommendation No. 1: the External Auditor recommends that no specific reform action be taken without *first* having benchmarked explicitly the strategy under which it falls, stating the exact (rather than generic) goals sought and the time frames to be observed, and without having established a system of *auditable* qualitative and/or quantitative indicators for use in monitoring the progress of the planned reforms.

4.4 The ambiguous nature of the roadmap

46. As stated above, the Secretariat, confronted suddenly with the budgetary and financial crisis, established an intersectoral working group as early as November 2011 in order to devise measures to reduce costs and make efficiency gains.

47. The outcome was a roadmap, with 18 targets, of diverse nature and scope, of which one part did indeed meet the need for a short-term response to the crisis, and another part incorporated some IEE recommendations, albeit stripped of their strategic content in some instances.

48. This holds true in particular for target 6 concerning the distribution of staff between Headquarters and the field (see below), on which there is no specific Headquarters reform programme for the time being. Likewise, target 9, which provides for an increase in the number of public-private partnerships, was included in the roadmap at a time when the IEE recommendation to provide UNESCO with a partnership strategy had not been implemented. The strategy was approved by the Board in late 2012 only, thereby delaying for almost one year the launch of the initiative to achieve the target set.

49. As to staff management, only two targets (11 and 13) attempted to respond to the financial challenge imposed on the Organization. Target 11[11] was nevertheless dropped in mid-2012 (see below). Target 13, involving the reduction of the number of posts in Executive Office (EO), Administrative Office (AO) and secretarial services throughout UNESCO by 10% by the end of 2013, by grouping them together, is being implemented in stages but in fact falls under the staff redeployment policy: as the posts are only redeployed to the field, the

[11] Additional voluntary separation schemes will be offered as required before the end of 2013.

impact on the Organization's regular budget, advanced as a postulate by the Secretariat, remains to be proven.

50. On the whole, the External Auditor questions the very concept of a roadmap which on the one hand does not seem to be fully consistent with the Organization's difficult circumstances (execution of document 36 C/5) and, on the other, is not wholly informed by an imperative of reducing structural costs either. Even if the end of the "crisis" were imminent, failure to take advantage of the opening offered by the financial and budgetary crisis to respond to the crisis *and* to reconfigure UNESCO to give it the requisite robustness and flexibility to tackle future crises would be a missed opportunity.

Example of a "structural" measure with no proven savings impact: the reform of the Administrative Offices (AO).

The initial phase of this process was launched in 2012, with the aim of rationalizing AOs for the central services and support services only. It should lead to the replacement of the various units by a single administrative unit serving the sectors and field offices. At the time of the audit, the principle had been approved but its implementation was only due to start from the end of November. The other phases of the process are scheduled for early 2013 and will concern first of all the AO units of programme sectors[12] and then the Executive Offices (EO) and secretarial services. Under the AO reform, seven Headquarters posts will be redeployed to field offices and three posts will be abolished, thus reducing the number of AO posts by 35% in relation to the initial structure of such units at Headquarters. The resulting savings for Headquarters activities would range from $1.5 million to $1.9 million per biennium. However, as the posts will be redeployed to the field, the measure will not have an impact on UNESCO's overall regular budget.

51. Although the roadmap effectively includes deadlines and in some cases quantitative "performance" measures, unlike reform initiatives launched before the crisis, many of the "targets" are still difficult to measure, biased in possible measurements, generic and non-specific. In addition, the impact of the full implementation of the roadmap on the Organization's financial management has not been established. The fact that some of the "targets" contained in the roadmap are actually activities rather than targets, with some confusion between strategy and action plans, probably explains the lack of financial impact assessment of roadmap measures, which also reflects the hybrid and uncertain nature of the aim pursued.

52. To conclude on this point, it is hard to imagine envisaging a solution to the difficult equation of the execution of the budget in document 36 C/5 that does not involve the far-reaching reform of the Organization's management. Such measures cannot of course be designed for the short term only. This would then justify the "roadmap for the execution of document 36 C/5" setting a broader purpose, unambiguously, and standing as a genuine programme for the thorough reform of UNESCO's organization and management. To that end, the concepts of strategy, targets and action plans should be clarified so as to express this purpose. The materials on which these should rest exist: the independent external evaluation, the many working groups set up between 2010 and 2011, the work of the crisis group set up in November 2011 and the preparatory work for the roadmap. It would probably be sufficient to bring them together methodically and consistently. To that end, governance of the reforms must be optimized.

[12] See document 190 EX/34.

<u>Recommendation No. 2</u>: the External Auditor recommends that all papers produced with a view to reforming the Organization since 2010 be collated rationally, strategically and consistently in order to extend the purpose of the "roadmap" beyond mere implementation of the budget in document 36 C/5 and that it be linked to specific action plans and long-term schedules.

4.5 Uncertainty about crisis arrangements and strategic steering of the reforms

53. Following on from the intersectoral working group responsible for the roadmap and after a report had been submitted to the General Conference in October 2011 on action taken and progress achieved in implementing the IEE recommendations, a working group on the "Secretariat's working methods and management systems", very extensive in its contribution and purview, was established in May 2012 (DG/Note/12/9 of 3 May 2012) and placed under the leadership of the Deputy Director-General.

54. The working group was supposed to make recommendations, building on the findings of recent internal and external reviews, in order to set precise management objectives to be achieved over the short and medium terms, and setting out the manner in which the objectives were to be attained: implementation plan that identified activities, time frames, units/officers responsible and performance measures required to monitor progress and evaluate effectiveness. The group was set a two-fold mission of guidance and monitoring.

55. The breadth of the new working group's remit raises some questions, especially as no details could be obtained about its <u>actual</u> organization and operation (which were not specified in the aforementioned Ivory Note).

56. The group works on the fringes of the competencies of the Senior Management Team (SMT), which has been mandated to follow up the IEE recommendations contained in the roadmap. However, nothing can be absolutely sure in this highly implicit matter, since the SMT itself does not work to any specifications or (even informal) operational rules.[13]

57. The new body was established when the Administrative Reform Initiative for "Transforming Administration and Strengthening Client Orientation" (TASCO) had already been launched some time previously, in March 2012.[14] This review, ambitious in scope as it involved most services, was supposed to improve significantly the costs and quality of the services provided. It referred directly to roadmap targets 12 (administrative costs to be reduced by 15%), 15 (freeing up office space) and 18 (efficiency gains).

58. The TASCO working group initially decided to examine seven areas and aimed to achieve a 25% reduction in time and costs involved, 15% in savings on structural expenditure and service provision better adapted to expectations. The scope of the group's remit (document production, travel, meetings and conferences, interpretation and translation, space management, and so on) was confined to the formulation of proposals for improved procedures and management, and not structural reforms.

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13 Ivory Note 10/43, in which the SMT, Programme Management Committee (PMC) and Corporate Services Committee (CSC) were established, set no terms of reference or operational methods for these committees; Memorandum 10/18, dated 4 October 2010, by the Director-General contains terms of reference for the PMC and CSC but not for the SMT.

14 According to the Secretariat, "*TASCO is one of the sub-groups of the Working Group* – see Ivory Note authorizing the establishment of sub-groups whose terms of reference are to be determined by the Working Group" and "*TASCO has always been fully a part of the Working Group*", yet TASCO was established several months before the its parent group came into existence.

59. According to the Deputy Director-General, TASCO's work naturally "depended" on the new working group on methods, as did other strategic bodies (on field reform, AO platform, partnerships, etc.). No specifics could be provided, however, on either the nature or the operational conditions of those connections. There is no reference document that could be used to categorize and thus evaluate them. The organization of the reform remains mostly implicit. Be that as it may, although TASCO produced a voluminous final document, no working document, interim summary or report by the "methods" working group (CMWG) could be produced during the audit in November 2012.

60. It is thus apparent that in addition to the SMT-related bodies established by the Director-General in 2010, such as the Programme Management Committee (PMC) and Corporate Services Committee (CSC), the new group has played a very informal role in providing impetus with no concrete reality or operational outputs.

61. The large number of initiatives established for the same purpose and at different levels is a strong signal of UNESCO's resolve to undertake reforms and to cope with the crisis situation. However, as they have no clear terms of reference, no known governance and no set time frames, these initiatives all tend rather to cancel each other out.

62. As authority to formulate coordinated solutions has not been delegated explicitly, they can only be devised through exacerbated centralization, requiring constant involvement by the Director-General in all decisions concerning both policy and practice. Centralization obliges the Director-General to spend much time on the minutiae of decisions and deprives her of her power of direction and arbitration.

<u>Recommendation No. 3</u>: the External Auditor recommends that the many working groups working on the various aspects of the reforms be rationalized, that each be given terms of reference and a clear governance structure, that their work and timetables be coordinated and that the Deputy Director-General be responsible for leading all of these activities and reporting on them, for final decision, to the Director-General, who alone is accountable for the Organization's management to the governing bodies.

4.6 Inadequacy of operational arrangements

63. In view of the scale of the budgetary efforts required to implement the target concerning the 30% operational cost reduction under the regular programme, the External Auditor audited the operational steering mechanisms in place. Staff management, a key expenditure-reduction issue, is addressed specifically below.

64. In implementing the 30% expenditure-reduction decision staff measures were taken under the work plans drawn up by the sectors and the central services. However, no overall target was set specifically to reduce salary costs.[15]

65. As each sector handled the breakdown of savings to be achieved under the (evolving) general constraint of frozen vacant posts, the measures taken are hard to identify and the selected activity/staff balance is far from homogenous. The sectors' room for manoeuvre varied, depending on whether they had more vacant posts than others or had lost posts transferred to other sectors.. Generally speaking, the decision-making process was often hesitant and sometimes inconsistent.

[15] See document 189 EX/15 Part I Add.: "*The gap between the resources approved in document 36 C/5 ($653 million) and the available resources in the amount of $465 million will be covered by […] (iii) ongoing systematic savings in staff costs as well in non-staff costs.*"

4.6.1 Voluntary mutual separation programme

66. The stated goal of the mutually agreed separation scheme,[16] introduced in November 2011 was to achieve savings in staff costs by cutting payroll expenditure, while maintaining vacant posts as a holding measure to allow time for those posts to be redesigned or abolished.

67. The principle adopted at the outset consisted in offsetting the cost of the indemnities allocated to staff against the freezing of the posts concerned during the period covered by those indemnities (15.6 months at the most). It was portrayed as an opportunity to review (through redeployment) the structure of the units concerned within the limit of their apportioned staff budgets.

68. The scheme was implemented in a short span of time, from November 2011 to the end of January 2012. The aim was to offer an opportunity to all staff members to leave (hereinafter called “separation” measures) but precedence was given to the interests of the unit. After applications were reviewed by the managers of sectors and units, only applicants whose separation would not hinder the smooth running of the unit were authorized to leave the Organization under the scheme.

69. A total of 45 people (mostly in the General Service category) availed themselves of the scheme, for which 63 applications were approved and 74 expressions of interest were received. The separatees received indemnities of a maximum equivalent to their salary for half of the time of service remaining until their statutory date of retirement.

70. Of the 45 posts, 36 were funded under the regular budget. The initial total payroll reduction target was not met in full, however, for only nine of the 36 posts were actually abolished or proposed for abolition, while 16 others were merely frozen. The remaining 11 posts have maintained, as eight have been declared essential to the Organization’s missions (mission critical) and the other three are being held against temporary assistance. The Secretariat has disclosed that the abolition of the frozen posts might be proposed in the 37 C/5 budget document, thus yielding genuine savings: this is yet to be confirmed.

71. A prior study was conducted on the scheme by BFM and HRM and included an assessment of the cost of staff indemnities and the savings made from freezing the posts. However, the medium- and long-term impact on staff costs, taking any resulting post abolitions into account, was not assessed. Contrary to the initial objective of cutting longer-term costs, the measure was merely viewed as an immediate and very short-term response in the context of adaptations under document 36 C/5.

