United Nations Institute for Training and Research

Board of Trustees

Sixty-Fourth Session | UNITAR/BT/64/FC/16/3

Finance Committee
Sixteenth Session

15 November 2023

REPORT OF THE SIXTEENTH SESSION OF THE FINANCE COMMITTEE OF THE BOARD OF TRUSTEES

1. The Finance Committee convened on 13 November 2023.

2. The following members of the Committee and observers were present at the session:

<u>Committee members</u>:

Ms. Akiko Yuge (Chair)
Mr. Nikolaj Gilbert
Ms. Mathu Joyini
Ms. Patti Phillips

<u>Ex Officio</u>:

Mr. Nikhil Seth, Executive Director, UNITAR

<u>Secretary of the Committee</u>:

Mr. Brook Boyer, Secretary of the Board

<u>Observers</u>:

Mr. Luis Gallegos, Chair, Board of Trustees
Ms. Marina I. Dinca Vasilescu, Director, Division for Operations, UNITAR
Mr. Jao Ratsifandrihamanana, Chief, Finance and Budget Unit
Mr. Jonas Haertle, Chief, Office of the Executive Director, UNITAR

3. The Chair called the meeting to order and welcomed Committee members, as well as the Executive Director as *ex officio*, the Secretary of the Board and observers. The Chair then introduced the provisional agenda as circulated by the secretariat covering the items under partnerships (item 10), the proposed country office in Doha, Qatar (item 11) and finance and budget (item 12) of the provisional agenda of the Sixty-Fourth Session of the Board of Trustees. The Chair proposed that the Committee consider elections as there would be a vacancy in 2024 and that more than three or four members on the Committee would be desirable. **The Committee adopted the agenda as proposed**.

4. Under item 10a, "Partnership and Resource Mobilization Strategy," the Chair recalled that the Board took note of the update on the strategy at its Sixty-Third Session, congratulated Management on the projected growth during the 2022-2023 biennium and requested Management to report to the Board on the strategy's implementation at its Sixty-Fourth Session.

5. The Executive Director welcomed members and briefly discussed the positive backdrop to the session, including the growth in finances and beneficiaries and the reports of the Institute's oversight bodies including the Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions (ACABQ). On the Partnership and Resource Mobilization Strategy, the Executive Director noted that strategy was in its second year of implementation and that UNITAR appears to be on the path to the strategy's third growth scenario ('prepare to soar') as far as finances are concerned, with a projected budget at almost $90 million for the 2024-2025 cycle. He noted that the finances are dependent on the work of the Division Directors, and he was grateful for their hard work in mobilizing funding for the projects under their respective areas of work, noting in particular the strength of the Division for Peace and the support it receives largely from Germany. He noted that while a positive development, he cautioned that over dependence on one donor skews the nature of the organization and makes it more donor dependent. He emphasized that growth was taking place only through earmarked contributions and that while UNITAR receives a small amount of non-earmarked contributions to the General Fund, efforts to mobilize flexible programme funding through the Leave No One Behind Fund have fallen short of plans, with only a few donors having contributed to the fund and the largest, Sida, recently announcing its withdrawal as a donor to the fund. Turning to the private sector, he mentioned that 5 to 6 per cent of the Institute's budget results from this sector and that while this was positive, there were concerns and risks when engaging with the private sector. Referencing the UN Global Compact as well as the existing UNITAR private sector guidelines that have been in place for some time, he recognized the need to review the guidelines and return to the Board with a proposed revision at its next session. He also recognized that most of the UN development and other funding is now decided at the country level, in accordance with frameworks or through UN Resident Coordinators, Country Directors or representatives of the European Union or other donors. While UNITAR has tried to decentralize and mobilize funding at the country level, such efforts were challenged by the Institute not having country offices.

