UN Treasury Harmonization Project

Project Implementation Team Action Plan

<table>
<thead>
<tr>
<th>Project name</th>
<th>Harmonizing Banking Services across the UN System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead Agency</td>
<td>UNHQ</td>
</tr>
<tr>
<td>Co-Lead Agencies</td>
<td>UNICEF + UNDP + FAO</td>
</tr>
<tr>
<td>Active Members</td>
<td>WFP, ILO, WHO, UNHCR, IAEA</td>
</tr>
<tr>
<td>Observers</td>
<td>UNESCO, CTBTO, IFAD</td>
</tr>
</tbody>
</table>

1. Executive summary

The objective of this effort is to adopt a coordinated approach to both the procurement and administration of banking services and relations for all of the Participating UN Agencies, both on a regional and country-by-country basis. We recognize that the UN System’s entities have varying needs and requirements depending upon the type of operations and countries involved. We can broadly categorize the banking requirements into the following categories. While in some cases the categories may overlap (i.e., #1 and #5) we provide this categorization as a premise for the structure of the proposed approach.

1. Countries where UNHQ has Peacekeeping Operations. These are large scale, complex operations with significant cash handling requirements;

2. Countries in which UN Agencies are operating as Integrated Missions which support complex activities in post-conflict situations and tend to have more complex banking requirements;

3. Countries where UNHQ has regional commissions or other offices away from headquarters (non-Peacekeeping Operations), which tend to be the capital or major cities with established banking infrastructure and where UN Agencies are also present in the country;

4. Countries where UNHQ does not have operations, while UN Agencies do;

5. “Delivering as One” countries; which are countries officially designated by the UN Secretary General or are self-starters;

6. Countries with no banking competition

UNHQ, due to the significantly large Peacekeeping Operations, has an established team (2P and 2G) and procurement procedures in place to select, oversee and manage all of their specific banking requirements. Our intention would be to leverage this team’s existing knowledge and experience to support a harmonization exercise. The team’s expertise is essential to support the procurement of services for Funds and Programmes as well as Specialized Agencies with field banking requirements. The envisioned output of this project is a common set of banking agreements with key regional banks which would serve to all UN Agencies across all countries.

In order to accomplish this, we will need to supplement UNHQ’s Global Banking Operations Section with 2 people, and an outside counsel assigned to OLA. The Section will:

- Manage a scoping exercise to establish common requirements with appropriate weighting;
- Co-ordinate a virtual working group consisting of the Treasurers from the participating Organizations who would establish team TOR’s & performance metrics, review and approve the recommended implementation steps;
UN Treasury Harmonization Project

Project Implementation Team Action Plan

- Work with OLA to put in place model banking agreements that would cover all UN Organizations;
- Run UN-wide bank RFIs and RFPs and coordinate the process of evaluating and selecting preferred banks, differentiated according to the six broad categories listed previously. Criteria selection and weighting for the technical evaluation of banks will reflect country level requirements in the capital and in the field with transparent, arm’s length assessments.

The cost for the initial part of the exercise would be approximately USD 1.1 million covering 18 months; it is for this amount that we will be seeking funding from the CEB. The Participating Agencies (excluding UNHQ) are currently spending annually over USD 23 million in bank fees. It would be reasonable to expect to reduce these fees by 5 to 10% or USD 1.2 to 2.3 million annually, representing a return on the initial investment within the first year alone. In addition, the amount of time and money saved by each individual Agency by not having to replicate the same effort individually would be substantial. Incrementally, standardized banking agreements which would clearly address the Immunities and Privileges of the Organization, would reduce our risks vis-à-vis financial institutions.

One of the key elements to the success and savings in this process going forward will be a mechanism for the continued monitoring and evaluation of the participating banks’ service delivery, volumes and pricing. In addition, systematic review of our banking counter-parties’ credit risks is essential for prudent financial management. It is envisioned that the small team in UNHQ would continue to serve as a central monitoring and analytics group to act as a focal point for tracking our collective activity levels, provide some basic central credit analytics support on the banks, manage the banking agreements and to continue to issue RFPs as and when required. We anticipate that the annual cost for the continued support by UNHQ for this project would be approximately USD 250,000, which is considered a small amount compared to the gains for the Organization as a whole. The funding for the bank harmonization efforts will come from the participating Agencies on a pro-rated basis depending on a number of factors to be determined as the project is being implemented. There is a commitment to ensure the required ongoing funding.

2. Background, objective and constraints

Background

Currently each UN Agency generally negotiates separately with banks for the provision of banking services (although some harmonization effort has been undertaken already in offices operating under the “Delivering as One” model). As a result, there are multiple banking providers in each country and a lack of consistent documentation and pricing for services provided. There are over 400 banks providing services to the in-scope UN entities with the majority of these banks only used by 1 or 2 in-scope entities.

One of the system’s key challenges is documentation and our lack of a common standard for working with financial institutions. This is also a high risk area since in many countries the banking documentation that is in place does not adequately reflect the UN Immunities and Privileges that are intended to safeguard the UN system assets. Currently, a few UN Organizations have negotiated and signed banking agreements with some banks such as Barclays’, Citibank, JP Morgan Chase, Standard Bank, Standard Chartered Bank and HSBC. However, these are Agency specific agreements and do not cover the other Agencies.