72. The lack of certainty as to follow-up action on voluntary separations reflects a lack of focus in the strategic management of the scheme. Decisions to abolish or maintain posts are taken on a case-by-case basis. The Secretariat has informed the External Auditor that the fate of those posts (redesign or abolition) would be decision pursuant to specific guidance by the Executive Board in Spring 2013.

73. The initial objectives have therefore been adapted, either according to strategic thinking at the highest level on mission-critical posts or because the sectors have “expressed needs”. Furthermore, staff in non-critical posts may have been denied a negotiated separation.

74. Conversely, the grounds for some separation measures are questionable for although some posts are mission critical and must therefore be filled again, even though the Organization has agreed to lose the incumbents, how can these staff members’ separation

[16] See Administrative Circular AC/HR/19 of 25 November 2011.

be desirable from a budgetary standpoint when it entails a separation cost? According to the Secretariat, separation has in some cases permitted the appointment of younger and thus cheaper staff members to those posts, but in so doing, the Organization has not only incurred separation costs but has also downgraded the expertise in the duties concerned. The combined qualitative and quantitative benefit of these measures is uncertain and should eventually be re-evaluated.

75. Target 11 of the roadmap included the possible use of new voluntary separation schemes before the end of 2013. Owing to the additional expense expected in the short term, this target was nevertheless dropped in June 2012 (voluntary departures are still possible but are processed on a case-by-case basis). This decision was reported to the Executive Board in the document on the follow-up to the roadmap (190 EX/34). Dropping target 11 confirmed the lack of a clear strategy on the subject and the lack of clarity about the expected costs and benefits of such operations.

76. Instead of this scheme, the Secretariat has intensified communications on negotiated separation. Individual requests are process in accordance with the standard termination schedule contained in UNESCO's Staff Regulations and Staff Rules.

Recommendation No. 4: more so than in any other area in the daily management of the Organization, the External Auditor recommends that a study of the short-, medium- and long-term operational and economic impact be conducted *specifically* for each and every staff-management scheme and individual measure (individual separation and the freezing, abolition or transformation of posts).

4.6.2 Freezing of vacant posts

77. The situation of established posts in the first half of 2012 was that an average of 1,616 posts out of 1,893 established posts were filled, or 85%**[**, and an average of 277 posts were vacant.[17]

78. Initially, 75% of vacant posts were to be frozen, before the objective of 100% of such posts was set. A review of vacant posts was launched in June 2012[18] to identify posts to be abolished or frozen; posts declared business critical and subsequently mission critical, after stricter criteria were adopted, were not to be concerned by this procedure.

79. It should be noted that the review covered vacant posts as well as posts due to become vacant owing to retirement. After it was completed, it was decided that a very small number of posts could be filled in 2012-2013. The question of the exact number (about 60) had not though been decided at the end of 2012 when the audit was held, as financial and programme requirements could not be reconciled on the point. At the end of October 2012,[19] 123 posts were still vacant (106 genuinely vacant and 17 held against temporary assistance) and 209 posts were frozen. In all, 332 posts were not filled (18% of the posts included in document 36 C/5). The time taken to make decisions to open posts to recruitment does work to the benefit of the Organization's financial balance but, in addition to indicating some hesitation in decision-making, it does lead, there being no a clear rationale, to tensions in running the programme.

[17] See document 190 EX/INF.19, table 5.

[18] The review was conducted sector by sector in conjunction with HRM, BFM and BSP. The final decisions on posts declared mission critical were taken by the Directorate.

[19] See SMT management chart – Financial management report October 2012.

4.6.3 Lack of a redeployment plan

80. At the time of the audit, the staff redeployment plan had not been implemented. Consultations were being held on its application procedures. It was designed to be applied in the event of greater budget difficulties as from 2013. Vacant posts that had not been abolished would be placed in reserve and some 20% would be filled through redeployment.[20] This choice is consistent with the approach, which the Organization seems to adopt systematically, that since current problems are (probably) temporary, expenditure reduction measures must also be temporary.

81. It would be harmful for the Organization to restructure its expenditure drastically and in particular its human resources, merely in consideration of its current budgetary capacities. However, as noted in the introduction to this report, it would be equally harmful not to take advantage of the crisis to address questions that have long been avoided: the unpredictable duration of the budget crisis requires only that reversible solutions be found, while ensuring that operational means in future are flexible and adaptable; it does not mean refraining from or deferring decisions at the cost of being unable to cover deficits generated by the situation.

82. It is therefore regrettable that UNESCO has not considered proceeding more resolutely to a thought-out and strategic review of its staff, a rational prelude to staff cost reduction. Action, in many instances, was to be based on staff redeployment (non-renewal of temporary contracts, abolition of vacant posts and voluntary mutual separation). There being no such plan, those courses of action were not completed. A "redeployment group" was established under an Administrative Circular dated 31 January 2013. Chaired by the Deputy Director-General, it comprises all sector Executive Officers, the Directors of BFC and HRM and representatives of the staff associations (but not the Director of (BSP) or the Chief Financial Officer (CFO)). The initiative in no way responds then to the previous observation: it is limited in scope as it is primarily "coordinated review" body established to decide the fate of the posts submitted to it for consideration on a case-by-case basis. Its terms of reference do not stipulate that the "group" is working to a strategic line of thought. Furthermore, the mechanism established (decision-making body and procedure) is contested fiercely in-house, which gives grounds for speculation as its potential effectiveness.

Recommendation No. 5: the External Auditor recommends that there be no further delay in developing and implementing a comprehensive and strategic staff restructuring plan. The potential economic impact and social sensitivity of such a scheme are all additional reasons for the Directorate to put in place controlled, efficient and transparent governance and change-management methodology.

4.7 Shortcomings in monitoring tools

83. Although UNESCO has undoubtedly made efforts to attempt to reduce its expenditure and to restructure in a lasting way, the results are difficult to monitor owing to the lack of appropriate tools, particularly in each of the fields[21] examined during the audit.

4.7.1 For staff management

84. Despite the lack of overall data concerning staff-costs savings, the effects of emergency measures have now been evaluated.

[20] See HRM note of January 2012 (Proposal to establish a standard mechanism to address the redeployment of staff).

[21] See roadmap targets annexed hereto.

85. The cost of the voluntary mutual separation programme was estimated overall at $6.1 million (see report certifying the 2011 accounts), $4.058 million of which were disbursed from regular programme accounts from the previous biennium.

86. The overall savings generated to date from the 45 posts concerned has been evaluated at $5.1 million for 2012-2013 and $4.9 million under document 36 C/5 (owing to the freezing of posts during the period covered by the indemnities). From a financial standpoint, the benefit for the regular budget is in the order of $2.5 million given the indemnities paid.

87. Temporary and consultant contracts were honoured but not renewed. Redeployment of existing capacities was to take precedence over recourse to external assistance. Staff holding temporary contracts under the regular budget fell sharply between October 2011 (89 contracts) and October 2012 (15 contracts). In the first half of 2012, the number of temporary and consultant contracts thus fell by 52% and 79% respectively in relation to the same period in the previous year.[22] A few temporary contracts have, however, been signed since January 2012 “owing to the critical nature of the missions” to be accomplished.

88. The estimated cost of temporary assistance, including consultants, under the regular budget for the biennium 2012-2013 is $15.8 million, as against $38.7 million for the preceding biennium.[23] The measure thus leads to net savings of $22.9 million.

89. The savings generated by the freezing of vacant posts in relation to the initial amount under document 36 C/5 ($653 million) have been estimated at roughly $56.7 million by BFM, including $6.78 million from mission-critical posts that were nevertheless not filled in 2012. It is difficult, though, to assess the actual impact pending a decision on the exact number of posts that will eventually be filled. Be that as it may, lasting savings cannot, of course, be evaluated if there is no redeployment plan.

4.7.2 For the TASCO mechanism

90. An interim report by the TASCO working group (memo ADG/MSS12/31 of 14 September 2012), approved by the Director-General, took stock of the exercise to date, in 46 recommendations on three subjects – *information materials*, *travel management* and *procurement procedures*.

91. In regard to *information materials* (translation, production and printing), the 18 recommendations adopted were initially, and at the time of drafting of the recommendations in July 2012, to be applied immediately or, at the latest, by January 2013. At the first implementation meeting, in late October 2013, the application dates were revised to take account of the time that had elapsed between the drafting of the report and its implementation. Many of the recommendations stemmed from a general concern to improve management: moving towards a paper-saving environment, better selection of publications, external dissemination limited and reserved for the governing bodies, and so on. TASCO’s conclusions did not lead a decisive step forward. The Publications Board, which leads the effort on behalf of all the sectors, helped to cut publication numbers and costs (by 45% on average).

92. TASCO’s terms of reference included *meetings and conferences*. This is a cross-cutting field that affects a number of other topics reviewed: optimal occupation of premises, travel costs of participants in meetings, expenditure allocated for the required conference documents and interpretation and translation costs.

[22] See document 190 EX/4 Part II.
[23] See BFM dashboard of 30 September 2012.

93. *Interpretation and translation* are among the most sensitive and costly areas. Possible savings are constrained by the demands of multilingualism and, above all, by the contract signed in July 2011 with the interpreters on the basis of a common United Nations system rate and by the confidential nature of some of the work which precludes recourse to outside assistance.

94. As to *printing*, the working group proposed ending in-house offset printing sooner (end scheduled for late 2013 and brought forward to end 2012) and the sale of the equipment ($0.6 million expected). It seems, though, that the decision – which could have taken practical effect only in March 2013 – predated TASCO and was included the programme of the Division of Conferences, Languages and Documents (CLD) under document 36 C/5.

95. Significant savings may then be envisaged and have moreover been included in the draft budget in the form of a decrease in CLD's budget, representing a gain of $5 million.

96. Travel, which was covered by 13 TASCO recommendations, is a recurring but sensitive issue in an international organization: the search for related operating savings is both necessary and sensitive. Even before the crisis it was a moot point, because it is an essential budget item. The budgets earmarked for travel expenditure had stood on average at some $32 million per biennium since 2008.

97. The Ivory Note of 3 August 2011 (DG/Note/11/25) laid the foundations of a cost-cutting policy, in particular by imposing programming that enables reservations in advance, thus at a lower cost, and by prohibiting last-minute bookings. The report to the Executive Board states that there has been a 36% reduction in the cost of purchasing international airline tickets.

98. At the same time, the number of missions has fallen: a comparison of the January-October period in 2010, 2011 and 2012 shows a sharp drop in UNESCO mission numbers and costs. The average unit cost of travel has thus fallen by some 25%. The 75% cut in the daily subsistence allowance paid to outside participants in meetings has reduced this item by $100,000 since its application in December 2011.

99. The mechanism was completed by DG/Note/12/11 of 9 July 2012, which ruled that travel should thenceforth be in economy class, except for particular cases (missions of less than three days and/or nine hours' flight time). The conditions for statutory travel were also heavily restricted. Finally, travel lasting under four hours in Europe would be by train. The expected result of those measures was $2.5 million. It is an estimate that could not be audited as the measure had only recently been implemented and there was no analytical tool (which is due to be developed in 2013).

100. The TASCO proceedings examined travel management arrangements at length: using an agency or direct online management, decision-making and approval procedures, reimbursement of a lump sum (per diem) or of costs actually incurred, etc. An outside consultancy, EPSA (firm specializing in procurement management and expenditure on outside production) was used for various travel purchasing procedures and it provided information of use to the group. The €5,000 cost of the EPSA contract was covered by the Emergency Fund.

101. After considering various solutions, including individual online purchase, TASCO recommended continued use of an agency but with an improvement in internal operations by introducing a single contact point with the agency. In the meantime, the contract with Amex has been renewed after a bid for tender. The savings made in the renegotiation was achieved in particular by replacing a management fee with a transaction fee: as the volume of transactions has fallen, the cost has been automatically reduced. These savings are

estimated at some $300,000. They are in part cancelled out by a reduction in discounts (-$200,000) also owing to the fall in volume.