6. The Committee congratulated the Executive Director and UNITAR for the growth, particularly in the difficult environment. The Committee made a number of observations and suggestions, such as strengthening engagement with the private sector as a client for training as opposed to a donor. The Executive Director responded that the Institute's engagement with the private sector is multifaceted and cited cooperation with Danone, in which UNITAR trains thousands of company personnel on climate change (client relationship) and also benefits from Danone's support on other issues. He also referenced plans to initiate training on Environment Social Governance for diplomats in cooperation with the CIFAL Global Network. On the type of revenue and engagement at the country level, it was noted that mobilizing non-earmarked, flexible funding was indeed challenging and that it was important to have a country-level focus as part of the strategy, also recognizing the importance of the private sector as a player within countries as both a client for and funder of UNITAR. It was also recognized that while the Global Compact is a relevant certification, it was perhaps not sufficient and would be important to add other elements when considering engagement with the private sector. While recognizing the strength of having a programme such as Peacekeeping generating 40 per cent of the Institute's budget, a question was tabled on whether the other programmes' portfolios comprising the remaining 60 per cent were reaching enough scale. A question was also put forward on the impact that inflation was having on the costing of programming. The Executive Director hoped

to have discussion at the Board's session on digital cooperation and what type of role UNITAR can play, and mentioned the role that the private sector ultimately plays in this domain, as well as the role that pharma plays in the health sector. On the question of inflation, the Director for Operations did not think that it has affected programming or the impact of UNITAR's work. On cooperation at the country, level, the Executive Director indicated that Management would follow-up with a briefing on UNITAR's cooperation in Cyprus, Mauritius and the Seychelles. The Chair also congratulated the Executive Director and his team of Directors on the achievements in growth, beneficiaries and the reports from the oversight bodies. **The Committee recommended that the Board take note of the observations made and Management's report on the implementation of the strategy, and requested that Management report to the Board at its Sixty-Fifth Session and submit a review and proposed revision to the guidelines on engagement with the business and private sectors.**

7. Under item 10b, "Update on the European Union pillar assessment of UNITAR", the Chair recalled Management's update to the Board at its Sixty-Third Session and that the final pillar assessment was issued in August 2023, after the European Commission validated the draft report submitted by the pillar assessors. The Executive Director informed the Committee that while the exercise has taken some time, progress has been made. The final report contains 11 non-critical recommendations, some of which have already been implemented by Management (e.g. the e-signature policy approved by the Board at its Sixty-Third Session and enhancements to the grant policy). He noted that in validating the report, the European Commission requires UNITAR to adhere to certain ad hoc measures until an assessment of UNITAR's implementation finds that all recommendations have been implemented. He mentioned that the ad hoc measures address exclusion from access to funding and the requirement that UNITAR ensures adequate appropriate protection of personal data in accordance with its applicable rules. The Executive Director mentioned that certain recommendations having implications with the larger UN rules on procurement would necessarily require liaison with the UN Secretariat. He was hopeful that as a result of this exercise UNITAR would be able to access increased funding for projects and that it would be good to report to the Board on this aspect. In response to a question whether the pillar assessment has helped UNITAR strengthen its processes, the Executive Director indicated that the exercise has indeed helped strengthen certain aspects, referencing data protection and the assurances that also provide the European countries that are part of the European Union. The Chair added her congratulations for the efforts made in this complicated process and the positive developments that the process has brought. **The Committee took note of the observations made and recommended that the Board take note of Management's update on the European Union pillar assessment of UNITAR and to keep the Board apprised as may be needed.**

