



unitar

United Nations Institute for Training and Research

Board of Trustees
Fifty-first session
Committee on Finance
Fourth session

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CONCLUSIONS AND RECOMMENDATIONS OF
THE FOURTH SESSION OF THE COMMITTEE ON FINANCE
OF THE BOARD OF TRUSTEES

1. The Committee on Finance of the Board of Trustees of the United Nations Institute for Training and Research (UNITAR) convened in Geneva on 15 November 2011 for its fourth session.
2. The following members of the Committee and observers were present at the session:

Committee members:

Ms. Shirley FRANKLIN (United States)

Mr. Valery LOSHCHININ..... (Russian Federation)
Represented by Mr. Mikhail MEBEDEV (approved representative)

Mr. Jean-Baptiste MATTÉI (Chairman).....(France)

Ex Officio:

Mr. Carlos LOPES, Executive Director, UNITAR

Secretary:

Mr. Brook BOYER, UNITAR

Observers:

Mr. K. Oftei DEI, Chief, Administration and Finance Section, UNITAR

3. The Chairman called the meeting to order, welcomed members and staff of the Institute, and invited the Executive Director to make opening remarks. The Executive Director informed the Committee that financial performance for the 2010-2011 biennium is expected to slightly surpass the budgeted target, as revised by the Board in January 2011. He explained that this was largely the result of the Institute responding effectively to the current economic climate by reaching out to new donors, such as Algeria, and succeeding to mobilize increased contributions from Member States which are less affected by the financial crisis, such as Norway, Sweden and Switzerland.
4. In accordance with the Board's rules of procedure, the Chairman announced that the Committee would review the five sub-items under item 5, Finance and administration, of the provisional agenda of the fifty-first session of the Board. In addition to the five sub-items, the Chairman proposed that the Committee also include under any other business items 4a (Fellowship Fund) and 6 (ECOSOC) of the Board's provisional agenda as they have financial implications.
5. **The Committee took note of the remarks of the Executive Director and adopted the agenda as proposed by the Chairman.**
6. On sub-item 5a, Interim financial statements, the Chairman gave the floor to the Executive Director. In making reference to the annotation and his opening remarks, the Executive Director said that the Institute has performed well based on real figures through the end of the third quarter of 2011. Including projected income through the end of the year, the expected revenue for the biennium is slightly above target. He emphasized the conservative nature of the estimation, noting that typically the Institute witnesses a spike in income during the fourth quarter. In making reference to the comparative financial figures from 2012-2013 (Annex 6, page 6), the Executive Director stressed that Management was careful not to overshoot expenditures, and that an actual increase in reserves is expected to be achieved by the end of the biennium, in contrast to what was anticipated when the budget was approved in November 2009. He noted that this increase in reserves is considered to be an important element in the Institute's drive to strengthen autonomy.
7. Members expressed general satisfaction that financial performance is on target, and that despite the lingering world financial crisis members noted that the Institute expects to produce an increase in cash reserves.
8. **The Committee recommended that Board takes note of the comments.**
9. Under sub-item 5b, Proposed Programme Budget for the Biennium 2012-2013, the Chairman invited the Executive Director to elaborate. The Executive Director informed the Committee that improvements were made to the presentation of results and in particular the quality of indicators of achievement and performance measures, taking into consideration comments received in the past from the Advisory Committee on Administrative and Budgetary Questions (ACABQ). In terms of figures, the proposed 2012-2013 budget represents an increase in \$2.7 million (6.4 per cent) from the 2010-2011 revised budget and includes both projected increases and decreases in contributions from existing donors, as well as expected contributions from new donors (e.g. Algeria). The Executive Director explained that the proposed budget was based on expected 'hard' pipeline funding materializing (i.e. funding with agreements signed) and that 'soft' pipeline funding (i.e. unsigned agreements) was excluded. In relation to posts, he explained to the Committee that with emphasis increasingly placed on tightening results-based management practices, posts are now more closely linked to expected results than in previous budgets. The Executive Director

informed the Committee that the proposed budget was presented to ACABQ on 28 October and that Management had expected to receive the Advisory Committee's report prior to the Finance Committee's session, although he was informed that the issuance of the report was delayed due to exigencies of service. The Executive Director indicated that the report would be immediately circulated to the Finance Committee once received, and that consultations could conceivably take place prior to the fifty-first session of the Board.

