

**PROPOSAL FOR THE ESTABLISHMENT OF  
AN ENDOWMENT FUND FOR UNIDIR**

**Paper presented in conjunction with UNIDIR Director's post application  
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**1. Background and Problems**

- 1.1 According the last UNIDIR Director's report A/68/182 to the Board of Trustees (later referred as the Board):
- 1.2 The current political and financial context is difficult for the Institute to fundraise
- 1.3 The Institute's subvention from the UN regular budget is supposed to cover the costs of the Director and core staff of the institute. However only 84% of the costs of the Director is covered by that.
- 1.4 80% of the Institute's funds depend on voluntary contributions.
- 1.5 There is an increasing competition for a smaller pool of funding available.
- 1.6 There is a decrease in core funding despite success in increasing project funding.
- 1.7 The growing gap between project and institutional funding is unsustainable.
- 1.8 UNIDIR is an autonomous institution within the UN system and it is critical that this autonomy be preserved for the Institute to effectively fulfil its mandate to provide independent research and analysis to all Member States.
- 1.9 All Member States should benefit in a cost-effective and equitable way from independent research and analysis. Member States should be able to determine a topic for analysis of most value to the majority of them.

## 2. Funding model and Solutions

- 2.1 To create an **endowment fund**<sup>i</sup> for UNIDIR.
- 2.2 The first priority is to maintain the administrative, financial, human resources (core and institutional staff) as well as operational needs of the institute for the year 2015 (during the first year) as well as for the two biennium 2016-2017 and 2018-2019.
- 2.3 The endowment fund will be able to cover five years of UNIDIR's annual budget. According to the last report of UNIDIR's Director to the Board, the annual budget (total expenditure) of the Institute over the last three years – since 2011 – has been on average \$3,200,000<sup>ii</sup>.
- 2.4 The endowment fund is initially estimated at **\$10,000,000**<sup>iii</sup>, while making sure that a proper generation of accrued interests is put in place. At a minimum, the endowment will generate the first year between \$400,000 and \$500,000 (between 4% and 5% of interests)<sup>iv</sup>. Accrued interests will hence represent between 12.5% and 15.63% of the Institute's annual budget.
- 2.5 The Institute's structure is a perfect recipient for this type of investment as it is a UN Trust Fund. Voluntary contributions from States, public and private organizations have represented around 80% of the Institute's funds over the last three years – since 2011 – amounting on average to \$2,600,000 a year.
- 2.6 In compliance with part III, section A, paragraph 1 of STA/AI/284 on UN general Trust Funds, an operating cash reserve is maintained in a separate account at a level of 15% of the estimated expenditure during the implementation of trust fund activities to protect against unforeseen shortfalls in delivery, inflation and currency adjustments, as well as any liquidating liabilities.
- 2.7 The operating cash reserve will then be rebuilt since it is currently being used to close the gap between day-to-day operations and the decrease in voluntary incomes. The reserve will then represent \$480,000 a year and \$2,400,000 over five years.
- 2.8 In addition, efforts will be made in ensuring that UNIDIR continues

to receive the subvention from the UN regular budget that is approximate to \$300,000 a year (\$1,500,000 over five years).

- 2.9 A high priority will be to sustain voluntary contributions as received by the Institute in the past, amounting to \$2,600,000 a year (\$13,000,000 over five years).
- 2.10 In total, the endowment fund will initially secure the amount of **\$12,000,000 up to \$12,500,000** (with accrued interests) for the Institute for the period 2015-2019 to be used for core and project activities, with an operative cash reserve of \$2,400,000 that will be put aside.
- 2.11 With the initial endowment fund and a clear fundraising strategy, the Institute will be able to sustain and increase its annual budget by 69% (from \$3,200,000 up to \$5,400,000) during the next five years (2015-2019).**
- 2.12 New funds will also be attracted from new regions; From foundations such as Carnegie Corporation of New York, MacArthur Foundation and Ploughshares Fund; From the private sector (based on UNITAR's example) from large business corporations, oil companies, individual businessmen and philanthropists and major investment companies.
- 2.13 The cooperation with the Global Partnership Against the Spread of Weapons and Materials of Mass Destruction will be further developed, a new cooperation with the United Nations University (UNU) will be put in place and partnerships with other research centers and long-standing partners such as Monterey Institute of International Studies, Secure World Foundation, the Simons Foundation, Fondation pour la recherche stratégique (FRS), Chatham House, VERTIC, SIPRI, the Small Arms Survey and CSIS will be continued.
- 2.14 Fundraising models will be developed. UNIDIR will partner with other UN organizations, research centers, universities and think tanks to increase funding contributions (on the basis of joint and embedded proposals).
- 2.15 Partnerships with NGOs and civil society actors will also be developed. UNIDIR is a unique platform for Governments, UN organizations, think tanks, universities, other research centers as

well as civil society to collaborate on independent research and analysis.

- 2.16 In order to keep researchers and maintain research capacity and expertise in-house, the Institute should explore possibilities for seconding its staff to UN Regional Centres for Peace and Disarmament (UNLIREC in Latin America and the Caribbean, UNREC in Africa and UNRCPD in Asia and the Pacific) and possibly to other UN organizations abroad who have a vested interest in security, disarmament and related themes (UNDP, UNICEF, IMO, etc).
- 2.17 The exposure of UNIDIR's staff to other regions and collaboration with other UN regional centres and entities would not only benefit research and diversify expertise but also enable the Institute to have a presence in the field and strengthen its reputation regionally and internationally, as opposed to now where most UNIDIR's resources (apart from a few consultants) are based in Geneva only. The increased exposure of the institute abroad will improve and sustain the funding model of the Institute.

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<sup>i</sup> The endowment fund is based on a previous successful model when the establishment of the UNU's headquarters in Tokyo was made possible by a generous contribution from Japan of US\$100 million to the university's endowment fund--a capital fund made up of voluntary contributions. Unlike most UN organizations, the university does not receive annual subventions from the General Assembly or member states. Its income is derived mainly from investment income yielded by the Endowment Fund.

<sup>ii</sup> All figures are in United States dollars.

<sup>iii</sup> The fundraising strategy is to first bring an immediate contribution of \$10,000,000 to UNIDIR's fund as an initial endowment while pursuing efforts on fundraising to double the initial endowment to \$20,000,000, with the support of prominent international figures in the field of peace, disarmament and security. Fundraising will tackle new themes in the domains of nuclear security, radiation, counter-terrorism, outer space, cyberspace and sources of environmental conflict that pose complex challenges to regional and international security.

<sup>iv</sup> The proposal is to have the endowment fund based in New York City with SMBC Nikko Securities America, Inc. (SMBC Nikko America), a member of Sumitomo Mitsui Financial Group (SMFG), one of the world's largest global financial institutions that currently proposes investments with a 4 to 5 % interest rate (as opposed to 0.25% to 1.25% with UBS in Geneva).

UNIDIR will follow UNU's successful funding model that also has its endowment fund with SMBC Nikko America. After 40 years of existence, UNU's 2012–2013 biennial budget was US \$142.8 millions, of which approximately 61 % was financed by core income (including endowment fund income and operating contributions) and 39 % by specific programme contributions.