8. Under item 10c, "Guidelines on Assurance Activities", the Chair recalled that the Board approved the revisions to the policy guidelines for grants to implementing partners (IPs) at its Sixty-Third Session, including the new provisions requiring IPs to undergo expenditure verifications at certain thresholds. The Executive Director stated that the item was related to implementation of a recommendation issued by the Board of Auditors (cf. item 12a of the agenda). He indicated that the policy guidelines approved by the Board last year, in addition to mandated expenditure verifications at certain thresholds, UNITAR reserves the right to undertake other assurance activities, such as spot checks or if requested by the donor of a project, an audit. He mentioned that these activities were important for the Peace Division which was working with IPs in much of its programming, sometimes in difficult contexts, and that constant monitoring and assurance were important. While the Board of Auditors did not find any lack of compliance with the revised policy guidelines, as they were only issued formally in January 2023, the audit team found that the provisions on assurance activities lacked clarity on the different types of activities, factors triggering such activities, recognized standards, etc. He mentioned that the guidelines are an important addition to risk management. The Executive Director mentioned that the guidelines under Annex 10 were circulated internally with Management and that no comments were received. In response to one question, the Director for Strategic Planning and Performance confirmed that output delivery verification would not be a financial verification, but an output delivery exercise, focusing on the delivery of the actual output (and activities) based on the planned outputs, more so than an evaluation on the quality of the output. He indicated that the guidelines were intended to give more meaning to the revisions of the policy guidelines that the Board approved at its Sixty-Third Session that the

Board of Auditors found to lack clarity, and that while they had been circulated to Management, there may be the need to further tweak them prior to their application. **The Committee took note of the observations made and recommended that the Board take note of the guidelines on assurance activities as contained under Annex 10 of the Board's documentation.**

9. Under item 10d, "Pass-through funding modalities", the Chair indicated that Management has shared with the Board an administrative circular on pass-through modalities outside of UN joint programmes, One UN Funds and Multi-Donor Trust Funds. The Executive Director stated that a recent, new situation in programming (maritime security) required UNITAR to develop a modality to pass through funds from the donor (from a European country) to a partner other than an implementing partner. He indicated that the donor's rules did not allow it to disburse the funds directly to the partner (in this case, another European country) and that at least one other European donor country had confronted a similar situation in this programming area. The Executive Director mentioned that in both instances, there were no additional financial or fiduciary responsibilities for UNITAR, based on discussions and exchanges with the donor. Prior to proposing the modality, Management consulted with the Multi Partner Trust Fund Office (UNDP) to determine if practices to manage such arrangements outside the UN already existed, which there were not. The Executive Director felt that it was important to put the circular before the Board of Trustees to obtain approval and that he felt that risk was low, in so far as the donor had agreed with the modality prior to UNITAR concluding the pass-through agreement with the partner.

10. In response to one question on the relation of the pass-through funding to UNITAR's work, the Executive Director confirmed that it is related to programming in maritime security in Côte d'Ivoire and that the training and related work to be undertaken would be done by a consortium of entities in which the partner receiving the pass-through funding was the lead coordinator of the cooperation. In mentioning that the modality was found to be innovative and useful, a question was asked on the pass-through cost recovery fee and whether there were expectations on a lower cost recovery fee in relation to other work. The Executive Director confirmed that the rate was agreed with the donor, emphasizing that the donor requested the arrangement. In response to a question if the cost recovery rate would remain the same if there would be another donor, the Executive Director mentioned that he was not sure if there would be additional instances of such pass-through modalities, but that the circular specified the rate to be applied and that if a lower direct service cost rate would be requested, the Executive Director would need to revert to the Board of Trustees. The Secretary of the Board recalled a case shared with the Board in 2014 on a reduced direct service cost rate applied against a donor contribution which entailed a single procurement action. In response to a question from the Chair on whether there would be a trust fund set up if there would be more donors joining the initiative, the Executive Director affirmed, but that in the interlude the 6 per cent direct service rate would be maintained. **The Committee took note of the observations made and recommended that the Board approve the pass-through fund modalities outside of UN joint programmes, One UN Funds and Multi-Donor Trust Funds as contained in the administrative circular under Annex 11.**

11. Under item 11, "Proposed country office in Doha, Qatar", the Chair referred to the annotation and indicated that Management has been engaged in dialogue with the State of Qatar on the establishment of an office in Doha, Qatar. The Executive Director provided a background to this dialogue, which was initiated at the LDC Conference in Doha during which he met with the current and former Permanent Representatives of the State of Qatar to the United Nations in Geneva, as well as with the Permanent Representative of the State of Qatar in New York. He mentioned that the initial concept was to consider a regional office and has since gone through several revisions. Presently, the proposal calls for the establishment of a national office to be housed in the UN House in Doha, but that given the present situation in the Middle East, the Ministry of Foreign Affairs was seized by other matters. The Executive Director expected that there would be another six to eight months before the idea would come to fruition, and that a detailed risk assessment would be shared with the Board, along with a final proposal.