10. The Chairman invited members to comment. One member concurred with the approach suggested by the Executive Director on reviewing the report expected from ACABQ. Another member noted of the slight increase in budget and the optimism expressed by Management in mobilizing income during the difficult economic conditions, which would include contributions from new donors. The Chairman noted that the increase is not that modest and that given the current climate it may not be that easy to meet budget targets. The Chairman requested additional information on expected income from other donors, including from governments and other entities. He also underscored the gap between approved and budgeted posts, and suggested that it would be efficient to have vacant posts filled. Finally, the Chairman raised the contradiction between efforts to increase flexibility and autonomy, on the one hand, and simplifying human resources management, on the other.
11. In responding, the Executive Director highlighted income and commitments from new donors, including \$2.7 million committed from Algeria in the framework of an agreement recently signed for training in the area governance, diplomacy and youth entrepreneurship. The Executive Director also acknowledged contributions from the Russian government and USAID as new donors, as well as contributions from Malaysia, Nigeria, Norway, Oman, Sweden, South Africa, Switzerland and the United Nations Development Programme. In relation to the Swiss contributions, he noted an increase in 2011 in some \$800,000 over 2010 amounts.
12. In response to the comment on staffing, the Executive Director understood the rationale for expressing concern over the gap between approved and budgeted posts, and indicated that he would have preferred to go further in aligning the table for the 2012-2013 biennium. However, he indicated that the present situation reflected the need to bring expenditures under control, maintain if not slightly increase reserves, and manage constraints related to limitations in physical space. The Executive Director also referred to the benchmark of \$500,000 set to justify the filling of a post, and that if programmes succeeded in mobilizing the required funds, posts would be filled during the biennium.
13. The Chief of the Institute's Administration and Finance Section (AFS) stressed the importance of being conservative and recalled the major difference between how UNITAR and other United Nations agencies are funded. With the absence of core funding, the Chief said that pursuing a conservative approach on filling approved posts was responsible and had to be reflective of a prudent approach, particularly given contractual obligations for staff.
14. **The Committee took note of the observations and recommended that the Board approves the Proposed Programme Budget for the Biennium 2012-2013.**

Under sub-item 5c, Report of the Advisory Committee for Administrative and Budgetary Questions, the Chairman noted that the Executive Director referred to the delay in receiving the ACABQ report under discussion of sub-item 5b. The Executive Director briefed the Finance Committee on the hearing which took place on 28 October, noting that the Advisory Committee had praised the Institute for having

received a second consecutive unqualified audit. He also informed the Committee that ACABQ requested changes to the presentation of table 4 on staffing in the proposed budget, as well as written responses related to the request for delegated authority for limited financial functions (sub-item 5e) and the status on efforts to open offices in Africa and Asia. In relation to the request for delegated authority for limited financial functions, the Executive Director briefed the Committee that the matter dates back to a meeting convened by the Secretary-General of the executive heads of the other United Nations research and training institutes in 2009, with the purpose to discuss ways to increase the effectiveness and efficiency of the work of the institutes.

