

Board of Trustees

Sixty-Fifth Session

UNITAR/BT/65/FC/17/3

Finance Committee
Seventeenth Session

20 November 2024

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

1. The Finance Committee convened on 18 November 2024.
2. The following members of the Committee and observers were present at the session:

Committee members:

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

Ex Officio:

Mr. Nikhil Seth, Executive Director, UNITAR

Secretary of the Committee:

Mr. Brook Boyer, Secretary of the Board

Observers:

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, UNITAR
Mr. Jonas Haertle, Chief, Office of the Executive Director, Deputy Secretary, Board of Trustees, UNITAR

3. The Chair called the meeting to order and welcomed Committee members, as well as the Executive Director as *ex officio*, the Chair of the Board of Trustees, the Secretary of the Board of Trustees and observers. The Chair then introduced the provisional agenda as circulated by the secretariat covering the items under partnerships (item 7), offices outside of Geneva Headquarters (item 8) and finance and budget (item 10) of the provisional agenda of the Sixty-Fifth Session of the Board of Trustees. The Chair proposed that the Committee also consider elections as the Committee consisted of three members and that having at least one additional member would be desirable. **The Committee adopted the agenda as revised.**
4. Under item 7a, "Partnership and Resource Mobilization Strategy," the Chair recalled that the Board took note of the update on the strategy at its Sixty-Fourth Session and requested Management to report to the Board on the strategy's implementation at its Sixty-Fifth Session.
5. The Executive Director welcomed members and briefly discussed the positive backdrop to the session. He reported that the Institute is on track to the strategy's "preparing to soar" scenario, with a revised budget estimate of roughly \$97 million, which is 8.7 per cent above the initial 2024-2025 biennium budget and is based on a conservative estimate. Observing that in aggregate terms, UNITAR is doing very well, the Executive Director also highlighted the fragility of this growth, as many programme units depend on one large donor and hence the organization's resource base is not sufficiently diversified. While emphasizing the need to focus on diversifying the funding base for the future, the Executive Director reported the percentage of contributions from the private sector and United Nations entities. On the private sector, he noted that while there were many opportunities, partnering with this sector also presented risks.
6. The Committee discussed the challenges of the post-pandemic era, including the reorientation of donor priorities, the need to adapt to new realities and to learn from the current situation (e.g. what works and what does not), and to anticipate and mitigate potential risks. The Committee discussed the challenges faced by many organizations in the current funding environment, particularly due to the shift in donor preferences towards humanitarian assistance with the ongoing conflicts around the world. The Committee acknowledged the Institute's growth and resource mobilization efforts, the importance of focusing on UNITAR's comparative advantages and niche areas, and the need to be flexible, adaptable and innovative. On the question of operational support and efficiency and the need to ensure that the functional enablers and support services keep pace with programmatic growth, some concern was raised on the sustainability of investments in staffing in light of the present funding challenges and uncertainty. The Committee acknowledged the Institute's achievements despite the challenging circumstances over the past several years. The Committee also recognized the need for targeted strategic communications and seeking out champions of multilateralism and targeting donors. **The Committee recommended that the Board take note of the observations made and Management's report on the implementation of the Partnership and Resource Mobilization Strategy and requested that Management report to the Board at its Sixty-Sixth Session.**
7. Under item 7b, "Guidelines on Partnership Engagement with the Private Sector," the Chair recalled that at its Sixty-Fourth Session and in conjunction with Management's report on the implementation of the Partnership and Resource Mobilization Strategy, the Board requested Management to submit a proposed revision to the guidelines on engagement with the private sector at the Sixty-Fifth Session.
8. The Executive Director introduced the guidelines attached to the Board's documentation under annex 7, indicating that they were produced with the help of a consultant who worked formerly at the Global Compact and were based on a review of similar guidelines across the United Nations landscape and several exchanges with UNITAR Management. The Executive Director indicated that the guidelines were aligned with the United Nations Sustainable Development Group Common Approach to Prospect Research and Due Diligence for Business Sector Partnerships. He also noted that the guidelines contained a provision for him to revert to the Board on specific cases if he felt the need prior to approving partnerships with such entities. The Committee found the guidelines to reflect comprehensive controls and to contain clear guardrails but did not think that the Board should be involved in decision-making even in isolated cases that the Executive Director may request referral. In response to questions on the time requirements to undertake the due diligence vetting and the monitoring plan,