12. The Committee made several observations including one remark that, despite the change from a region to a national office, tied the proposed office to the objective to increase beneficiaries from countries in special situations and the possibility of the office reaching out through hosting

conferences e.g. for the least developed countries and the small island developing States. The Executive Director mentioned that the State of Qatar agreed to fund the office in the order of $2.5 million to $5 million over three to five years, and that the office would need to learn how to work with the institutions in Qatar (e.g. Qatar Fund and the Qatar Foundation) as well as the Islamic Development Bank, and that getting a foothold would be important to establish contacts in Qatar. He emphasized that he only expected Qatar to fund the office for three to four or so years. The Executive Director confirmed that Management would come back to the Board (through the Finance Committee) in eight to 10 months e.g. through circulation to share the risk assessment and the agreement governing the office after having been reviewed from a legal perspective. **The Committee took note of the observations made and recommended that the Board take note of the proposed establishment of a UNITAR country office in Doha, Qatar and requested that Management report to the Board as soon as practicable.**

13. Under item 12a, "Audited financial statements for the year-ended 2022 and Report of the Board of Auditors", the Chair referred to the item's annotation, the Financial Report and Audited Financial Statements for the year ended 31 December 2022 under Annex 13 of the Board's documents. The Executive Director drew the Committee's attention to the unqualified opinion for the financial statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS). He said that the closure of 2022 accounts was particularly challenging with the migration to the new ERP and the transition in the Finance and Budget Unit. He noted that the statements show an increase in net assets of $8.017 million from a net assets balance of $46.936 million as at 31 December 2021 to $54.953 million as of 31 December 2022. The increase is a combined result of operating surplus of $2.512 million and actuarial gain of $5.505 million. Liabilities decreased from $26.848 million as at 31 December 2021 to $21.966 million as at 31 December 2022 largely due to the decrease in employee benefit liabilities following actual valuation. The liquidity position of UNITAR as at 31 December 2022 remained stable, the Institute had sufficient liquid assets to settle its obligations, with the key liquidity indicators showing an increase of $2.320 million from the level of $42.092 million at 31 December 2021 to $45.228 million as at 31 December 2022. The main revenue for UNITAR comes from voluntary contributions from donors. The amount of contributions from Member States consisting of multi-year contributions have decreased in 2022 as they have been recognized in 2021 as per the IPSAS recognition principle; however, the decrease has slightly been compensated by some increases in voluntary contributions from donors other than Member States, such as UN entities, and revenues from services rendered, such as in the form of Master's degrees (which are growing) and from UNOSAT activities. The Executive Director referenced Annex 14 with the list of voluntary contributions.

14. Turning to the Report of the Board of Auditors, the Executive Director summarized the overall audit opinion and mentioned that the auditors issued a total of 25 recommendations, all of which are under implementation or have been implemented and Management is requesting closure. Of the outstanding recommendations from previous years, he noted that two were under implementation and one recommendation was overtaken by events. He mentioned that there was one recommendation that Management had not accepted, in so far as the Advisory Committee on Administrative and Budgetary Questions also enquired on the reasons for non - acceptance. The recommendation was for UNITAR to set up in the ERP the approved appropriations of the programme budget to control and monitor the allocations, commitments and ceilings by the Board of Trustees. He indicated that UNITAR's project-based, projected programme budget was substantially different from the UN Secretariat's programme budget, which is based on assessed contributions, and that UNITAR needed to first mobilize the project funds before it could be apportioned. He felt that the rigour of monitoring of the UNITAR budget was far superior to the UN Secretariat's budget, based on the agreed budgets with the project donors.