102. Procedures (programming, request, approval, reporting) were examined in detail. The solutions proposed are practical, reduce the number of interventions and make use of rapid and paper-saving electronic procedures which should, eventually, facilitate lower expenditure.

103. The last proposal is probably the most structural and promising for the future, albeit unquantifiable: it is to promote a change in culture by replacing travel and missions by alternative communication models (video, video-conferencing, etc.), with the new practices being monitored from December 2012. A video-conferencing tool should be placed on the Intranet. To date, there seem to have been few tangible signs of this new approach to travel-free meetings.

104. All in all, the programme to apply TASCO recommendations on travel has, as a whole, been followed. Even so, there is no immediate measurable effect, especially as the application of many of the proposed measures is, according to the case, staggered over the months ahead. It may nevertheless be noted that the report to the Executive Board contains an estimate of $3 million in "potential cost savings" in comparison with the same period in the previous year. According to the TASCO official, those evaluations rested only on the initial reasoned estimate and could not be regarded as potential objectives to be met.

Recommendation No. 6: the External Auditor recommends that accurate evaluation tools be introduced in order to measure and monitor the achievement of qualitative and quantitative objectives for each field of application and recommendation of the TASCO mechanism.

105. In DG/Note/11/34 of 3 October 2011, the Director-General decided on a new organization of support services "*favouring an integrated approach to the development of policies and procedures*". In the particular field of procurement, TASCO worked to optimize procedures with the aim of cutting costs. The working group's 15 recommendations reconsider the mechanism. The main aspects concern, in addition to raising the thresholds of bids for tender, centralizing procedures (one-stop-shop) and planning major contracts.

106. As was the case for travel, an Ivory Note by the Director-General (DG/Note/12/11 cited above) revised the rules in force, pre-empting (in the same perspective) what TASCO was in the process of examining. TASCO's role thus became one of ensuring the operational, concrete implementation of the decision. In particular, it established a one-stop-shop for the production of procurement policies for major contracts (above $150,000). This directive moreover raised the thresholds for bids for tender by enabling direct contracts when the purchase was under $5,000, the informal call for competition for procurement between $5,000 and $50,000, a formal competitive procedure for between $50,000 and $150,000 and a bid for tenders and consultation of the one-stop-shop above $150,000.

107. This measure improved control over procedures for high-value contracts and reduced administrative tasks and costs on low-value contracts.

108. TASCO did not provide any estimate of the savings to be made. It is true that it was aiming more to overhaul procedures by making them more effective than focusing on the search for direct savings. The purpose of the review of procedures was to cut from $158 to $119, that is, by 25%, the cost of transactions (by cutting time spent) and to cut by 15% the actual administrative costs (staff), that is, $368.250. It is however still impossible at the time of writing to measure the recommendations' contribution to achieving a 15% reduction in

corporate services and administrative unit costs (roadmap target 12). Divergences between units do not make it any easier to gain a clear idea of the immediate and concrete prospects for the work in this field.

4.7.3 Concerning the reorganization of units

109. The observations made during the audit mission concerned the conditions in which services at Headquarters were reorganized, in particular HRM, BFM, BSP, the Sector for the Management of Support Services (MSS) and Sector for External Relations and Public Information (ERI), and three programme sectors (education, natural sciences and culture).

110. As was the case for staff management and the implementation of the TASCO mechanism, it emerged that the financial impact of measures taken is more often than not very difficult, if not impossible to measure. It is in fact confirmed, here too, that *the estimation of the impact of the envisaged measures is not systematically included in the Organization's decision-making process*. Documents relating to the decisions examined by the auditors are supported by little or no documentation, and when they are it is in a very contingent way.

111. When a sector or office presents a reorganization proposal, on the basis of various directives by the Director-General, the opinions of both HRM and BFM are required (unless of course they themselves are being reorganized). BSP's opinion is also often requested, particularly but not exclusively according to the programme implications of the proposed reorganization. Although the opinions are often distinct, they are sometimes the subject of a single memorandum. The total duration of this preparatory examination phase does not seem to exceed three to four months, other than in exceptional cases.

112. It would seem however that a distinction must be made between the pre- and post-November 2011 situations, since it was only from November 2011 that a direct and indirect financial estimate of cost reduction was introduced and required when services were reorganized. In order nevertheless to have an overall idea of the conditions of elaboration of the decision-making process and the implications, particularly in respect of the allocation of human resources and the reduction of staff costs, it is necessary to carry out a number of investigations.

113. While it is probably not desirable to set decision-making procedures concerning reorganizations in a single, rigid framework, it would be appropriate to harmonize practices and enable easy and rapid access to all documents reporting on the analyses made, problems raised, evaluations and opinions provided.

Recommendation No. 7: the External Auditor recommends improving the traceability of decisions made by the Director-General by compiling a dossier for each decision documenting in detail, according to a consistent framework that is applicable by all, the decisions and opinions relating to the reorganization of sectors and services, so as to have to hand historic information that can be used to evaluate measures envisaged and their impact.

114. Furthermore, *these reorganizations are hard to measure in the short term*. With regard to the financial impact of the reorganizations on activity costs in cases where there must be the most reduction according to the C/5 document and the work plans, no evaluation information allows the measurement of the efficiency and effectiveness gains that would have been generated by the reorganizations, which include the reform of procedures and methods.

115. The impact on staff costs is not any more measurable as there is no costing of the impact of the reassignments of individuals, abolition of units and individual classification measures, all data which is not always clearly and definitively available when the reorganization proposal is presented and opinions formulated.

116. In the longer term, and in particular with the 2012-2013 biennium, the financial impact depends on the evolution of numerous factors that will only emerge gradually: impact of measures taken to maintain the suspension of vacant posts (of varying significance according to the services and sectors), the removal from suspension of mission critical posts, classification measures and even more early separations.

117. Practically all the reorganization cases illustrate the incomplete, even unverifiable nature of the proposed “savings”.

118. The Director-General’s report (190 EX/4 of 7 September 2012) informing the Executive Board of progress made in the execution of the programme states in relation to roadmap target 12 that efficiency gains resulting from the merger of the Bureau of the Comptroller and the Bureau of the Budget had enabled savings of $2.3 million.

119. Two years previously, document 185 EX/5, dated 10 September 2010, had explained in detail the method for calculating that sum and reported on its reallocation. The savings from the establishment of the Bureau of Financial Management and the integration of the Bureau of Public Information in the Sector for External Relations and Cooperation (ERC) to create the Sector for External Relations and Public Information (ERI) was at that time estimated at $1.954 million for the present biennium and $2.340 million for the following biennium (2012-2013) ($1.940 million for staff and $400,000 for operations – travel and contractual services).

120. As the Director-General had then proposed to reallocate the savings to the execution of priority programmes “*after an appropriate evaluation of the most urgent needs*”, it is obvious that the alleged “savings” in fact consisted, at least in part, in a transfer of charges.

121. The reorganization of the Sector for Administration, which became the Sector for the Management of Support Services (MSS), was the result of an Ivory Note of 3 October 2011 which announced the decision to merge the Procurement Division and the Headquarters Division to form the Division of Common Services. Resulting savings have not been evaluated.

122. The decision to reorganize the Bureau of Human Resources Management (HRM) was announced by Ivory Note on 25 June 2012. It took the form of a significant reduction in format, changing from six sections to two, but the gains in efficiency and costs which should be substantial do not seem to have been evaluated accurately. In a memorandum of 23 April 2012, the Chief Financial Officer reported in fact a $400,000 deficit, compared to $1.5 million under the most recent work plan, without it being possible to deduce that the lower deficit was the result of the reorganization.

123. The financial assessment of the effects of reorganizing ERI resulted in an internal dispute (BMF memo dated 23 July 2012). The difference of opinion over the savings generated stemmed from the fact that the objective took into account the suspension of posts that were already suspended and the transfer of posts out of ERI which would therefore not generate net savings, while not taking into account the indemnities payable on agreed separations.

124. Similar observations were made with regard to the reorganization of intersectoral platforms and each of the three programme sectors considered in the audit: there were comparable shortcomings in the methods and assessment.

125. Finally, with particular regard to cuts to the regular programme, no overview could be provided to the auditor highlighting the suspended activities and identifying the reasons for the choices made and their implications in terms of costs and allocation of human resources.

126. The half-yearly report submitted to the Executive Board, which describes the budgetary effects of staff transfers between sectors, does not seriously address needs; it is general and does not document each post in detail. It is certainly not a management tool but rather an account of action taken.

Recommendation No. 8: the External Auditor recommends improving the evaluation and decision-making tools used for restructuring. In particular, a table should be provided for each unit concerned, showing the expected cost reductions in terms of staff and operating expenses and this analysis should be extended house-wide in order to eliminate false economies resulting from the simple internal transfer of charges. These documents should be updated systematically when the work plans are updated in order to provide comprehensive information with objectives for analysis, warning and decision-making.

4.8 Impact of the crisis on the field network reform

127. The objectives in document 34 C/4 and the recommendations of the independent external evaluation included not only the restructuring of the field network but also the need to streamline interfaces within Headquarters in order to optimize the monitoring of network operations.

128. The purpose of this audit in relation to the field network reform was not to address the reform in depth but to see how its preparation may have enabled UNESCO to best address the issue of urgent cost reduction that emerged at the end of 2011 and determine what impact the budgetary crisis could have had on conducting this in-depth structural reform. Implementation and funding of the reform in Africa have received particular attention.

129. Africa is a priority of the current C/4 document. The reform of the continent's field network that has been under consideration since 2010 should be completed by the end of 2013, providing a UNESCO field presence at 24 sites (five regional offices, seven national offices, one liaison office and 11 desks) instead of the existing 15. The new field structure includes the creation of two offices, one in Abidjan and the other in Juba. The structural reform therefore does not involve a net reduction in field network sites in Africa.

130. The aim of the reform is first to strengthen the capacities in field offices; this goal has been upheld among the priorities of UNESCO (see speech by the Director-General dated 26 January 2012) in line with the Organization's strategic priority during the past 20 years or more (see *Evaluation of UNESCO Priority Africa*, IOS/EVS report September 2012). Therefore, this reform is not driven, in principle, by cost saving. The desire to deliberately reduce the impact of the crisis on the field reform is indeed reflected in roadmap target 4 "*Implement <u>in full</u> the field reform in Africa by the end of 2013"*.

131. The total additional cost of the restructuring was approved in the budget (document 36 C/5) for an amount of $9 million, which breaks down as an additional recurrent cost of $7.2 million and an additional transformation cost of $1.8 million (additional costs of staff

redeployment, establishment of the Abuja and Juba offices, hardware installation, separation costs, etc.).

132. As a result of UNESCO's financial difficulties, the provisional amount allocated in the 2012-2013 regular programme budget was reduced to $4.9 million. However, to reflect the priority of the reform, the funding shortfall was partly made up by the emergency fund, to the tune of $2.25 million, primarily, but not exclusively for non-recurring expenses ($1.8 million).

133. The use of the emergency fund (which is, in principle, a non-recurring resource), even marginally, to fund recurring expenditure poses a risk to the Organization if other, sustainable, funding sources do not emerge as of 2013 to fully cover the operating costs resulting from the reform. Furthermore, recurring operations are currently still showing a deficit of $1.8 million, which could jeopardize the proper functioning of the field offices and implementation of the new structures.

134. The financial arrangements adopted are therefore not at all consistent with the scope of the reform and the priority conferred on it. In the absence of financial coverage of all planned operating expenditure once the reform is implemented and as a result of the imprudence of using emergency funds, which are unsustainable by nature, to offset a shortfall in operating expenses, there is reason to question the appropriateness of the proposed timetable and the risk taken by the Organization of not being able to implement the reform under satisfactory operating conditions.

