

**Chief Executives Board
for Coordination**

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25th Meeting of the CEB Finance and Budget Network

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International Civil Aviation Organization, Montreal

**CONCLUSIONS OF THE 25th MEETING
OF THE FINANCE AND BUDGET NETWORK****Table of Contents**

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1. Introduction

1. The Finance and budget Network held its 25th Session on 25 and 26 June 2015 at ICAO, Montreal. The meeting was co-chaired by the Network's spokespersons, Mr. Nick Jeffreys, Comptroller, WHO and Mr. Darshak SHAH, Deputy Assistant Administrator, UNDP. The agenda, as adopted is available in document CEB/2015/HLCM/FB/4 Rev.1. and the list of participants is in Annex I.
2. All documents related to the session are available on the FB Network website at <http://unsceb.org/content/june-2015>.
3. Mr. Raymond Benjamin, Secretary General of ICAO, welcomed the FBN members in the ICAO premises and wished success to the FBN 25th session and its conclusions.

2. After Service Health Insurance (ASHI).

Presenter: Mr. Pedro Guazo, Director, Accounts Division, UN Secretariat.

Document: Presentation ASHI report to the FB Network.

Background.

4. General Assembly resolution A/RES/68/244 requested the "Secretary-General to undertake a survey of current health care plans for active and retired staff within the UN system, to explore all options to increase efficiency and contain costs", and "to examine the option of broadening the mandate of the UN Joint Staff Pension Fund to include [...] administration of after-service health insurance benefits, and to report thereon at the seventieth session of the GA."
5. At its December 2014 meeting, the FBN reviewed and approved the TORs prepared by a Working Group led by the UN Secretariat, for a study to be undertaken in response to the discussions ongoing within the General Assembly. Funding was secured from a contribution of the Harmonization of Business Practices Trust Fund.
6. In May 2015 a comprehensive survey was circulated to the agencies of the FBN. The analysis of the results of the survey will be conducted by a consultancy firm, whose report will be used to elaborate the first draft of the study.
7. The Working Group, under the lead of the UN secretariat presented the preliminary findings of the survey and a revised timeline of the deliverables of the Working Group.

Conclusions and follow-up actions.

8. FBN members took note of the postponement of the presentation of the report to the resumed 70th session of General Assembly in early 2016. The FBN requested the UN Secretariat to set a deadline for the Working Group to present the draft of the Report to the GA for comments by the FBN and by the HRN.
9. FBN members agreed that some work should be dedicated to harmonize, to some extent, the assumptions used by actuaries. FBN members also suggested to the Working Group to enlarge the number of countries to be investigated by including Thailand at the time of designing the strategy to use national health plans.
10. The FBN took note of the following first findings out of the survey:
 - a) To encourage the use of national health schemes;
 - b) To improve common negotiating power with healthcare providers, with insurance providers, with Third Party Administrators and with network providers;
 - c) To obtain the best value for money from the insurer for outsourced plans;

- d) To set a common approach to ASHI valuation;
 - e) To design comparable data infrastructure (on ASHI benefits and liabilities);
 - f) To collect additional data to better substantiate the analysis and the conclusions.
11. Finally, the FBN recognized that there is currently no commonality of investment for the existing and future reserves created to face the ASHI liabilities within the UN system, and this lack of communality should also be addressed by the Working Group.

3. Update on ICSC compensation review and financial impact

Presenter: Mr. Michael Rosetz, Senior inter-agency advisor on Human Resources, CEB Secretariat.

Background.

12. The FB network was briefed on the status of the compensation review process and on the proposals emerging so far from the discussion of the HRN Working Group. The final proposal on a revised compensation package for P and D staff will only be confirmed at the ICSC session in July. However, based on the proposals, a presentation was made to show estimated financial implications. The FBN June session was an opportunity to discuss the potential financial impacts and in particular the required transitional and preparatory measures for the implementation of a new compensation model from a payroll, accounting and budgeting perspective, if any.