Management clarified that it was for this reason that three different due diligence pathways were proposed and that many engagements would fall under the basic due diligence pathway which comprised of checking the entity on benefits, impartiality and not falling under any of the exclusionary criteria. Management also clarified that from a scan of partnership engagements over the past several years, there were not many that would fall under the standard and enhanced pathways, and that such vetting processes should not require more than two weeks for screening. On the monitoring plan, Management clarified that there would be a standard format to ensure streamlined reporting as required under the guidelines. **The Committee took note of the observations made and recommended that the Board approve the Guidelines on Partnership Engagement with the Private Sector, with full authority to the Executive Director for approving partnerships with the private sector.**

9. Under item 7c, “Revision to the Policy Guidelines on Agreements with Implementing Partners”, the Chair indicated that at its Sixty-Third Session (2022), the Board had approved a revision to the said policy guidelines. In introducing the item, the Executive Director indicated that the growth that UNITAR has experienced over the past several years is linked in part to delivering projects with implementing partners, and that this delivery modality has also increased the complexity of the Institute’s operations. He said that the growth and the complexity of the policy that governs this delivery modality are twins, and that policy governing implementing partners needs to evolve. The Executive Director then reviewed the proposed revisions, indicating that some arose out of the experience working with implementing partners and others in response to the findings and recommendations from the recent external and internal audits. In concluding his overview of the proposed revisions, he said that risks were high when delivering donor funded projects with implementing partners and, as such, it was important to tighten the system and to constantly give new elements as UNITAR’s relationship with these partners evolves.
10. The Committee put forth a number of observations and questions, noting that there was high risk when working with implementing partners but that it was also important since implementing partner engagement supports the development of local capacity. In response to one set of questions, Management indicated that proposed rating scale of excellent, good and poor for assessing implementing partner performance was based on the system used in the UMOJA enterprise resource planning system of the UN Secretariat and that there appeared to be sufficient distinction across the three performance ratings, but that satisfactory and unsatisfactory could also be used in lieu of good and poor. Management also clarified that the selection of implementing partners can be at times conditioned by donors or pre-determined by Management when designing a project (and subsequently agreed by the donor at the time of submitting a project proposal for donor funding). On due diligence, Management clarified that previously, the programme units would undertake due diligence assessments on implementing partners receiving grants from \$100,000 to \$200,000, and the Partnerships and Grant Oversight Unit on grants above this threshold. The Board of Auditors found that programme units when undertaking due diligence assessments did not make any recommendations, and that Management is now proposing through the present revision for the Partnership and Grant Oversight Unit to conduct all due diligence assessments. In response to the question on root causes for late reporting by implementing partners, Management stated that there was at present an evaluation/review underway to look at the root causes for late reporting. Management indicated that in some instances late reporting could be linked to delays in grant implementation, and that during the migration of the Institute’s new ERP in early 2023, there were delays in payments to partners which did impact the delivery schedule of some grants. Management emphasized that controls were in place to mitigate against late reports, in the sense that implementing partners that are delinquent in their reporting obligations are not eligible for subsequent grants. Management considered possibly introducing grant payments on the delivery of results; however, this payment modality would introduce a new set of challenges, as most implementing partners are located in Sub-Saharan Africa. **The Committee took note of the observations made and recommended that the Board approve the revisions to the Policy Guidelines on Agreements with Implementing Partners, as proposed under Annex 8, with the suggestion to consider adopting a four-point rating scale for assessing implementing partner performance.**
11. Under item 8a, “General guidelines on the opening of offices outside UNITAR Headquarters”, the Chair referred to the Board’s request at its Sixty-Fourth Session for Management to develop the guidelines in conjunction with its discussion on the possible opening of an office in Doha.

The Executive Director made reference to the Board's discussions at its Sixty-Fourth Session and indicated that the guidelines would be helpful in guiding the process in the future. The Committee briefly discussed the general guidelines. **The Committee took note of the observations made and recommended that the Board approve the general guidelines on the opening of offices outside of UNITAR Headquarters.**