135. On the whole, the decisions taken appear ambiguous. If it is considered to be a top priority, this should be reflected more faithfully in the allocation of funds. As matters stand, the reform has suffered the impact of the crisis, and a reduction in the resources allocated to it could affect its success in the relatively short term.

Recommendation No. 9: in view of the fact that the reform is wide-ranging and deeply structural, the External Auditor recommends that the review of the field network reform in general and in particular with regard to Africa include a clearer financial arbitration that is consistent with the high priority assigned to it in UNESCO's strategy and is able to guarantee the project's success within the time limits set.

4.9 The emergency fund and its use

136. In November 2011, an emergency fund was established by the Director-General, in accordance with Articles 6.5 and 6.6 of UNESCO's Financial Regulations. This Special Account was the subject of 189 EX/Decision 15 of 29 February 2012 and of a specific financial regulation. The funds raised aim to bridge the funding gap and to deliver UNESCO's regular programme priorities and reform initiatives (senior management team (SMT) decision of 5 June 2012). In mid-November 2012, the fund had amassed $60.9 million, thanks to contributions from 22 States (two thirds of the amount was provided by two donors, Saudi Arabia and Qatar) and a number of individual donors, as well as just over $100,000 interest on funds invested.

137. In accordance with the provisions of the UNESCO Administrative Manual, resource allocation is based on priorities set by the Director-General: the funds must be allocated to activities or geographical areas within the priorities established in document 36 C/5 Approved, to increase results (SMT decision of 29 February 2012).

138. After an initial period of inaccuracies, the Executive Board at its last session set five criteria to determine whether an expense was eligible for financing through the emergency fund including, in particular, whether it was contained in document 36 C/5, its contribution to the global priorities (Africa and gender equality) and its impact on field office operations. The Director-General has ruled that the emergency fund cannot be used to finance any posts except for justified exceptions receiving her specific approval. Funding for reform measures is not specifically targeted. However, some $2.18 million was allocated to the development of IT management tools, including for human management (roadmap target 18).

139. At the end of October 2012, the amounts used accounted for around 30% of the special contributions received, that is to say $21.6 million, distributed as follows: education (5%) natural sciences (3%), social and human sciences (2%), culture (4%), communication and information (2%), institutes (1%) and other expenses (10%). The fund therefore contributed to almost all of the Organization's operations, including support services and the Office of the Director-General, and for a wide variety of expenses (conference organization, statistics production, rent, etc.).

140. Since the emergency fund has a limited duration, attention is drawn to the fact that, in the context of a budgetary crisis whose end is neither known nor predictable, it could be unwise to use the fund to finance recurring expenses, such as operating costs, as may be the case for field offices (see above). Moreover, facilitated use of the emergency fund could constitute a psychological barrier to the active pursuit of generating savings in the sectors.

141. The amounts collected, which represent less than 10% of the budget (document 36 C/5), and the presumably temporary nature of the fund cannot enable the Organization to face a lasting reduction of budgetary resources. Recurring costs that are currently covered by the emergency fund must be absorbed by document 37 C/5.

<u>Recommendation No. 10</u>: considering the necessarily limited duration of the emergency fund mechanism, the External Auditor recommends that the financing of recurring operating expenses with the fund be strictly barred, save exceptions <u>truly</u> justified by the endangering of strategic priorities that the resources under document 36 C/5 are unable to meet, and which should then be covered normally by the budget in document 37 C/5.

V. CONCLUSION

142. The financial and budgetary crisis that UNESCO has endured since the end of 2011 is less significant in its scope – which is admittedly exceptional – and its material consequences – which are hard to bear – than in what it reveals of the Organization's strengths and weaknesses and the lessons that UNESCO can learn from it.

143. In terms of strengths, it cannot be denied that the Organization has benefited, since the onset of the difficulties, from the commitment of a few executive officials, whose creativity and reactivity were unquestionably stimulated by the energy of the Director-General, who decided that the Organization should emerge strengthened from the crisis and that its capacity to perform its strategic missions should be protected from irreparable damage. The relevance of the measures taken to cushion the effects of the crisis on the end of the biennium, as far as possible and with the means available to her, is just one example.

144. The Organization's preparedness to face such a crisis, and the way in which it was equipped to adopt more structural and longer-lasting measures highlight, nevertheless, the weaknesses that UNESCO must address in the medium term. The matter of preparedness is

particularly relevant: facing a reduction in resources of almost one third is not easy for any organization. The unexpected nature of the crisis does not justify the unpreparedness. On the contrary, an organization should ensure that its structures, its culture of governance and management, its procedures and its information and management tools would allow it *at any time* to respond promptly to the most unlikely events. UNESCO cannot ignore this strategic and common-sense management principle, especially since its political and economic environment has changed considerably over the past decade or more. It is in this area that the Organization has shown its greatest weaknesses.

145. First, before the crisis in 2010, the Organization launched a series of reforms, considered quite rightly by the Director-General to be necessary, but undertaken too slowly and inconsistently owing to a lack of strict governance and collective ownership or loyal commitment from everyone concerned. The round of reforms – precise in its intentions but dispersed in its realization – was therefore of limited efficiency insofar as it was intended to stimulate and then introduce a real and substantive change in the Organization's management culture, monitoring and behaviour, and to ensure the robustness of the changes introduced.

146. The same shortcomings and weaknesses affected the design, preparation and implementation of the structural measures needed to enable the Organization to resolve the problem of a longer than expected budgetary crisis: too many compromises have probably affected the definition of the reform's objectives; too much imprecision in the assessment of economic, social and programmatic risks or impacts could be expected from this; ambiguous and therefore inefficient governance, in which the respective roles of the Director-General (political, strategic and arbitration) and the Deputy Director-General (technical, operational and managerial) are not clearly performed as they should be, and the commitment of *all* the executive officials is not provided by an active authority and by operational coordination of the reform project; and finally, extremely long and uncontrolled deadlines – because they were not properly planned – with the effect of substantially sapping the energy of staff and diluting the impact of the proposed measures.

147. The lessons learned are clear and are based on the analysis of the strengths and weaknesses highlighted above. The Organization should adopt a proper change management methodology, with the corresponding organization and project management tools, properly incorporating matters of governance and efficient management, defining coherent, relevant, verifiable and measurable targets, including implementation schedules; working on not only structures and procedures but also, and especially, on management culture, responsibility and performance; working efficiently and focusing efforts on the most critical management factors (staffing and programme) rather than on a limited number of administrative procedures that are less likely to contribute *significantly* to rebalancing the entire Organization's budget.

VI. ACKNOWLEDGEMENTS

148. The External Auditor thanks the UNESCO Secretariat and all the staff for their availability during the audit.

(*End of the audit findings*)

PROPOSED DECISION

149. The Executive Board,

1. Having examined document 191 EX/28 Part II,

2. Expresses its satisfaction to the External Auditor for the high quality of his report;

3. Invites the Director-General in her report on the follow-up to all of the recommendations made by the External Auditor, to report on progress in the implementation of the recommendations contained in document 191 EX/28 Part II.

ANNEX

Roadmap for the implementation of document 36 C/5

Target 1: Bearing in mind the current number of work plans, the Director-General has given instructions to reduce the overall number of work plans by 20% by end-2012 in an effort to focus and foster accountability.

Target 2: The number of work plans with minimal operational costs (with the exception of those benefitting from extrabudgetary funds) shall be reduced by 30% by end-2012

Target 3: The minimum budget level for a work plan shall be increased to $25,000 to the extent practicable.

Target 4: Implement in full the field reform in Africa by the end of 2013.

Target 5: By end-2013, UNESCO Country Programming Documents (UCPDs) will have been prepared for each country in which UNESCO is active.

Target 6: The overall ratio of field to Headquarters staff shall move from approximately 35/65 at present to 40/60 by end-2013, with special emphasis on increasing professional staff in the field through an enhanced mobility policy.

Target 7: UNESCO will review by end-2013 all its global memoranda of understanding with the funds and programmes of the United Nations and other select United Nations organizations.

Target 8: UNESCO will continue to devote 2% of its programme resources to participation and insertion in common United Nations country programming exercises at the field, regional and global levels.

Target 9: Efforts shall be made to increase the number of public-private partnerships by 10% by end-2012 and to focus in particular on resource-generating partnerships, both at Headquarters and in the field.

Target 10: A better balance shall be achieved in the frozen 75% of vacant posts between posts in programmes and in administration.

Target 11: Additional voluntary separation schemes will be offered as required before the end of 2013.

Target 12: Overall administrative costs should be reduced by 15% with a target of end-2013, through reductions in corporate services and administrative unit costs, retirements particularly in the administrative support area, and redeployment of staff through investment in cost-efficient tools.

Target 13: The number of posts in Executive Office (EO), Administrative Office (AO), secretarial services to be reduced throughout UNESCO by 10% by end 2013, by regrouping.

Target 14: The current balance of one General Service staff per one Professional staff shall move towards a ratio of 0.9 General Service staff per 1.1 Professional staff by end-2013.

Target 15: More efficient use and allocation of available office space, with a view to free up over 300 office spaces in the medium-term.

Target 16: All costs associated with the governance of the Conventions, International Science Programmes, category 1 institutes and other intergovernmental programmes will be reviewed in the coming biennium, with a view to sharply reducing transaction costs, administrative support and travel costs. The savings effected will be ploughed back into the operational budgets for these areas.

Target 17: More effectively and efficiently deliver services for governing bodies and Member States to lower costs, remove duplication, increase coordination, and create synergies to be done by the end of 2013.

Target 18: Implementation over the biennium of a number of IT projects, to reduce transaction costs and enhance effectiveness: integrated system to manage staff costs; a procurement tool; a travel management tool; expanded human resources workflows; a correspondence tool. For some of these projects funding still needs to be secured.

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Part III

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NEW AUDITS BY THE EXTERNAL AUDITOR

PART III

AUDIT REPORT ON THE UNESCO CLUSTER OFFICE FOR INDIA, NEPAL, BHUTAN, BANGLADESH, SRI LANKA AND MALDIVES – NEW DELHI, INDIA

SUMMARY

In accordance with Article 12.4 of the Financial Regulations, the External Auditor submits the audit report on the UNESCO cluster office for India, Nepal, Bhutan, Bangladesh, Sri Lanka and Maldives – New Delhi, India.

Action required of the Executive Board: proposed decision in paragraph 63.

	Office of the External Auditor of the United Nations Educational, Scientific and Cultural Organization	

AUDIT REPORT ON THE UNESCO CLUSTER OFFICE FOR INDIA, NEPAL, BHUTAN, BANGLADESH, SRI LANKA AND MALDIVES – NEW DELHI, INDIA

Cour des comptes reference: UNESCO-2012-17

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LIST OF RECOMMENDATIONS

Recommendation No. 1. The External Auditor recommends that, in future, in addition to the quarterly newsletter, an annual activity report be produced and disseminated, is an initiative that will support both an internal review and the external communication about activities carried out and results achieved.

Recommendation No. 2. Both to enhance the usefulness of the activity report recommended above and to support a genuine appraisal of local managers and of the efficiency of the Office, the External Auditor recommends that the Director be explicitly and rapidly given action guidelines and objectives through the establishment of a performance agreement as required in the Organization's regulations or, at the very least, written directions endorsed by Headquarters at the appropriate level.

Recommendation No. 3. The External Auditor strongly recommends that, when an acting appointment is to be made for longer than a reasonable period (to be decided but perhaps three months), the selection of employees to be appointed in an acting capacity to managerial positions should take less account of the potential candidates' relative seniority than of their wish and actual ability to discharge those functions. In all circumstances, managerial responsibilities should not be combined with operational responsibilities subject to the risk (1) of creating conditions conducive to conflicts of interest owing to the purely formal separation of functions; (2) of overburdening the designated acting managers at the cost of significantly impairing efficiency and the quality of work provided in each of the functions held.