15. The Committee sought some elaboration on the recommendation that was not accepted and whether the Chair of the Board of Trustees would be key interlocutor with the Board of Auditors. The Director of the Division for Operations added that Management had yet to have a case of a recommendation not being accepted. Following a comment from the Chair of the Board of Trustees, the Executive Director suggested that the UN Controller would be the appropriate person to understand the matter and speak to the Board of Auditors, possibly with the participation of the Chair of the Board of Trustees. In reference to discussion at the Committee's Fifteenth Session, a clarification was also requested on the outstanding recommendation on

compliance with mandatory staff training. The Director of Operations clarified that UNITAR staff have to comply with mandatory training and that it is the responsibility of the Division Directors to record training completion, as opposed to having a centralized system. It was also clarified that that the recommendation to ensure proper recording of mandatory training was in the process of being implemented and that this would be integrated into the ERP, and that action was planned to be implemented by the first part of 2024. While it was expected that the new system for recording mandatory training would bring about an increase in compliance, it was highlighted that the matter on compliance was distinct from the recommendation on putting in place a new monitoring and control mechanism. Management clarified that staff were required to take some 10 mandatory training courses.

16. In response to a question on the decrease in multi-year contributions, the Director for Strategic Planning and Performance explained that UNITAR receives hundreds of contributions yearly and that while there are some large, multi-year contributions, the average contribution is relatively modest at less than $300,000, with many project durations between six and 12 months. While it was part of the growth scenarios of the Partnership and Resource Mobilization Strategy to have more large-scale, multi-year projects, the donor-driven nature of UNITAR's work combined with the requirements of some donors have limited the extent to which UNITAR can meet this objective. The Chair of the Board added that the dilemma was experienced more broadly. In response to a query on engagement with donors and understanding their priorities, the Director indicated that UNITAR's resource mobilization efforts for projects is undertaken at the Division and Programme Unit level, and that the Directors and Managers would be better positioned to answer the question. The Executive Director noted that the budgetary policies of donors largely determine the extent to which multi-year project funding can be provided. **The Committee recommended that the Board take note of the observations made and the financial report and audited financial statements for the year-ended 31 December 2022 and the Report of the Board of Auditors**

17. Under item 12b, "Report on the application of the cost recovery approach and update on the General Fund", the Chair recalled that the Board approved the Institute's current cost recovery formula at its Fifty-Third Session (2013) and that the formula distinguishes between programme support costs (PSC), at 7 per cent, and direct service costs (DSC), which would vary between 6 per cent for pass through funds and 11 per cent for projects managed entirely by UNITAR, and that there are some agreements that were signed with donors in prior years below the established rates including for GEF funded projects.

18. The Executive Director indicated that the cost recovery rate was 18.80% in 2022 (2021: 17.39%). The trend over the last years is included in the item's annotation. The General Fund, from which the Institute's general expenses are met, consists of cost recovery through PSC and DSC as described by the Chair, supplemented by non-earmarked contributions and investment revenues. Although the non-earmarked funding for general operations decreased from 2017 onwards, the Institute has been able to sustain the general operational expenses and increase the operational reserve through improved cost recovery rates and prudential financial management. The operational reserve is now at 21.48 months (2021: 13.89 months). The Executive Director stated that the agreed norm of 12 months and the maximum of 24 months of operational reserve has been and is subject to internal examination of the Board of Trustees. The Executive Director indicated that 12 months were understood as prudential and that UNITAR cannot continue to increase the operational reserve indefinitely, and that utilisation of the operational reserves would be a balance of institutional expenditures, such as legal liability, innovation and business development and increasing programmatic activities in the poorest countries. The Executive Director mentioned that UNITAR was doing well in terms of having the institutional reserve over 12 months and that this is inherently linked to the PSC and DSC cost recovery rates. He noted that some would argue that with increased reserves the cost recovery charged would be excessive and that lower rates would increase UNITAR's competitiveness; however, he found the competitiveness argument weak as UNITAR has been growing at the combined 18 per cent rate. He reminded the Board that the rates were approved by the Board of Trustees in 2013, and that perhaps the time has come to revisit the rates, after the completion of the EU pillar assessment and need to ensure traceability on direct costs, as well as the finalization of the ERP migration from Atlas to QUANTUM. The Executive Director summarized the situation by emphasizing that the system is operating well, that UNITAR is growing and that it has mobilized operational reserve, but that there are divergent views within