12. Under item 8b, "Doha Office", the Chair referred to the discussion at the Board's Sixty-Fourth Session on the proposed establishment of an office in Doha, Qatar and indicated that discussions were continuing in 2024. The Executive Director briefed the Committee that Management had consulted with the United Nations Office of Legal Affairs and that it was expected that an agreement would be signed on the establishment of the office before the end of this year. The Executive Director emphasized that the office would be administered in accordance with the United Nations Financial Rules and Regulations, including selecting the office's head and other staff, and that the budget for the office amounted to approximately \$5.8 million over five years. The office's areas of work would be diverse and include sustainable development, outer space, diplomacy and mediation, artificial intelligence, digital health, non-communicable diseases and innovative training methodologies. The office would be located in the UN House in Lucille, Qatar.
13. The Committee observed that the Doha Office would be an opportunity to test some of the assumptions that it had discussed under the update on the implementation of the Partnership and Resource Mobilization Strategy, such as creating more space for and learning from UNITAR's programming. The Committee also observed that the geopolitical context and location of the office was relevant, and that peace, diplomacy and listening were important. The Executive Director noted that the funding of the office would bring the programme budget above \$100 million. **The Committee took note of the observations made and recommended that the Board take note of the update on the proposed opening of a regional office in Doha, Qatar.**
14. Under item 10a, "Audited financial statements for the year-ended 2023 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 2023 under annex 11 of the Board's documents. The Executive Director drew the Committee's attention to the unqualified audit opinion for the financial statements and said that UNITAR had a robust net asset position of \$46 million, slightly decreasing from prior years but still reflecting a healthy financial foundation. He said that UNITAR also had a strong liquidity position and enough liquid assets to meet all short-term obligations reflecting the Institute's resilient financial health. The Executive Director reported that the main revenue of \$34.991 million was received from voluntary contributions and \$7.189 million received for rendering services. He indicated that in 2023, there was a net deficit of \$4.610 million in revenue over expenses, due primarily to the exceptional refund of \$6.580 million related to the hosting of the Defeat-NCD Partnership which ended in 2022. The Executive Director referenced annex 12 with the list of voluntary contributions.
15. The Committee congratulated the Executive Director and UNITAR for receiving a clean, unqualified audit opinion on the financial statements for the year-ended 31 December 2023 and that UNITAR enjoys a strong liquidity position and is in resilient financial health.
16. 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 14 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 14 recommendations were implemented, nine are under implementation and three are considered not implemented, and that these are being addressed by Management. He drew the Committee's attention to the one recommendation that Management had not accepted (that UNITAR set up in the ERP the approved appropriations of the programme budget to control and monitor allocations, commitments and ceilings as adopted by the Board of Trustees), and observed his view that the audit team did not grasp the anticipatory, projected nature of the programme budget or the business model of UNITAR based on paid-in earmarked project contributions. As such, the Executive Director indicated that there was no risk to overspending. He indicated that the new audit team would be coming in early December 2024 and that it

would be important to provide the auditors with a summary on how the UNITAR budget operates.

17. The Committee shared the concern that the Board of Auditors (and the Advisory Committee on Administrative and Budgetary Questions) did not appear to understand the particularities of the UNITAR programme budget and business model. On this matter, it was suggested that the Executive Director could write to the Chairman of the Board of Auditors with a view to resolving the misunderstanding and the recommendation that UNITAR does not accept.
18. The Committee put forward some observations and questions on other external audit findings and recommendations. In response to the question on the recommendation related to individual contractors, Management described the constraints that UNITAR faces as a project-based entity and that consequently the staffing structure can change from one day to another. Management noted that this was particularly the case for the individual contractors, who are often in a challenging situation with short-term contracts. Management recognized the difficulty in addressing the matter, since regularising individual contractors had funding implications, and that discussions were ongoing on addressing the matter. On the question related to the implementation rate of recommendations, Management explained that the main reasons for the drop in the rate from 72 per cent to 52 per cent are the large increase in the number of recommendations, the greater complexity of some recommendations (hence requiring greater time to implement) and the perception that not all recommendations were necessarily very useful. On the recommendation on mandatory training, Management indicated that an IT-based monitoring tool was nearing completion and that the tool would be released soon, allowing Management to improve its monitoring of the mandatory training requirement. Management explained that the limited human resources in the Communications and Information Technology Support Unit and the transition to more IT-based tools are the main reasons for the time needed to implement the recommendation. On the question related to succession planning, Management indicated that a stocktaking exercise would be undertaken to identify the key functions to inform succession planning. **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 2023 and the Report of the Board of Auditors**
19. Under [item 10b](#), "Report on 2024 internal audit", the Chair informed the Committee that the Office of Internal Oversight Services (OIOS) conducted an internal audit of UNITAR in 2024 with its report attached as [annex 13](#). The Executive Director indicated that the scope of the audit included the human resources policy framework, implementing partners selection and due diligence and implementing partners reporting and monitoring. He indicated that OIOS issued six sets of recommendations that are contained in the item's annotation, and that one of the sets has already been implemented and that action on the others was underway, with some recommendations implemented (e.g. staff engagement survey) and others expected by the end of 2024.
20. The Committee acknowledged the attention that Management has given the recommendations, including taking proactive measures. In response to a question on the staff engagement survey, the Executive Director indicated that the survey was adapted from the UN Secretariat's staff engagement survey and that he had asked Directors to discuss the results with their divisions. He informed the Committee that the executive summary of the results would be circulated to the Board. **The Committee recommended that the Board take note of the internal audit and Management's report.**
21. Under [item 10c](#), "Report on the application of the cost recovery approach and update on the General Fund", the Chair recalled that the Board took note of Management's report on cost recovery including the related issues on the operational reserve and the update on the General Fund and requested that Management revisit cost recovery including the operational reserve issue and report to the Board at its Sixty-Fifth Session.
22. The Executive Director provided an overview of the Institute's cost recovery approach. In simple terms, he stated that money is raised in a project-funded entity by the initiatives that are taken by the different programme units and that there are costs associated with implementing