Recommendation No. 4. The External Auditor recommends that handover procedures for an incoming executive officer in the Office be systematized and structured, in particular through the formulation of a handover check-list and the production of an overall dossier for the incoming officer.

Recommendation No. 5. The External Auditor recommends that before the Office is moved into the new building to be provided by the Government of India, the supplementary agreement on the practical, legal and financial arrangements for the support extended to the UNESCO Office in New Delhi must be finalized and signed as provided in Article VI.1 of the Host Country Agreement.

Recommendation No. 6. The External Auditor recommends that a reference "staff" file be compiled and kept in the Office by the Administrative Section, with copies made available to the Sectors as required. Originals of staff contracts (and amendments), including terms of reference or post description, copies of relevant administrative decisions, pertinent financial information and all other documents likely to enable the Director – in the first place – and the Sectors – at their level – to exercise their responsibilities in this area should be kept and updated there. These files must be stored in conditions appropriate to the personal and confidential information that they contain.

Recommendation No. 7 (for the Secretariat): The External Auditor recommends that all field offices be provided with information, advice and even instructions (differentiated according to the type of contract) concerning the storage, keeping and updating of the staff files of their incumbent staff.

Recommendation No. 8. The External Auditor recommends that the Office keep a detailed file on the terms of negotiation and the terms of implementation (in particular price reviews) of the master-contracts negotiated by the United Nations agencies group. He also recommends that, for the purposes of alerting the inter-agency committee within which UNESCO should play a proactive rather than a passive role, and for management of its own contracts, the Office acquire a tool for identifying and monitoring the critical dates of contracts in force.

Recommendation No. 9: It is recommended that, whether separately or jointly and coordinatedly with other international agencies or organizations, an annual or possibly multiannual (for foreseeable hardware requirements) procurement plan be instituted: this tool should be developed in close collaboration with the sector's managers.

Recommendation No. 10. The External Auditor recommends that an exhaustive inventory of all items of equipment usable in the Office's operations, whether or not they are recognized as assets, be established without delay and updated regularly, and that all entries in this physical inventory be audited yearly.

Recommendation No. 11 (for the Secretariat). With a view to greater control over travel costs and for purposes of fairness of indemnification, the External Auditor particularly recommends that, before the end of the current biennium, a study be conducted into the possibility of reinstating the requirement to supply hotel bills as justification for the allocation of the "accommodation" part of daily travel allowances.

Recommendation No. 12. With regard to travel expenses, the External Auditor strongly recommends that:

– the rules relating to mission travel be strictly observed, particularly those relating to (1) the issuance of a prior mission order stating, with no margin for misunderstanding, the exact reasons for the travel, (2) the choice of the most economical route, (3) the submission of travel statements and the provision of an explicit, detailed and documented mission report concerning the work accomplished during missions;

– the Office Director, with the support of the Administrative Officer, assess with the greatest of rigour the efficiency and economy of authorized missions (in the context of the quarterly mission plan) so as to guarantee that missions make a meaningful contribution to project/programme implementation and to that end, draw up rules for documenting requests for mission orders (comparison of flight plans and reasons for planned durations);

– an internal directive be issued to remove any ambiguity as to expenditure personally incurred by the Organization's employees on official business, the reimbursement of which they may, given prior authorization of the kind of expense and conditions of its justification, may seek from the Organization.

Recommendation No. 13. Whether in electronic or physical form, it is essential to improve the keeping of project/activity files, not only by filing them according to a standard plan adopted by the Organization, but also and above all by using these files not as mere administrative archives but as tools for permanently managing and monitoring project execution.

Recommendation No. 14. The External Auditor recommends concluding a framework agreement (based on fixed fees as far as possible) with the relevant accounting firm, to support the programme specialists in the monitoring of financial statements concerning activity financing contracts (AFCs). Since purchasing orders are substantively linked to the AFCs, they should be initiated by the programme specialists in charge of monitoring correct AFC implementation and accepting AFC deliveries.

Recommendation No. 15 (for the Secretariat). The External Auditor recommends regulating the "sanctuarization" of voluntary contributions to the regular budget in order to protect the spirit of these contributions and that of the texts currently governing them.

I. OBJECTIVE AND SCOPE OF THE AUDIT

1. A team of two auditors visited the New Delhi Office from 3 to 18 January 2013. The audit was chiefly concerned with the management and activities of the Office.

2. The audit was conducted in accordance with the international auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI) and with the prevailing regulations, especially Article 12 of the UNESCO Financial Regulations and the Annex on the Additional Terms of Reference Governing the Audit.

3. Each finding or recommendation has been discussed with the Office managers. An exit meeting was held on 18 January 2013 with the Director, the Administrative Officer and the Programme Specialists who were in the Office on that day. The management had sight of the draft report and the opportunity to make its comments. Its comments and its responses to the audit finds, like those of the Headquarters services that received the draft report, have been taken into account, as appropriate, in the External Auditor's final opinion.

II. CONTEXT

4. The New Delhi Cluster Office in India, is the oldest of UNESCO's decentralized offices. It was first established in 1948. Originally specializing in science and technology programmes, it is now competent to conduct activities in all of the Organization's programme sectors. Its responsibility extends to six countries in the South Asia region, namely India, Bangladesh, Sri Lanka, Bhutan, Nepal and Maldives. Projects and activities in Bangladesh and Nepal are implemented in consultation with the UNESCO offices in Dacca (Bangladesh) and Kathmandu (Nepal).

5. For the 2012-2013 biennium, the Office has a regular programme budget (36 C/5) of $1,042,000[1] (including $380,000 for the running of the Office), exclusive of staff costs covered by Headquarters and inclusive of a contribution of some $174,000 from the Government of India to finance the rental of the Office's permanent premises. Additionally, at the end of 2012, extrabudgetary funds of some $500,000 (of a total extrabudgetary funding of some $1,400,000) were available for 24 projects.

6. The audit of the Office was conducted in the particular context of a sharp fall in funds for Regular Programme activities in 2012 and a management situation marked, in 2011, by the vacancy of the post of Director that lasted for more than six months, and the year-long vacancy of the post of Education Programme Specialist.

III. AUDIT FINDINGS

3.1 Scope of the Office's action

7. The established nature of the New Delhi Office and the important role THAT it plays in the region doubtless explain the clarity of its scope of action. Country strategy documents are available or are properly monitored for updating. Relations with other United Nations agencies are also properly conducted in the formal sense, and the Office has since 2012 had a dedicated budget for preparing the drafting of UNESCO country programming documents and United Nations Development Assistance Framework documents ($12,000 in document 36 C/5).

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1 US dollars.

3.2 Overall Office Office

3.2.1 Activity Report – Office objectives

8. The Office does not produce an activity report as such, having decided, as have many other Offices in the Organization, to disseminate key information about its activity through a quarterly electronic newsletter.

9. As the External Auditor had occasion to note at other field Offices, in addition to a quarterly selection of topical current information, an annual report along the lines of a balance-sheet definitely helps, by highlighting action taken and achievements in the region and the resources brought to bear by the Member-States and partners to promote the Organization’s strategy, image and role. At the minimum, the production of a very low-cost electronic version is an acceptable compromise between the need for visibility, promotion and crucial budgetary control. Furthermore, the drafting of an annual activity report also enables the Office, its Director and the Programme Specialists to conduct a review exercise that is just as useful internally.

Recommendation No. 1. The External Auditor recommends that, in future, in addition to the quarterly newsletter, an annual activity report be produced and disseminated, is an initiative that will support both an internal review and the external communication about activities carried out and results achieved.

10. The drafting of an activity report draws its justification and its coherence in part from its links to the Office’s assigned objectives: performance appraisal is indeed a significant element in the annual summary of activity, the more so in that – although this logic has become a little weaker – the principle of results-based management is theoretically applied in this Office.

11. In accordance with the Administrative Manual the Director is supposed to receive, for each biennium, terms of reference based on a performance agreement “defining biennial key expected results in all aspects of their functions with corresponding performance indicators”. However, according to information available to the Auditor, the Director of the New Delhi Office has not signed any performance agreement for the 2012-2013 biennium. Owing to the lack of explicit instructions and set objectives for the Director it is impossible to give much credit to the appraisal system in place for both persons and organizational bodies. Delivery of a letter of appointment and a largely time-neutral generic post description cannot really replace a personal agreement on objectives.

Recommendation No. 2. Both to enhance the usefulness of the activity report recommended above and to support a genuine appraisal of local managers and of the efficiency of the Office, the External Auditor recommends that the Director be explicitly and rapidly given action guidelines and objectives through the establishment of a performance agreement as required in the Organization’s regulations or, at the very least, written directions endorsed by Headquarters at the appropriate level.

3.2.2 Management of the Office

12. From June 2011 to January 2012 the Office was managed by a Programme Specialist pending the arrival of the Director-designate, who had been detained in his previous post (Kabul). The reasons for the delay in the Director’s arrival may well have been legitimate, if the Organization’s purpose was to maintain the momentum of a project under way in Afghanistan, which appears to have depended largely on that Director’s personality.

13. Nevertheless, this situation caused a relative paralysis of the Office. The person designated as officer-in-charge had indeed received from the Director of the Bureau of Field Coordination (BFC/DIR/11/072 of 14 June 2012) authority to sign contracts and approve expenditure (*approving officer*). Such purely formal authority could not, however, suffice, over so long a period, for solid managerial authority – the more so in that the representative function, including institutional representation, had then reverted to BFC. The person designated, a Programme Specialist expert in the field but neither trained nor particularly interested in the general management of an institutional body, claimed to have been put in an awkward situation with colleagues and had neither the knowledge nor the ability to manage the Office actively and strategically. For example, most importantly, it was noted that no formal meeting of the management team was held between June 2011 and January 2012. The Organization's financial and budgetary crisis in late 2011 exacerbated failure to do so.

Recommendation No. 3. The External Auditor strongly recommends that, when an acting appointment is to be made for longer than a reasonable period (to be decided but perhaps three months), the selection of employees to be appointed in an acting capacity to managerial positions should take less account of the potential candidates' relative seniority than of their wish and actual ability to discharge those functions. In all circumstances, managerial responsibilities should not be combined with operational responsibilities subject to the risk (1) of creating conditions conducive to conflicts of interest owing to the purely formal separation of functions; (2) of overburdening the designated acting managers at the cost of significantly impairing efficiency and the quality of work provided in each of the functions held.

14. The External Auditor now notes with satisfaction that the new Director, in office since January 2012, is managing the Office pro-actively. Before the Director took office, monthly all-staff meetings were held, and the minutes suggest that they were mainly briefing meetings. Be that as it may, the monthly meeting of the management team (Director, Administrative Officer and Programme Specialists), for which the Director has drawn up a clear remit, is a significant step forward. It boosts team-building, the decompartmentalization of programme sectors and the sharing common concerns in the Office.

15. It is sound managerial practice that a management handover be structured and organized, in particular by providing the incoming manager with a formal handover report. The only such documents identified at New Delhi are the report drawn up by the outgoing Director for the current one and the report produced by the leader of the Sciences Sector. In view of subsequent findings concerning the mediocre standard of maintenance of project or activity files, such a document is required in particular to ensure total operational continuity.

Recommendation No. 4. The External Auditor recommends that handover procedures for an incoming executive officer in the Office be systematized and structured, in particular through the formulation of a handover check-list and the production of an overall dossier for the incoming officer.