Management on cost recovery and how the operational reserve should be used (referring in particular to the requested use for programming in countries in special situations). On this last point, he mentioned that he had discussed the matter with the Controller, that he has not programmed any funds and that he was waiting a written follow-up from the Controller.

19. The Committee recognized the increase in the operational reserve and the opportunity that the increase presented. The Executive Director indicated that he felt it important to retain an expert to examine all aspects of cost recovery and to share the results with the Board prior to its next session. The Chair felt that it was a timely moment to revisit the cost recovery approach, and that the operational reserve could be included as part of the review. On the utilisation of one month of operational reserves per biennium approved by the Board at its Sixty-Third Session, the Executive Director said that any utilisation of the reserves for this purpose was pending confirmation from the Controller. **The Committee recommended that the Board take note of Management's report on the application of cost recovery including the related issues on the operational reserve and the update on the General Fund, and requested Management revisit cost recovery including the operational reserve issue and report to the Board at the Sixty-Fifth Session.**

20. Under item 12c, "Report of the Advisory Committee on Administrative and Budgetary Questions", the Chair announced that the hearing was held in October. The Executive Director reviewed the findings and recommendations in the Advisory Committee's report, which comments on the important contribution of UNITAR to knowledge generation and capacity building in the Organization; the variations between expenditures and approved budgets for 2022 and 2023 and the need to continue improving budget assumptions in projects; the number of encumbered posts as at 15 September 2023 out of the 94 approved for 2022-2023; the increase in the number and upgrades of the posts proposed for the functional enablers and the need to ensure that the adjustments are not to the detriment of programme activities; the variations under several budget lines of the General Fund in 2022 and 2023 between the approve levels and the expenditures; cost recovery, the operational reserve and the approved funds from the Sixty-Third Session of the Board of Trustees; After Service Health Insurance; trained beneficiaries and the need to continue efforts to increase numbers from countries in special situations; the Leave No One Behind Fund as a vehicle to support UNITAR institutionally to contribute to UN common country analysis and needs identification; data principles issued by the Executive Director; consultants; and geographic representation and gender balance of staff and particularly of the senior posts.

21. The Committee congratulated the Executive Director for receiving a positive report from the Advisory Committee. The need to make improvements on geographic distribution and gender was noted, even though UNITAR was not subject to the requirement. **The Committee recommended that the Board take note of the Report of the Advisory Committee on Administrative and Budgetary Questions.**

22. Under item 12d, "Proposed programme budget for the biennium 2024-2025", the Chair noted that the proposed budget, attached as Annex 16 of the Board's documents, amounts to \$89.571 million, amounting to an increase of \$6.62 million from the revised 2022-2023 budget. The Executive Director indicated that of the roughly \$90 million, \$74.844 million correspond to programme areas and \$14.727 million to the functional enablers (Division for Operations, Division for Strategic Planning and Performance and Office of the Executive Director, as well as Institutional Operating Expenses and General Operating Expenses. The functional enablers are funded through the General Fund. He indicated the prudential spending of the functional enablers over the years contributed to the increase in the operational reserve. While programming covers a wide spectrum of SDGs (and contribute to 10 of the 17 Goals), 39 per cent of the 84 programmatic result areas are aligned with Goal 16 of the 2030 Agenda (with reference to the Peace Division and the support received from Germany in particular). UNITAR plans to reach 475,608 beneficiaries through its training and related services. About 50 per cent of the beneficiaries are from the planned climate change and green development online courses offered through the One CC:Learn Platform and an additional 32 per cent through the CIFAL centres.