the projects that depend on UNITAR as an institution, covering the services for central administration, executive direction, etc. He indicated that these costs generally add up to 18 per cent on the aggregate, but there are certain variations, e.g. in 2023 it was 17.5 per cent. The General Fund is where that money generated from cost recovery is deposited for the function of the Institute's central enabling functions, in addition to non-earmarked voluntary contributions and investment revenue. The Executive Director noted that the problem is the formula of 18 per cent, which was determined in 2013, and that the formula has worked and that one indication of the formula working well is the operational reserve. He noted however that over the past two years, the matter has become one of plenty, not one of starvation. He indicated that now was the time to revisit the formula, following the completion of the migration to the QUANTUM ERP and the European Union pillar assessment. He indicated the preference to retain an expert to scan the UN system, to review costs and benefits and to come up with a formula after internal consultations for the Board of Trustees to decide at its Sixty-Sixth Session, including the desirable level of operational reserve.

23. The Committee recognized the unique position in which the Institute found itself and endorsed the proposed way forward. An observation was made on the importance for Programme Managers to understand the elements required for an organization to function. The Chair stated that the cost recovery formula and operational reserve matter was important but complicated and needed to be thoroughly reviewed and researched. **The Committee recommended that the Board take note of Management's report on cost recovery and the update on the General Fund and recommended the Board to request Management to report to the Board with the results of the study on cost recovery including the operational reserve issue at the Sixty-Sixth Session.**
24. Under item 10d, "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 includes an acknowledgement on the important contribution of UNITAR to knowledge generation and capacity building within the Organization and Member States; the need to continue to reflect expenditures compared with the approved budget for the year in the interest of clarity and transparency, and its concurrence with the recommendation from the Board of Auditors; an observation on the proportion of P5 and higher posts; a request for updated information on the review of cost recovery in the next report of the Executive Director; a request for the Executive Director to provide an update in the next report on matters related to the operational reserve, including the best use of the operational reserve, also with respect to the Leave No One Behind Fund; an observation on the funding of the after service health insurance (ASHI) liabilities; a request for the Executive Director to provide information in the next report on efforts to intensify outreach to beneficiaries from countries in special situations; an observation that UNITAR will intensify its efforts to implement recommendations from the Board of Auditors fully and in a timely manner; a request for the Executive Director to provide an update on efforts to mitigate risks related to implementing partners in the next report; and an observation encouraging UNITAR to recruit personnel on as wide a geographic basis as possible and for the Executive Director to continue to report thereon.
25. In conjunction with the Advisory Committee's observation of countries in special situations, a comment was made on the difficulty addressing this imperative given the Institute's project-based funding model. There was some discussion on utilizing the CC:Learn model in other programme areas and possibly replicate the platform for water or plastics. On geographic representation of personnel, Management would circulate the information. **The Committee recommended that the Board take note of the Report of the Advisory Committee on Administrative and Budgetary Questions and make any observations it deems appropriate.**
26. Under item 10e, "Proposed revision to the programme budget for the biennium 2024-2025", the Chair noted that the proposed budget, attached as annex 15 of the Board's documents, amounts to \$97.382 million, amounting to an increase of \$7.811 million from the original 2024-2025 budget. The Executive Director indicated that of the roughly \$97 million, \$81.691 million corresponds to programme areas and \$15.692 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. The proposed revision to the programme budget represents a cost recovery rate of 18 per cent. While programming covers a wide spectrum of SDGs (and contribute to 11 of the 17 Goals), 49 per cent of the 110 programmatic result areas are aligned with Goal 16 of the 2030 Agenda. UNITAR plans to reach 486,878 beneficiaries through its training and related services. About 52 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 31 per cent through the CIFAL centres.