3.3 Office resources

3.3.1 Permanent premises

16. Under Article VI.1 of the Host Country Agreement with the Government of India, the latter provides to the Organization the permanent premises required for conduct of its operations. UNESCO holds responsibility for maintenance and security. This provision is honoured in fact because UNESCO rents the permanent premises in its own name and pays the rent. Each year the Indian Government reimburses the Organization for its outgoings, usually towards the month of

March. This very individual *modus operandi* is not strictly consistent with the Host Country Agreement: UNESCO thereby bears the legal and financial risks of implementing a private legal contract; the circumstances in which the Indian State would cover those risks are specified neither in the Host Country Agreement nor in any other agreement. That very agreement provides, however, that the practical details of the Indian State's implementation of the agreement should be defined in a specific supplementary agreement to be annexed to the principal agreement. That annex has never been signed or even reviewed.

17. The Office's position in this regard should change in theory by the end of 2013. The Government of India is erecting a brand-new building to house the UNESCO Office in New Delhi. While that plan is a sign of goodwill on the part of the Indian partner, it remains doubtless regrettable that the building is intended wholly for UNESCO and that no thought was given to bringing the United Nations agencies in New Delhi together, which would have optimized operational and security costs while preserving each agency's identity and functional requirements.

18. Be that as it may, as Article VI of the Host Country Agreement is extremely broad, the practical, legal and financial conditions on which the building will be provided to UNESCO must be enshrined in a specific and detailed supplementary agreement. That agreement must be signed before the Office is moved into these premises.

Recommendation No. 5. The External Auditor recommends that before the Office is moved into the new building to be provided by the Government of India, the supplementary agreement on the practical, legal and financial arrangements for the support extended to the UNESCO Office in New Delhi must be finalized and signed as provided in Article VI.1 of the Host Country Agreement.

3.3.2 Budget and staffing

19. Except for the Indian Government's contribution for renting premises (which is neutralized in subsequent commentaries owing to the mismatches it brings into comparisons), the New Delhi Office's regular programme funding plummeted by more than 57% from one biennium to the next (35 C/Resolution 5 to 36 C/Resolution 5). The brunt of this resource cut fell on the local activities undertaken by the five programme sectors (-70%), while some sectors' budgets were nearly reduced to zero (-96% for the Sciences Sector and -80% for the Social and Human Sciences Sector). This naturally affected the Office's operations and staff morale.

20. The Office's extrabudgetary programme continued to be implemented, with 24 active projects in 2012 (against some 30 in the previous biennium), amounting to some $1,400,000 and available funding of some $530,000 for 2012 (compared with $630,000 in 2011).

Table 1. Budgetary data – New Delhi Office (in US dollars)

Regular Programme	2010-2011		2012-2013		
	Budget (a)	Biennium expenditure (incl. ULOs)	Budget (b)	*Variation (b)/(a)*	Expenditure at 15/01/2013 (incl. ULOs)
Programme and cross-cutting activities	**1,550,256**	**1,244,011**	**481,231**		**201,152**
Education	633,915	425,726	273,118	*- 57%*	59,176
Science	255,784	220,165	9,239	*- 96,%*	8,345
Social and Human Sciences	100,930	91,363	19,573	*- 80,%*	17,177
Culture	206,080	186,583	56,057	*- 73%*	32,462
Communication/Information	335,547	306,265	111,244	*- 67%*	76,674

sub/total sector activities	***1,532,256***	***1,230,102***	***469,231***	***- 70%***	***193,834***
Inter-agency coordination	18,000	13,909	0		0
UNDAF roll-out	0	0	6,000		6,000
UCPD alignment	0	0	6,000		1,318
sub/total cross-cutting activities	***18 000***	***13,909***	***12,000***	***- 33%***	***7,318***
Support and administration	**470,491**	**795,839**	**386,500**	**- 18%**	**207,147**
Operations	346,836	324,661	333,860		161,608
Administrative support for the UIS unit	10,000	6,663	5,000		4,999
Security	100,655	95,563	47,640		40,540
Delegated training budget	13,000	6,070	0		0
Previous biennia carry-over	0	362,882	0		0
Total Regular Programme	**2,020,747**	**2,039,850**	**867,731**	**- 57%**	**408,299**
Indian Government rent contribution	*220,541*	*240,771*	*173,911*		*163,670*

Source: UNESCO-FABS

21. No particular comment is required on the Office staff complement (Table 2) of 30, including six staff members in the D or P category on fixed-term contracts, one P-3 employee on a limited-duration contract, eight local employees on limited-duration contracts, three local administrative officers (one NOA, two NOBs), a United Nations volunteer and 12 employees on various contractual terms (special service agreements (SSA), local service contracts (SC) and consultants). At the end of 2011 there were 32 staff members, excluding the Director (vacancy). The salaries of local staff vary from some 20,000 Indian rupees to 80,000 Indian rupees per month (or €300 and €1,100). The Office is almost permanently strengthened by a significant number of interns. Some comments must be made on the filing of staff contracts.

Table 2. Staffing trend – New Delhi Office

Unit	Job Title	**31.12.2011** *Grade (FT)/Monthly salary for SSA-SC (Type of contract)*	**31.12.2012** *Grade (FT)/NDL classification grid for SSA-SC (Type of contract)*
Office of the Director	Secretary	L5 (FT)	L5 (FT)
	Director	-	D-1 (FT)
Administration	Administrative Assistant	L4 (FT)	L4 (FT)
	Receptionist/Front desk	21,442 INR (SC)	L3/R2 (SC)
	Driver	20,084 INR (SC)	L2/R3 (SC)
	Driver	L2 (FT)	L2 (FT)
	Admin. and Accounts Assistant	25,731 INR (SSA)	L4/R1 (SSA)
	Administrative Assistant	21,442 INR (SSA)	L4/R1 (SSA)
	Admin. and Finance Assistant	L6 (FT)	L6 (FT)
	Chief Admin. and Finance	P-2 (FT)	P-2 (FT)
Documentation and Public Information	Documentation Assistant	L3 (FT)	L3 (FT)

	Documentalist/Public Info.	L6 (FT)	L6 (FT)
CLT	Programme Assistant	22,000 INR (SC)	L4/R1 (SC)
	Project Manager	65,000 INR (SC)	-
	Programme Assistant	23,000 INR (SC)	-
	Programme Manager	-	L4/R2 (SSA)
	Programme Specialist	P-3 (FT)	P-3 (FT)
Education	Programme Specialist	P-4 (FT)	P-4 (FT)
	NPO	NOB (FT)	NOB (FT)
	Programme Assistant	L4 (FT)	L4
	NPO	NOC (NPO)	-
	Intern	-	n.a. (UNV)
Statistics (UIS)	Adviser (statistics)	P-3 (ALD)	P3
CI	Programme Associate	42,472 INR	L6/R2 (SC)
	Adviser (CI)	P-4 (FT)	P-4 (FT)
	NPO	NOA (FT)	NOA (FT)
SHS	Programme Consultant	50,000 INR (ICC)	50 000 INR (ICC)
	Programme Assistant	23,000 INR (SSA)	L4/R1 (SSA)
	Programme Specialist	P-3 (FT)	P-3 (FT)
SC (Basic Sciences)	Programme Specialist	P-3 (FT)	P-3 (FT)
SC (Natural Sciences)	Programme Assistant	L4 (FT)	L4 (FT)
SC (Ecology/Earth Sciences)	Programme Assistant	18,000 INR (SSA)	-
	NPO	NOB (FT)	NOB (FT)
	Consultant	80,000 INR (SSA)	80,000 INR (ICC)

Source: New Delhi Office and External Auditor

FT: *fixed-term*; SSA: *special service agreement*; SC: *service contract*; ICC: *International consultant contract*; NPO: *National professional officer*; ALD: *appointment of limited duration*; UNV : *United Nations Volunteer*; INR : *Indian national rupee*.

3.3.3 Filing of Staff Contracts

22. Procedures for recruitment and contract renewals vary depending on whether they involve Service Contracts (SC), Special Service Agreements (SSA) for temporary staff, Appointments of Limited Duration (ALD) or National Professional Officer (NPO) contracts. Owing to procedural differences, processing and management, too, must vary: Measure of uniformity must nonetheless be sought in order to guarantee equal quality in the treatment of dossiers and people.

23. SC and SSA contracts and renewals are managed administratively by the Programme Specialists. While delays were noted in signing of contracts, they were generally due to late opening of budgets, non-availability of project funds or budgetary regulations applied by

Headquarters. Staff concerned regrettably faced increased instability, therefore, and accordingly sought more stable employment in other bodies – which impeded smooth programme implementation.

24. The NPO or ALD recruitment procedure is activated jointly by the Programme Specialist and Headquarters (HRM). Contract renewal is requested after the employee’s performance has been assessed by the programme manager and endorsed by the Office Director. Contracts and renewals are administered by Headquarters, which determines the contractual status (NPO, ALD, etc.). The recruitment or renewal procedure for employees on this kind of contract rests very largely on the quality of local assessment of their potential or their performance: when contracts are to be renewed, performance must be assessed each year, under the Director’s supervision, and the utmost rigour must be exercised to avoid the long-term establishment of “time-serving” by employees whose performance is not wholly satisfactory but whom no-one really dares to call into question for several years.

25. For practically all staff members, the Administrative Officer holds only copies of the signed contracts, as the originals are kept by the programme sectors. It is consequently not unusual for the sectors to hold more staff information than the Administrative Officer. During the audit of the Office, the Administrative Officer was obliged to request documents from the sector managers in order to shed light on some staff management points.

26. It was noted that the files held by the Administrative Officer were not properly sorted and organized, that they often contained incomplete or outdated information and that the staff member’s name was not always even shown on the file. In particular, several post descriptions (at least those available in the files perused in the field) had not been updated even when the staff members had been promoted several years earlier or when their duties or posts had changed. As post descriptions are a substantial part of employment contracts (definition of staff duties, basis for performance assessment), they must not be taken lightly. Lastly, it will be noted that although staff files are kept under lock and key by the Administrative Officer, they are not so routinely kept by the Sectors.

27. The maintaining and keeping of complete and up-to-date staff files is not a requirement of form, but an absolute necessity for the sound management of the Office’s human resources. It is therefore important that reference files be kept somewhere: the Administrative Section is the most appropriate location for this, in particular to ensure that files are both complete and accurate. In view of the inadequacies observed in the storage of contractual documents, an authoritative legal reference should be available in the Office (signed original contract, amendments, terms of reference, post descriptions and so on); all manner of legal, financial and administrative information pertaining to the staff member must be kept in a single file so that the Director may exercise his managerial authority in full knowledge of the facts. This does not at all prevent sector’s managers from keeping copies of useful documents to enable them to exercise their due share of human resource management. It does not appear that the field offices have received specific instructions, or at least useful advice in this area, from Headquarters.

Recommendation No. 6. The External Auditor recommends that a reference “staff” file be compiled and kept in the Office by the Administrative Section, with copies made available to the Sectors as required. Originals of staff contracts (and amendments), including terms of reference or post description, copies of relevant administrative decisions, pertinent financial information and all other documents likely to enable the Director – in the first place – and the Sectors – at their level – to exercise their responsibilities in this area should be kept and updated there. These files must be stored in conditions appropriate to the personal and confidential information that they contain.

Recommendation No. 7 (for the Secretariat): The External Auditor recommends that all field offices be provided with information, advice and even instructions (differentiated according to the type of contract) concerning the storage, keeping and updating of the staff files of their incumbent staff.

3.4 Specific management findings

3.4.1 Management of service contracts

28. The Office entrusts the general upkeep of the premises, security and IT maintenance and servicing to service companies. Depending on circumstances, the contracts may be drawn up separately or in coordination.

29. For security and upkeep, the Office participates in a shared selection process with other United Nations system agencies (UNICEF, UNDP, UNIFEM and WFP). Long-term agreements were thus signed in 2008 and 2009 (Nos. 2008/335 and 2009/356). Rates and conditions are regularly reviewed by the inter-agency committee and the New Delhi Office prepares, amends and extends its contracts in line with the common framework negotiated by the committee.