23. In response to a question on the projected PSC and DSC rates deviating somewhat from the 7 per cent and 11 per cent rates referenced in the policy, the Chief of Finance and Budget

explained that while the two rates still add up to and never exceed 18 per cent (the cost recovery taken from the contributions), the deviation in the percentages results from the planned expenditure from the project budgets, and the actual cost of the indirect and direct costs of the functional enablers. The Chief confirmed that the General Fund expenditures never exceed the budgeted cost recovery. **The Committee took note of the observations made and recommended that the Board adopt the proposed programme budget for the 2024-2025 biennium.**

24. Under item 12e, “Strategic Business Continuity Funds – Terms of Reference/Governing Principles,” the Chair recalled discussions last year on this item and that the Board agreed to establish the requested Innovation and Business Development Fund and the Legal Liability Fund, as well as approved the proposed use of the operational reserve of the General Fund to support programming in accordance with Article VIII (paragraph 8a) of the UNITAR Statute, subject to the operational reserve being used to respond to needs of countries in special situations, up to a maximum of a month of operational reserves per biennium.

25. The Executive Director referenced the discussions in the Committee and thought that more detailed approval on the detailed terms of reference of the three funds was important, and that the only pending issue was conformity with United Nations Financial Rules and Regulations of the Leave No One Behind Fund, which Management was awaiting confirmation from the Controller. In response to query from the Secretary drawing the Board’s attention to the brackets in the proposed terms of reference, the Committee felt that the matter could be addressed by Management. **The Committee took note of the observations made and recommended that the Board approve the terms of reference/governing principles of the Innovation and Business Development and the Legal Liability Fund. With regard to the Leave No One Behind Fund, the Committee understood that further review would be made and requested that Management report to the Board as soon as practicable.**

26. Under item 12f, “Update on the use of the revolving fund from the General Fund”, the Chair recalled that the Board approved the establishment of a revolving loan fund of $1 million to provide loans to programmes for cashflow support purposes to ensure programmatic activities are not interrupted by delays in donor fund transfers. Further to the Board’s request, Management has been providing the Board with yearly updates on the revolving fund. The Executive Director informed the Committee this is a ringfenced fund of $1 million with strict conditions. As at 30 September 2023, a total of 19 loans valued at $0.929 million have been issued, out of which 14 loans amounting to $0.801 million have been refunded, leaving a balance of $0.128 million outstanding as of 30 September 2023. In response to a question on the parameters of the payback to the fund, the Chief of Finance and Budget reviewed the various conditions e.g. no more than $300,000 at any point in time per Programme Unit, loans are only given with a signed agreement with expected funds in a 45 day window, there are no outstanding loans for the relevant Programme Unit/75 per cent of the previous loan refunded and loans are mainly used for activities. **The Committee recommended that the Board take note of the observations made and Management’s report on the revolving fund.**

27. Under item 12g, “Update on the Leave No One Behind Fund”, the Chair recalled that at its Sixty-Third Session, the Board took note of Management’s report on the Strategic Framework Fund and agreed to rebrand the fund as the Leave No One Behind Fund. Referring to the high hopes that Management had on the fund in so far as it provided flexible arrangements, the Executive Director regretted the present situation and announced that with the withdrawal by the fund’s principal contributors (State of Qatar and Sida), the fund balance now stood at $44,382. He hoped that permission to use the operational reserve as approved by the Board of Trustees at it Sixty-Third Session would enable UNITAR to maintain efforts to support countries in special situations. He had hoped that developing countries more broadly would have contributed to the fund, in addition to the one or two developing countries that provided some support. The Executive Director also discussed the fund’s lack of an emotive or thematic appeal, and that issue-based funds have been more successful. It was suggested that LNOB could be tailored specifically to thematic issues (e.g. digital divide) or to change the narrative by focusing on specific developmental results to be achieved. The Chair of the Board of Trustees shared some reflection on the challenges to mobilize flexible funding, particularly after the COVID pandemic. Finally, the Executive Director suggested that perhaps Management

should be looking at foundations as potential donors to the fund. **The Committee recommended that the Board take note of the observations and recommendations, including strategies for mobilizing resources and strengthening the fund.**

