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| **Council Working Group on  Financial and Human Resources**  **Twelfth meeting – Virtual, 25-26 January 2021** |  |
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|  | **Document CWG-FHR 12/10** |
| **18 December 2020** |
| **English only** |

**Contribution by the CWG-FHR Chairwoman**

MSAG discussions on financing the Risk Register Fund for the new ITU HQ

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| Summary  During the second virtual consultation of Councillors (VCC-2), “it was agreed that any issue related to the risk register fund could be discussed at the next meeting of CWG-FHR”. In particular, the financing of this fund is to be considered in concert with other priorities for the Union.  This document provides relevant extractions from the MSAG reports for meetings where the importance of adequate financing of this fund has been discussed. It is being shared to assist CWG-FHR participants be prepared for discussions of the matter.  Action required  The CWG-FHR is invited to **take note** of this document.  \_\_\_\_\_\_\_\_\_\_\_\_  References  [Council Decision 619](https://www.itu.int/md/S19-CLADD-C-0005/en), Headquarters Premises |

**I Introduction**

During the second virtual consultation of Councillors (VCC-2), “it was agreed that any issue related to the risk register fund could be discussed at the next meeting of CWG-FHR”. In particular, the financing of this fund is to be considered in concert with other priorities for the Union.

This document provides relevant extractions from the MSAG reports for meetings where the importance of adequate financing of this fund has been discussed. It is being shared to assist CWG-FHR participants be prepared for discussions of the matter.

**Extract from report of the first meeting of MSAG (**[**MSAG 1/7**](https://www.itu.int/en/council/ties/Documents/HQ-building/MSAG1_7E.pdf)**)**

**9. Project Risk Management (MSAG 1/6)**

9.1 The secretariat presented the document, and assured that a Risk Register would be maintained and made available to MSAG. A discussion of financial risks over the timeline of the project was held, based on the timeline shown to Council 16. Japan wished to have a document from FRMD (action) on the impact of the project on the Union’s long-term financial budgeting, with a presentation to be made to CWG-FHR for information.

**Extract from report of the eighth meeting of MSAG (**[**MSAG 8/5**](https://www.itu.int/en/council/ties/Documents/HQ-building/MSAG8_5.pdf)**)**

3.7 After receiving the expert opinion of ITU adviser Hill International, MSAG considers that CHF 12.6 million (approximately 8%) is an appropriately prudent amount to allocate in the overall project financial plan for coverage of risk on the project’s entire direct costs. MSAG will invite Council to adopt this risk model.

3.8 To provide the financial cushion for non-mitigated risks up to the cumulative limit of 8% of the current estimate of direct costs, financing over eight years (2019-2026) averaging approximately CHF 1.5M per year must be identified.

3.9 Regarding financing the indirect costs and risk provision, MSAG noted that three funding approaches are possible: either the use of the Reserve Account as a guarantee (with later replenishment); or the use of savings; or a combination of both.

3.10 One member suggested that ITU should be required to achieve a percentage saving sufficient to cover projected costs to guarantee saving would be sufficient. This could mean reducing some activities and/or projects. There was concern that, recognising the federal structure of ITU, this would be difficult, and that voluntary savings might be more successful.

3.11 Recognising that the existing new building fund has the restriction of only being applicable to items that cannot legally be covered by the loan, it was suggested that an additional fund could be established without this limitation; however, time did not permit MSAG to conclude on the source of funding and methodology to be applied for the risk financing mentioned above.

**Extract from report of the ninth meeting of MSAG (**[**MSAG 9/7**](https://www.itu.int/en/council/ties/Documents/HQ-building/MSAG9-7-E.pdf)**)**

**4.5 Budget issues**

D. Plesse advises ITU to be prudent on the usage of budgetary savings. The MSAG chair requests that a clear statement on the financial issue for the replenishment of the Risk Register fund is part of the next report, because with the present proposed allocation of only CHF 500.000 of the 2019 saving the fund will not reach the required CHF 12,6 million within an acceptable timeframe. The previous MSAG report estimated an average yearly allocation of CHF 1,8 million over the 7 years project duration period. USA supports and suggests this is further discussed under Administration and Management Committee during next Council session. DSG had suggested at the CWG that the ASHI contribution of CHF 500,000 could be added to the first installment of the Risk Register Fund and that any monies left in this account at the end of construction will be placed in the ASHI fund instead of the Reserve Account. However, this would require an amendment to Decision 619.

**Extract from report of the tenth meeting of MSAG (**[**MSAG 10/4**](https://www.itu.int/en/council/ties/Documents/HQ-building/MSAG10-E.pdf)**)**

**5 Council-20 Report (MSAG/10/3)**

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Regarding section 3.8 (Risk Register), the Chair proposed to discuss the Risk Register thoroughly in one of the next MSAG sessions during the year, given the length and complexity of the document. The Secretariat suggested to MSAG that ASHI fund contributions should go instead to the Risk Register fund and that any monies left in this account at the end of construction will be placed in the ASHI fund instead of the Reserve Account. This would require an amendment to Decision 619. There was agreement that this is an important question that should be discussed at the Council-20 session directly and that MSAG was not in a position to provide guidance at this time.

**Extract from report of the eleventh meeting of MSAG (**[**MSAG 11/6**](https://www.itu.int/en/council/ties/Documents/HQ-building/MSAG11-6-E.pdf)**)**

**3 Risk register review (MSAG/11/2)**

Before starting the presentation and the discussion of the document, clarification was requested of the objective of the risk register review and how this register is related to the Risk Register Fund and of the consequences of modifying the risk register and if these modifications change the Risk Register Fund. It was indicated that the Risk Register Fund is an invention of MSAG, supported by the Council in Council Decision 619, to encourage the secretariat to account for potential financial exposure due to potential risks that become real. The objective of the risk register review is to advise the secretariat of any missing risks perceived by the members and to seek clarification of the risks that are included.

The risk register is independent of the Risk Register Fund, and the size of this fund was set by Council Decision 619.

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The chairperson reminded the members that MSAG is only an advisory body, which has review responsibilities and provides feedback to the secretariat and to the Council. Therefore, with respect to the question asked at the start of this meeting relative to the Risk Register Fund, MSAG’s role is to draw attention that it has not been properly funded since its creation; however, it is the role of the Council or CWG-FHR, assisted by the secretariat, to find the appropriate financial resources to satisfy the requirements of Council Decision 619.

**Extract from report of the twelfth meeting of MSAG (MSAG 12/7)**

4 Risk Register review (document MSAG/12/3)

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The issue of the adequacy of resources in the Risk Register Fund was again discussed. The participants observed an expectation that the matter might be raised during VCC-2. Referencing document [VC/13r1](https://www.itu.int/md/S20-CLVC-C-0013/en), the possibility was raised by a participant of applying the net savings in expenditures achieved during the Covid lockdown to the Risk Register Fund. The status of the allocation of the surplus funds from last Council was verified. Mr. A. Ba replied to the financial questions to the satisfaction of the participants; however, it was reinforced that it is not MSAG that is responsible for finding the financing for the building, but the ITU Council. The adequacy of resources in the Risk Register Fund will be highlighted in the MSAG briefing to VCC-2.

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