30. Long-term contract No. 2009/356 expired on 31 December 2012 and was extended for three months only. While doubtless necessary to ensure service continuity, such a short extension may lead to less favourable rates, but this decision was reportedly taken pending the conclusions of the current inter-agency invitation to tender. Although the pooling of purchasing power in order to negotiate service provision on the best terms is a particularly advisable initiative, it is none the less regrettable that the members of this “procurement partnership” do not have more information on the characteristics of the contracts to which they subscribe: at the time of the audit, the office had neither a copy of the contracts in question nor accurate information about the procedure adopted for the review of rates. Being party to a joint contract, following a collective study of the most appropriate choices, does not exempt the organization from its responsibility for optimizing its management and its costs: at the very least, each member of that “partnership” must be able to substantiate the validity of the choices made by the community of purchasers to its External Auditor.

31. With regard to its other service contracts as a whole, the Office has adopted the principle of not planning routine price adjustments. Theoretically that should allow each price-rise proposed by the supplier to be discussed in depth. With hindsight the reality is less favourable: all contracts have regularly been renegotiated upwards: moreover, several have been signed after the event, with retroactive effect (e.g. contract No. 4500100565 covering increased charges, signed on 27 December 2010 and backdated to February 2010). Regular “renegotiation” of contract prices does not, from experience, necessarily favour the purchaser who cannot secure a trade-off between contract duration and guaranteed price (including via a controlled revision mechanism negotiated by the parties); retrospective discussion of prices, furthermore, puts the buyer in a weak position. The requirement to backdate minimum wage increases decided by the Indian Government does indeed weigh on the management of these contracts, but that can be anticipated and at the very least covered in the contract.

32. The fact that several contracts were signed well after the contractual start of their term (e.g. contract No. 4500181593, for the provision of service from April to September 2012, signed on 21 August 2012; the IT services contract for 2012 with the Accel Frontline company was signed only on 28 February of that year; on 16 January 2013, neither the maintenance contract nor the security contract for 2013 had been signed) suggests that negotiations are not commenced sufficiently early. Closer and more systematic monitoring of service contracts and their critical dates should be instituted.

Recommendation No. 8. The External Auditor recommends that the Office keep a detailed file on the terms of negotiation and the terms of implementation (in particular price reviews) of the master-contracts negotiated by the United Nations agencies group. He also recommends that, for the purposes of alerting the inter-agency committee within which UNESCO should play a proactive rather than a passive role, and for management of its own contracts, the Office acquire a tool for identifying and monitoring the critical dates of contracts in force.

3.4.2 Procurement management

33. Despite the recommendation by the Internal Oversight Service in September 2009 and contrary to the claim in the self-assessment questionnaire for 2012, the Office still has no procurement plan. In view of the small scale of the Office's own purchases ($27,224 in 2011), a coordinated procurement plan for all United Nations agencies in India would doubtless be a good option.

34. Many equipment purchases were made at short intervals. A more refined management of requirements would probably allow the Office to place larger orders and so obtain more favourable rates (e.g. IT hardware purchasing: orders placed in March, April, June and September 2010 and again in April and September 2011, i.e. six orders totalling 14 items). It was noted with satisfaction, however, that despite the small sums involved in transactions and although invitations to tender were not required, some files contained comparative bids by different suppliers as justification for the choice of contractor.

Recommendation No. 9: It is recommended that, whether separately or jointly and coordinatedly with other international agencies or organizations, an annual or possibly multiannual (for foreseeable hardware requirements) procurement plan be instituted: this tool should be developed in close collaboration with the sector's managers.

3.4.3 Asset management

35. Assets recognized at the New Delhi Office have a cumulative historical value of $286,682 (at 31 December 2012). They consist mainly of three service vehicles and IT equipment.

36. The accounting inventory (of which the updated version as at 31 December 2012 was handed to the auditors) gives only a very incomplete picture of the capital goods used in the Office's operations. The Office does not have a full and up-to-date physical inventory. The Administrative Officer also has a list of assets declared for insurance, but, for example, the serial numbers of many IT devices are not recorded (preventing formal identification) and several entries were found to be inaccurate. That list cannot, therefore, be a management tool – the more so because many valuable and attractive items are not particularly monitored. The list of assets, to which no specific accounting procedure was applied to ensure accuracy, is therefore no substitute for an up-to-date and monitored inventory, which must be established.

37. The auditors noted in the accounting inventory drawn up at the end of 2012 that the Office has 47 computers, with a further seven on order and pending delivery, and 17 laptops. In view of the operational staff complement of the Office (fewer than 30 people), this number seems all the more abnormally high (more than two per person) because several people work exclusively on mobile computers (directly connected to a monitor). It was thus concluded that, recent write-offs notwithstanding, a significant number of these items is unused (or even unusable): an inventory of usable, in-service hardware must be drawn up to clarify this question; this would have the additional advantage of contributing to the establishment of procurement (replacement) plans mentioned in Recommendation 8.

<u>Recommendation No. 10.</u> The External Auditor recommends that an exhaustive inventory of all items of equipment usable in the Office's operations, whether or not they are recognized as assets, be established without delay and updated regularly, and that all entries in this physical inventory be audited yearly.

3.4.4 Management of travel expenses

38. A sample of 24 missions (out of 117 files opened in 2011 and 2012) was analysed during the audit. With two exceptions (apart from annual holiday travel, one employee travelled on a 147-day mission and another on a 98-day mission between 2011 and 2012), there was relatively little travel by the Office staff. Management of travel expenses is generally satisfactory. However, after scrutiny of the sample, the External Auditor wishes to make some general comments and some specific comments on some of the files.

39. While Office staff travel and the terms on which they are compensated comply generally with the letter of the Administrative Manual, the goals of efficiency, effectiveness and economy might seem lost from sight in some files. Manual Article 3.1 (a) clearly stipulates the overall thrust of the staff travel policy: "*travel on mission achieves essential and specific programme/project results in a cost-efficient manner*". Consequently the External Auditor finds it useful to point out, and the more so in that the Organization's strained financial and budgetary situation, that the spirit of the regulations on this matter should be respected as much as the letter.

40. For example, owing to the removal of the requirement to submit hotel bills when claiming daily subsistence allowances (DSA), it is no longer possible to ascertain, at any level of mission report approval, whether travel costs are optimal; yet in several cases examined doubts arose as to whether the travellers on mission really incurred accommodation expenses. Similarly, in several instances examined, the "essential and specific programme/project results" of the duty travel was open to question, for an opinion must be formed at least as much on the purpose of mission travel (direct and essential link to a programme activity) as on its conditions (schedules, duration, transport conditions, etc.). Some specific files illustrate these general comments.

41. In several instances (mission orders Nos. 38000661, 38000504, 311000202 and 311000191) travel dates appear to have been determined quite generously in view of the reason given for mission; comparative analysis of transport options (schedules, durations, possible stopovers, etc.) are frequently missing from the files intended to inform the decision-maker approving the missions.[2] It is therefore also appropriate to stress that the conditions under which missions are effected, in particular their duration, by the fastest and most economical route, should relate directly to the work programme at the place of destination and be documented in detail and explicitly in the authorization and payment files.

42. <u>Mission order 311000122</u>: the file gave grounds for authorizing a five-day mission, from 30 May to 4 June 2011, but the traveller was authorized to commence the mission on 25 May 2011 and consequently received a daily allowance from 25 to 30 May although the work programme, as described in the file, did not provide incontrovertible justification for that period.

43. <u>Mission order 38000504</u>: the file contained justification for a three-day mission to Sri Lanka from 20 to 22 February 2011, but the staff member commenced the mission on 15 February 2011 and consequently received a daily subsistence allowance from 15 to 19 February although it was not warranted by the conference work programme described in the file (as a deputy, had brought departure forward ahead of the start of the conference in order to make conference preparations). Furthermore, the file showed that the conference was held in a hotel, which gave rise to a special rate, and that while the employee therefore rightly received enhanced DSA for the three-day

[2] In every instance these documents could not be submitted to the External Auditor during the inspection visit.

conference, the employee also received it for the previous days and had decided to stay at this more expensive hotel only on practical grounds. While there was no formal reason to prevent the Office Director, on his own responsibility, from agreeing more comfortable travel conditions "in the interest of the organization", the appropriateness of that decision is rather to be judged in terms of efficiency and economy.

44. Mission order 38000661: this file contained many mistakes and substantive fundamental comments must be made. The employee (Earth Sciences Sector) persuaded the Office Director to authorize (on 9 June 2011, three days before he left office) a mission to attend an international conference on sustainable tourism from 21 to 24 September 2011 in Mauritius: in fact the actual work of the conference was, according to the programme, scheduled for Thursday, 22 September and Friday, 23 September with participant registration scheduled for 21 September and a tourism programme for 24 September. To justify paying a reduced registration fee ($200 instead of $400), the traveller undertook, in a document appended to the file, to attend only the opening meeting in order to submit a paper. Although this cannot be verified, it was suggested after the audit that the cost reduction was justified by the fact that the traveller requested exemption from the meals and other events included in the conference rate. On grounds of wishing to take advantage of the travel to meet colleagues, the employee sought and obtained a mission from Monday, 19 September, to Monday, 26 September. Although there were direct flights between New Delhi and Port Louis, the employee was authorized to make a "stopover" of a few hours in Chennai: for staying from 00:45 (12:45 am) to 05:30 (5:30 am) in a transit hotel at the cost of 660 Indian rupees (bill enclosed – some $12), the employee received a "part accommodation" daily allowance of $192. In Mauritius the traveller, who produced a hotel bill though none was required, stayed in a hotel more than 25 km away from the conference centre although a hotel had been reserved for conference participants and other hotels were also available in the city centre: the cost was $41 per night and the employee received a "part accommodation" daily allowance of $183. The lunches on 22 and 23 September, although covered by the registration fee, were still indemnified to the employee's benefit. All told, the mission report submitted by the employee was quite elusive and gave little information about meetings with other experts attending the conference, the real need for spending so much time there, or the "essential and specific results" that this mission travel gave to a programme or project. The "acting" Director, exercising authority in the circumstances described above (Section 3.2.2) signed off on this mission travel. The traveller provided very lengthy explanations on this file during the exits meeting. Over and above the fact that it is regrettable for the External Auditor to have to make written comments before these justifications were provided, rather than the traveller voluntarily providing them in the mission report, most of those explanations, some of which contradict other statements or factual matter contained in the file, cannot be verified. None casts light decisively on the main criticism, namely, unwillingness to ensure that the cost/programme contribution ratio was indeed in UNESCO's favour (rather than in the traveller's interest).

45. Mission order 38000610: an employee went on mission from 19 to 29 June 2011 to attend two seminars/conferences in Jakarta (21-23 June) and Bangkok (27-28 June). Consequently to avoid returning to New Delhi between the two, it was necessary to stay on mission throughout the weekend. The employee requested that one of the weekend days be converted into annual leave. By deciding – doubtless for personal convenience – to spend the intervening weekend in Bangkok, the employee imposed on the Organization a daily cost (for two days) of $250.99 rather than merely $164.01 if the employee remained in Jakarta until the next conference started.

46. Mission order 38000295: travel expenses for a mission made in July 2010 were submitted for reimbursement on 24 August 2011, more than one year after the mission had ended. The employee subsequently undertook three missions between 2011 and 2012. It is not necessary to call the employee's good faith into question, but failure to comply with the rules on the reimbursement of travel expenses should have entailed the suspension of any further advances on subsequent travel.

47. Such files do not only raise the administrative question of justification for expenses incurred and reimbursed and of ascertainment of the most economical conditions, on the one hand, and of employees' statements when submitting mission reports on the other hand; they also, very broadly, raise the question of verifying – in straitened financial circumstances – whether those expenses were desirable. While it is not for the External Auditor to act as judge of such desirability, in the case in point, the External Auditor considers that it is his responsibility to ensure that such desirability has been properly assessed by those who had responsibility for so doing. No trace of any such assessment was found in the documents produced for perusal by the External Auditor.