Objectives

The objectives are:

- To have a common UN system approach to the financial community that would benefit all of the Agencies both in terms of savings of time and resources as well as costs and fees.
- To understand as a group what each other’s fundamental requirements are (e.g. Services, volumes, costs, etc.) and be fully transparent within the Treasury Group. It is only through the open sharing of information that we will be able to leverage our collective position with the selection and negotiations.
UN Treasury Harmonization Project

Project Implementation Team Action Plan

with our banking partners, be they global, regional and/or country specific.

• To have a common approach to documentation that would allow us to be more efficient and effective in setting up banking arrangements. The initial objective is to have a master agreement with major global banking partners which addresses our common legal issues, particularly as it relates to the Immunities and Privileges of the UN, combined with annexes which address agency specific requirements, services and/or pricing.

• To have a centralized team which will issue RFIs and RFPs, select the bank(s) on regional and country level, provide the Agencies with information, guidance and best practice related to banks, as well as, evaluate the credit worthiness of our financial counter-parties and partners. This effort is not just a one-time effort to determine a suggested group of global/regional/local banks, but will result in the ongoing communication and evaluation of the financial partner’s respective services provided and related costs.

• To ensure incremental resources are made available to pull together the information from the participating Agencies, building an information exchange repository and process as well as driving the evaluations (both credit and financial) and common documentation.

Constraints

• Gaining agreement for standard documentation from each Agency’s legal and procurement units may be a challenge, and should be formally agreed prior to issuance of any RFI/RFP.

• Due to the sometimes divergent banking needs (e.g. Peacekeeping vs. in country delivery requirements), gaining Country Team’s buy-in both in terms of the process and its outcome is critical.

• Ensuring that there is sufficient funding provided and qualified staff hired in a timely manner.

3. Organization and staffing

Roles, responsibilities and authorities

Since UNHQ has the team with the knowledge and expertise already in place, they are in a better position or be the lead Agency, with UNICEF, UNDP and FAO acting as Co-Lead Agencies. Together, these Agencies will structure and monitor the TOR and activities related to this effort. They will also work closely to provide suggestions and guidance to the Working Team, which consists of WFP, ILO, IAEA, WHO and UNHCR to achieve agreement for the project’s deliverables.

Staffing plan

Support is required for the project to collect data, draft and review documents (i.e. frame agreements, RFIs and RFPs), review and collate responses, perform credit and business analysis. We envision the need for 1 Professional level position, as well as one General Service support staff. The team will be based in the Global Banking Operations Section in UNHQ. In addition, UNHQ OLA would require funding for outside legal counsel.

There needs to be a determination on how the on-going support of the program will be financed on a sustainable basis, as it is recognized that there will be continuing requirements after the 18 month project is completed. As noted in the Executive Summary this continuing support will need to be supported by the participating Agencies.
UN Treasury Harmonization Project

Project Implementation Team Action Plan

4. Project budget

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Assumptions</th>
<th>One Time Costs</th>
<th>On-going Annual Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Supplemental Project Team who would work with UNHQ’s banking team to review &amp; compare banks, banking services, standardize agreements, terms and conditions as well as RFI/RFP</td>
<td>• P-4 and 1 GS staff for 18 months (P@$200K/ year &amp; G@$100K/ year) • Outside legal counsel</td>
<td>$450K</td>
<td>$300K</td>
</tr>
<tr>
<td>• Project costs (web portal, external fees, travel, etc.)</td>
<td>• Estimation</td>
<td>$350K</td>
<td>$50K</td>
</tr>
<tr>
<td>• On-going maintenance &amp; distribution of bank credit profiles and services</td>
<td>• 1 P-4 FTE @ $200K/year each</td>
<td></td>
<td>$200K</td>
</tr>
<tr>
<td>TOTAL Costs</td>
<td></td>
<td>$1,100*</td>
<td>$250K**</td>
</tr>
</tbody>
</table>

*This reflects the amount being requested from the CEB.
**This amount will be subject to review.

5. Communications

Reports and documents

• Monthly status reports to be provided to the Working Team with regular reporting to the greater Harmonization Team.
• Monthly Working Team reviews of progress and issues based upon the monthly status reports.
• The Central Project team to provide comparative banking information for the participating agencies information (e.g. bank’s activities, volumes and pricing for services provided and credit evaluations/ standing).

6. Milestones, activities and schedule

Milestone plan

• Working Team to agree upon an Implementation Action Plan and Budget by end of Oct 2012.
• Budget submission to and approval by the CEB by end of Oct 2012.
• Set up an agreed upon governance and review/support structure for the total effort by the end of June 2012.
• Posting and hiring of staff for the Central Project Team (Target is to have the positions staffed by 1st January 2013).
• Review of existing legal frameworks, recommendation of one standard banking framework agreement and approach and final approval by participating Agencies by end of March 2013.
• Simultaneously to the legal review, gather information on all UN Agencies requirements per country and compile region and country specific requirements by end of March 2013.
• In April 2013 begin launching RFPs based on the analysis of the requirements; this will be a continuous activity until all regions/countries are covered. Regular progress reports will be
provided to the Working Team.

- Put the agreements in place with the selected banks and communicate the selection and procedure going forward to all participating agencies as each RFP is finalized and agreements put in place.

- Establish an ongoing monitoring and review process to provide Agencies with bank related information and System wide experiences. To be included in this is a mechanism and procedure for adhoc bank reviews to assist Agencies in evaluating banking risks in countries where they are working (ongoing from mid-2013 subject to funding)

7. **OLA’s Support**

With respect to the Project implementation Team Action Plan of the UN Treasury Harmonization Project, OLA has agreed to provide its support as described in the Project Document attached hereto as Appendix 1 to the Project implementation Team Action Plan.