15. On the status of the opening of new offices, the Executive Director indicated that he had informed the Advisory Committee that risk assessments are presented to the Board of Trustees and that while consultations and negotiations are continuing with possible host countries, full funding to justify the opening of the offices had not yet been guaranteed.
16. **The Committee took note of the comments and the delay on the issuance of the report of the Advisory Committee for Administrative and Budgetary Questions, and that Management would immediately forward the report to the Finance Committee once received.**
17. Under sub-item 5d, Updated on the 2010 external audit, the Chairman gave the floor to the Executive Director to elaborate, who informed the Committee that he was pleased with the outcome of the 2010 audit and that there were no adverse findings in the draft report. The Executive Director did mention, however, the expiration of the service agreement with the United Nations Office at Geneva (UNOG) and that an outcome to the matter was still pending.
18. **The Committee recommended that the Board take note of the comments.**
19. Under sub-item 5e, Delegation of authority for limited financial functions, the Chairman gave the floor to the Executive Director, who recognized the linkage to matters discussed above. In making reference to the Institute's Statute, he indicated that two provisions could produce different interpretations in relation to general administrative and financial services not representing additional costs against the United Nations Regular Budget (i.e. either UNITAR has to pay for such services, or UNITAR has to cover the services itself). The Executive Director indicated that the Institute had the support of UNOG, which recognized that it was duplicating administrative and financial work performed by the Institute. In response to a question from the Chairman on whether this situation is unique to UNITAR, the Executive Director indicated that it is unique to the research and training institutes and not to UNITAR alone. In response to one member's concern on the duplication of services and the costs that it was engendering, estimated at some \$1 million, the Executive Director informed the Committee that the Controller, who did not oppose delegation of authority outright, suggested that a possible solution would be to change the Statute, and that the Statute provides for the Board to make such a recommendation to the Secretary-General. Another member took the floor and expressed that although the issue was challenging, there was no reason not to find a solution to the problem.
20. The Chairman asked if there was an increase in transactions since 2004 and particularly as a result of the newly created online payment facility. In his reply, the Executive Director described the overly complicated process of processing block payments once received by the Institute. He informed the Committee that UNITAR did envisage that the credit card system would be generating additional processing work for UNOG and UNITAR, but that UNITAR had anticipated flexibility with the transition

to the credit card system, and added that the system was not an option but a requirement with the transition to the new business model. The Chief of AFS made reference to the financial management services line in annex 9, and in comparison to the graph on page 6 of annex 6, he noted that expenditures were \$15.4 million with costs of administrative/financial services being approximately \$150,000; with a present budget of approximately \$43 million, costs for services have risen to \$463,000. This rise, albeit proportional, could have been much less.

21. The Committee recommended that the Board take note of the comments.

22. Under any other business, the Chairman made reference to the implementation of the Fellowship Fund and the Report of the Secretary-General to the Economic and Social Council (ECOSOC). Despite describing what he found to be an excellent and complete document, the Chairman regretted that developed countries appear as having failed to finance core diplomatic training (CDT). The Chairman was also of the opinion that the recommendation on item 6 of the provisional agenda, ECOSOC, may have been formulated too strongly.

23. In relation to the Fellowship Fund, the Executive Director expressed general disappointment on the contributions to the Fund to date and recalled that its establishment was not only to facilitate access of eligible beneficiaries from developing countries to CDT, but also to courses and training events under other UNITAR programmes. The Executive Director also expressed disappointment that the contributions to the General Fund have decreased in overall percentage, and that challenges persist on funding the Institute's core services. Given the weakness of the General Fund and the Fellowship Fund, as well as the unlikely prospects that past trends will be reversed in the future, the Executive Director suggested that a possible solution to such funding challenges could be achieved by adding flexibility on how the Institute processes its accounts.

24. The Chairman also raised a concern on the formulation of the recommendation in relation to the Headquarters' premises, noting that while he understood the concrete issues of rental costs and space limitations, he stressed the benefits that Geneva had to offer in terms of the concentration of other international organizations and the high number of permanent missions, and said that moving outside of Geneva did not appear to be realistic. While agreeing on the benefits that Geneva had to offer and expressing appreciation to Swiss authorities for its efforts, the Executive Director informed the Committee that current proposals to solve the crisis of the Institute's premises were unsustainable and would only lead to further fragmentation of staff and programmes, which is why Management needs a sustainable solution and the support of its Board.

25. The Committee took note of the Secretariat's comments and recommended that the Board take note.

26. The Chairman announced that he would unfortunately be absent for the fifty-first session of the Board. Although he would be represented at the session, the Chairman proposed that the report be presented by another member, and the Committee agreed that the report would be presented by Ms. Shirley Franklin.

27. The session was adjourned.