48. <u>Late reimbursement of unwarranted expenses to Ms B*, consultant</u> (budgetary code 5411200084/USDTRF No. 110405 – 07/04/2011): in April 2011 Ms B* received a sum of $1,938.40 in reimbursement of miscellaneous expenses "incurred during her official working schedules" (transport, telephone communications, the Internet, printing, etc.) between 13 March 2009 and 14 June 2010. The request for reimbursement was submitted by the Culture Sector in October 2010. The file shows that although a very large volume of evidence was indeed produced, neither its sometimes very great age, nor the consultant's statements, nor the evidence given by the Programme Specialist establish incontrovertibly that the expenses were incurred in the interest of and in connection with the project with which the employee had been tasked. Only the statement by the Programme Specialist established a link, but was not at all supported by appropriate documents. No contractual document showed that the consultant was to be compensated, or on what conditions, for such expenses. According to the only information to be found in the payment file examined by the External Auditor, Ms B*'s contract ended on 14 June 2010, but a bill for CHF 91.7, dated 13 July, was included in the reimbursement file, suggesting a degree of vagueness in the applicant's mind as to the conditions on which a request for reimbursement might be made.

49. According to the Office (CLT Sector – *Note for file* of 17 January 2013), such reimbursements were usual at that time, as all costs incurred by staff in discharging their missions (in particular transport in private vehicles or taxis to attend official meetings) could not be systematically met from the Office's resources. To believe employees' statements, the rules governing the use of private vehicles for mission purposes were applied, even though no mission order had ever been formally issued. The External Auditor notes that the practice – now discontinued, according to the Office – was such that employees' statements could not be verified at all, especially when "supporting evidence" was produced en-masse several months after the event, thus constituting substance *de facto* amendment to the contract between the beneficiary employee and the Organization. It should have been applied all the less because that verbal agreement had not been endorsed <u>beforehand</u> by a duly authorized decision-maker.

50. <u>Reimbursement of travel expenses without mission order</u> (INRTF No. 110310 of 25 March 2011 – 1,739 Indian rupees): similarly, a programme manager requested reimbursement of the cost of using his private vehicle for travel connected with an international conference in New Delhi (for transporting participants invited by UNESCO). The employee produced a statement listing all journeys made and estimating the total travel distance at 220 km. He was reimbursed on the basis of $0.175/km (Annex 15.2B to the Administrative Manual).[3] In adding to the employee's statement not being checked at the time since the listed journeys totalled 150km rather than 220km, reimbursement was granted after the fact although the employee had not obtained a mission order in due form beforehand. Any such mission order would have been the less legitimate in that all costs (including local transport costs where substantiated) incurred by the participants transported by the claimant were covered by UNESCO (see *Fund reservation* 3240243900 item 3). As a number of employees agree to bear such costs, while others consider that they should be compensated, this matter must be clarified.

51. The above comments are based on actual findings and information gathered on the spot during the audit visit. At the exit meeting the External Auditor received many explanations and

[3] This was the rule applied on that occasion since such compensation was provided only for "mission travel".

"justifications" from the travellers involved. Most of them, anecdotal or resting on documents of unprovable authenticity, could not be verified. However, this is of little importance since, in the event, the purpose of the comment is above all to draw attention, for the future, to the need for a very strict management of staff travel conditions (economy of missions, oversight over staff absences, significant contribution to the programme, etc.).

Recommendation No. 11 (for the Secretariat). With a view to greater control over travel costs and for purposes of fairness of indemnification, the External Auditor particularly recommends that, before the end of the current biennium, a study be conducted into the possibility of reinstating the requirement to supply hotel bills as justification for the allocation of the "accommodation" part of daily travel allowances.

Recommendation No. 12. With regard to travel expenses, the External Auditor strongly recommends that:

– the rules relating to mission travel be strictly observed, particularly those relating to (1) the issuance of a prior mission order stating, with no margin for misunderstanding, the exact reasons for the travel, (2) the choice of the most economical route, (3) the submission of travel statements and the provision of an explicit, detailed and documented mission report concerning the work accomplished during missions;

– the Office Director, with the support of the Administrative Officer, assess with the greatest of rigour the efficiency and economy of authorized missions (in the context of the quarterly mission plan) so as to guarantee that missions make a meaningful contribution to project/programme implementation and to that end, draw up rules for documenting requests for mission orders (comparison of flight plans and reasons for planned durations);

– an internal directive be issued to remove any ambiguity as to expenditure personally incurred by the Organization's employees on official business, the reimbursement of which they may, given prior authorization of the kind of expense and conditions of its justification, may seek from the Organization.

3.5 Management of activities/projects

3.5.1 Administrative management of activities

52. A sample of about 10 projects was analysed during the audit mission in three sectors (education, culture, and communication and information). Generally speaking, the projects/activities examined do not call for any substantive observations. Specific comments were made orally on-site to the Office Director and sector managers. The files consulted proved to be highly heterogeneous. While the Culture Sector files were very well kept, this was not the case for Communication and Information Sector files and especially Education Sector files.

53. The archived records are stored in a highly disorderly manner that does not allow for easy understanding of the files. Signed contracts are archived in no particular order, at different phases of their elaboration, in several copies and at different stages of approval; in some cases, amendments are not filed with the corresponding contracts; correspondence is generally archived in an equally disordered manner. Little financial information is available (no FABS extracts, few copies of payment documents, etc.). The whole is mixed with general documents on activity (brochures, publications, etc.). It even emerged that the staff in charge of keeping the files had trouble finding the documents requested by the auditors.

54. Many contracts are amended after contractors have difficulty meeting the agreed deadlines. In numerous cases, the amendment is not prepared before the contract expiration date, which forces the Office to draw up a new contract. Since no one in the New Delhi Office has legal expertise, contracts are sometimes drafted awkwardly. Thus, for example, a contract with a final delivery date that needed to be extended but could not be amended for budgetary reasons was "replaced"; the expression "this contract replaces the [initial] contract" was used, although only the latter part of the earlier contract was concerned: doing so introduced doubt and created legal ambiguity on the execution of the first two stages (delivery due date, legal basis for control over deliverables, payment, etc.)

55. Regarding the two sectors whose files were studied in depth, many activities under the regular programme for the 2010-2011 biennium had still not been closed in January 2013. These delays are due not only to UNESCO staff (sector and administrative) agents, but also to contractors who do not provide financial reports in compliance with the contract.

Recommendation No. 13. Whether in electronic or physical form, it is essential to improve the keeping of project/activity files, not only by filing them according to a standard plan adopted by the Organization, but also and above all by using these files not as mere administrative archives but as tools for permanently managing and monitoring project execution.

56. In accordance with the provisions of the Administrative Manual, it is the responsibility of contract managers, i.e. programme specialists, to approve all contractual deliveries, including financial reports and the relevant supporting documents. Noting the difficulties sometimes experienced by these programme managers in intervening on financial questions, the Office, since early 2012, has brought in a firm of accountants (Uboweja and Co.) for a preliminary audit of financial statements produced within the framework of activity financing contracts (AFCs). This quite inexpensive decision (53,000 rupees spent in 2012, or $1,000) is wise and can only be encouraged. The use of the firm facilitates discussions with contractors in the event of shortcomings in the financial reports, and reassures the programme managers.

57. Nevertheless, it is worth clarifying the procedure for using the accounting firm. Indeed, only the Administrative Section is authorized to contract Uboweja; as a result, financial reports are sometimes "pre-accepted" as a mere formality by programme sectors before being referred by the Administrative Officer to the accountants for verification. This is not logical. To the extent that the cost of this service is, in accordance with programme management principles, borne by the budgets for activities or projects, purchasing orders for Uboweja should be initiated by sector managers before any acceptance procedure is engaged for the relevant AFC deliveries. The introduction of a "framework agreement" with Uboweja, implemented by purchasing orders, would simplify the procedure.

Recommendation No. 14. The External Auditor recommends concluding a framework agreement (based on fixed fees as far as possible) with the relevant accounting firm, to support the programme specialists in the monitoring of financial statements concerning activity financing contracts (AFCs). Since purchasing orders are substantively linked to the AFCs, they should be initiated by the programme specialists in charge of monitoring correct AFC implementation and accepting AFC deliveries.

3.5.2 Effects of the financial crisis on programme implementation

58. Use of an activity budget to finance operations In view of the financial difficulties facing the Organization and the resulting budgetary reductions, it has become problematic for certain sectors within the New Delhi Office to maintain their entire staff. For instance, the CI Sector has financed most of its own operating costs (salaries for sector staff, correspondence costs, travel not linked to the budgeted activity, etc.) with the help of the regular programme budget normally reserved for

specified activities, thus using up the 2012 activity allocation before it has even been possible to carry out the slightest action benefiting the programme.

59. Diversion of a voluntary contribution to the detriment of the project financed by it In view of preparing a potential list of historic Buddhist sites for nomination to the World Heritage List, UNESCO developed a project and signed a contract (SC No. 4500115232) with the Gross National Happiness Commission of the Government of Bhutan, whose funding ($25,000) was covered by additional voluntary contribution (additional appropriation) to UNESCO’s regular programme by a Franco-Chinese NGO, the Oriental Cultural Heritage Sites Protection Alliance. Due to the Organization’s cash flow difficulties, and at the request of Headquarters, the final payments of this contract ($13,000) that should have been made before 31 December 2011 as soon as the Bhutanese counterparty had correctly executed its obligations were carried over to 2012. The budget normally opened for the implementation of this project was transferred to a “technical code” aimed at accumulating frozen budgetary authorizations initially intended for payments due in 2011 but carried over until 2012 (a technique that enabled the budget shortfall to be reduced on a nominal basis at the end of the 2011 period).

60. The Office should have seen the budgetary code reopen from the very beginning of 2012, enabling UNESCO to discharge its obligations to the Bhutanese authorities. The Bhutanese project budget has not been replenished with the “seized” funds, which have been used to finance other actions. This has of course placed the New Delhi Office in a very delicate situation, both politically in respect of the Government of Bhutan, and in respect of the donor, whose conditional contribution to the regular budget of the Organization has thus been misappropriated. Although the amount due represents a considerable proportion of the budget allocated to the Culture Sector in the New Delhi Office for the 2012-2013 biennium, the sums had to be-drawn from this budget.

61. This case illustrates the lack of judgement that has, in some cases, marked the management, difficult as it was, of the financial problems experienced in late 2011. The budget allocated to this project should certainly never have been cancelled, not only because Bhutan had been ranked among the priority countries by the Director-General, but also because, although the rule is that unused voluntary contributions shall be retained by the Organization, it no way means that these contributions can be diverted from their intended purpose before the end of the project for which they were provided.

Recommendation No. 15 (for the Secretariat). The External Auditor recommends regulating the “sanctuarization” of voluntary contributions to the regular budget in order to protect the spirit of these contributions and that of the texts currently governing them.

IV. ACKNOWLEDGEMENTS

62. The External Auditor expresses his deep gratitude to the management and staff of the Office in New Delhi for their availability, openness and constant attention, as well as the quality of information provided to the auditors during their mission.

V. PROPOSED DECISION

63. The Executive Board may wish to adopt a decision worded as follows:

The Executive Board,

1. Having examined document 191 EX/28 Part III,

2. Expresses its satisfaction to the External Auditor for the high quality of his report;

3. Invites the Director-General in her report on the follow-up to all of the recommendations made by External Auditor, to report on progress in the implementation of contained in document 191 EX/28 Part III.

Director-General's comments

The Director-General thanks the External Auditor for his report on the Office in New Delhi. She accepts all the recommendations made and will implement them as far as practicable. She will report on the progress of their implementation in accordance with the usual practice.