27. The Chair expressed her appreciation to the Executive Director for the proposed increase and resource mobilization prospects based on a comprehensive review of opportunities and challenges. **The Committee took note of the observation made and recommended that the Board adopt the revision to the programme budget for the 2024-2025 biennium, as proposed.**
28. Under item 10f, "Update on the use of the Strategic Business Continuity Funds," the Chair recalled that the Board approved the terms of reference of the Legal Liability Fund and the Business Development and Innovation Fund at its Sixty-Fourth Session and requested Management to report to the Board at its Sixty-Fifth Session.
29. The Executive Director summarized the status of the funds, indicating that the terms of reference of two funds were approved, with each amounting to one month of operational reserve per biennium. He acknowledged that the Legal Liability Fund would be ring-fenced and used only in the event of a liability need. Observing that he did not know of any situation arising over the course of the Institute's history, he indicated that it would be important to plan for the future. The Executive Director confirmed that he has not operationalized the funds as their operationalization was locked into other discussions on what would be the desirable operational reserve and that therefore he felt it would be best to wait until the Board of Trustees had a fuller picture of the operational reserve. On the Leave No One Behind Fund, the Executive Director informed the Board that while the terms of reference were drafted, very similar to the governing principles of the former Strategic Framework Fund, he also wanted to wait until there was more clarity on the operational reserve matter, despite being of the view that use for the most distressed countries would be desirable.
30. In response to a question of clarification, the Executive Director confirmed that he has not been able to get clarity from the Controller on use of the operational reserve for support under the Leave No One Behind Fund. It was understood that clarification was needed and that the matter should be thoroughly reviewed before taking action. **The Committee took note of the observations made and recommended that the Board take note of Management's update on the use of the Strategic Business Continuity Funds.**
31. Under item 10g, "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 that this instrument is working well. As at 30 September 2024, the instrument had \$0.287 million outstanding. **The Committee recommended that the Board take note of Management's report on the revolving loan fund.**
32. Under item 10h, "UNITAR Investment Management and Returns Strategy", the Executive Director noted that the 2023 returns are at 4.36 per cent, yielding \$1.405 million. He noted that the earnings from the returns are placed into the after service health insurance (ASHI) fund. The Chair expressed her satisfaction that investment revenue improved in 2023 and noted that investment prospects for 2024 are better than 2023. **The Committee recommended that the Board take note of Management's update on the UNITAR Investment and Returns Strategy.**

33. Under item 10j, "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 UNITAR pay 6 per cent and that Management hoped to cover the liabilities in 16 to 20 years. **The Committee recommended that the Board take note of Management's update of the supplementary funding plan for the unfunded UNITAR ASHI liabilities.**
34. Under item 4, "Elections," the Chair announced that the Committee comprises at present three members, including herself. As the Committee should have at least three members, it was desirable for the Board to elect at least one additional member. It was understood that an incoming Trustee had agreed to join the Committee and that the matter would be taken up under item 11 of the Board's agenda, "Elections". **The Committee recommended that the Board elect at least one additional member to the Committee.**
35. Under item 5, "Any other business", there were no additional items raised by the Committee.
36. The Chair informed the Committee that the Secretary of the Board would prepare a report of the session for her validation, after which the report would be circulated to the Board.
37. The Executive Director thanked the Chair for her detail-oriented preparation and stewardship of the Committee.
38. The Chair thanked the members of the Committee, the Executive Director and Management. She congratulated the Executive Director for the results achieved throughout his tenure and expressed her gratitude to him for his leadership and for helping ensure seamless sessions of the Committee. The Chair of the Board of Trustees also expressed his appreciation and the usefulness of his participation in the meeting. The Committee closed its Seventeenth Session.