28. Under item 12h, "UNITAR Investment Management and Returns Strategy", the Executive Director noted that the investments are managed by the United Nations Development Programme and that the 2022 returns are marginally better than 2021, and that 2023 returns are projected to be marginally better than 2022, with yields up to 3.48 per cent. He noted that the earnings from the returns are placed into the After Service Heath Insurance fund. **The Committee recommended that the Board take note of the observations made and Management's update on the UNITAR Investment and Returns Strategy.**

29. Under item 12i, "Supplementary funding plan for the unfunded UNITAR ASHI liabilities," the Chair recalled that UNITAR is required to set aside funds to cover ASHI liabilities of staff, and that the item has been discussed regularly by the Board. The Executive Director reported that the liabilities stood in 2022 at $15.007 million, but that he expected the liabilities to be covered over the next 20 to 25 years through investment revenue, depending on future actuarial variations. This timeline is a somewhat longer timeline than that of most other United Nations agencies. **The Committee recommended that the Board take note of Management's update of the supplementary funding plan for the unfunded UNITAR ASHI liabilities.**

30. Under item 12j, "Migration to QUANTUM – the new Oracle cloud-based enterprise resource planning system," the Chair mentioned that at its Sixty-Third Session, the Board requested Management to report on the completion of the migration to QUANTUM at its Sixty-Fourth Session. The Director of Operations described the final phase of the migration at the end of 2022 and early 2023 as a particularly difficult and painful period as UNITAR was short staffed, with the departure of two to three staff of the Finance and Budget Unit, combined with the fact that QUANTUM was designed for UNDP Headquarters and do not address all the needs of UNITAR. She mentioned that the most difficult area of the migration was payments, with some staff not paid at the time, requiring migration staff to work long hours and UNITAR to write directly to the Administrator of UNDP on the matter. She reported that while some difficulties are lingering there were improvements. On reporting, she indicated that Management was still working on implementing one audit recommendation for the performance evaluation of consultants to be directly downloaded from the system. The Chief of Finance and Budget added that the normal life cycle of an ERP is 10 to 15 years. He indicated that QUANTUM will be the source of the information for the 2023 financial statements, that there would be a part of the 2023 audit on the conversion to QUANTUM and that management is preparing for the exercise. The Chair thanked Management for being honest on the challenges that it confronted. The Committee congratulated Management for the migration. **The Committee recommended that the Board take note of Management's report and the observations made.**

31. Under "Elections," the Chair announced that the Committee comprises at present four members, including herself. As there would be vacancies in 2024 and in order for the Committee to maintain the minimum number, the Board would need to elect members to the Committee. She proposed holding consultations with the Chair of the Board of Trustees with a view to electing new members to the Finance Committee at the Sixty-Fourth Session. **The Committee took note.**

32. Under "Any other business," the Chair recalled that the Office of Internal Oversight Services (OIOS) has consulted Management on risk areas that may be subject of an internal audit. This audit was initially foreseen in 2021 but was postponed until 2022 and now 2023. Management has been informed recently that OIOS will undertake a general audit on UNITAR. Management has yet to receive any terms of reference on the exercise, however. The Executive Director noted that Board's rules of procedure call for consultations with the Board through the Finance Committee. **The Committee took note.**

33. The Chair thanked the members of the Committee, the Executive Director and Management. The Executive Director thanked the Chair and to the Committee's members and Management. The Chair of the Board of Trustees also expressed his appreciation and the usefulness of his participation in the meeting. The Committee closed its Sixteenth Session.