Conclusions and follow-up actions.

13. FBN members requested to be provided with estimates on savings resulting from the compensation review, as calculated by the CEB Secretariat. FBN members underlined that cost/benefit analyses should be carried out, in particular for the implementation of transitory measures, such as running two systems in parallel.
14. FBN members agreed that WIPO and WHO would propose a draft note on the position of the FBN on the compensation review to be presented to the HRN for integration in the HRN presentation to the ICSC Meeting in July 2015.

4. Cost Recovery rate for pooled funding mechanisms

Presenter: Ms. Henriette Keijzers, Deputy Executive Coordinator, MPTF Office, UNDP.
Document: A harmonized cost-recovery rate for UN Inter Agency pooled funds, CEB/2015/HLCM/FB/9.

Background.

15. In September 2014, the UNDG Fiduciary Management Oversight Group (FMOG) brought to the attention of the FB Network its discussion on the proposed revision to harmonized cost recovery rate for inter-agency pooled funding mechanisms under UNDG governance from seven to eight percent.
16. Following an ad-hoc Video Conference meeting of the FB Network held on 12 November FBN members agreed to establish a Working Group whose ToRs were endorsed by the FBN at its 24th Session, 18 December 2014.

17. The Chair of the Working Group presented her conclusions and her proposed recommendations from the FBN to the FMOG request for the revision of the harmonized cost recovery rate for inter-agency pooled funding mechanisms under UNDG governance from seven to eight percent.

Conclusions and follow-up actions.

18. FBN members agreed on the following text as the formal reply of the FBN to the FMOG request:

“In July 2014, UNDG ASG Advisory Group suggested that “the proposal by the UNDG FMOG to increase the harmonized cost-recovery rate for inter-agency pooled funding mechanisms from seven to eight percent should be referred to the HLCM Finance and Budget Network with a view of arriving at an option that makes sense at the country level”. Based on the work carried out by the FBN working group on harmonized cost-recovery rate for inter-agency pooled funds, the FBN recommends to the UNDG the following:

1. The HLCM Finance and Budget Network acknowledged that the co-existence of different approaches to cost-recovery rates for pooled funding mechanisms poses administrative difficulties and generates confusion among stakeholders;
2. Reiterated its support for mechanisms and approaches that would ensure full cost-recovery, as underlined in the QCPR (A/RES/67/226);
3. Acknowledged that, given the current co-existence of different cost-recovery rates among UN system Organizations, a transition period would be necessary before reaching harmonized rates;
4. Following the completion of a comprehensive process launched subsequent to the request by the UNDG ASG Advisory Group and aimed at harmonizing cost-recovery rates, the Chair of the FBN Working Group concluded that there is no consensus for changing the cost recovery clause at this point in time in the existing agreements, and hence the clause should remain as stipulated in the agreements for all inter-agency pooled funds under UNDG and the oversight of the FMOG.
5. The FBN further noted that harmonization of cost-recovery policies for all pooled funds is desirable, and efforts will continue in that direction, with the aim to arrive at a common position on a common rate, for subsequent submission to the Governing Bodies of respective member organizations. In this process, the UN secretariat is requested to also review the rate of the “UN pooled funds”.
6. This process towards harmonization of cost-recovery policies for pooled funds will be informed by the outcome of the mid-term review of the cost-recovery policy of UN Women, UNDP, UNICEF and UNFPA, and any other relevant reviews by other Agencies.”

19. FBN members also agreed on the proposed definition of UN pooled fund as follows:

A UN inter-agency pooled fund is a funding mechanism that has the three following characteristics:

1. Fund design and administration: The pooled fund is designed to support a clearly defined programmatic purpose and results framework through contributions - usually received from more than one contributor - that are co-mingled, not earmarked to a specific UN entity and held by a UN fund administrator.
2. Joint Governance/Fund operations: Decisions on project / programmatic allocations are made by an UN-led governance mechanism, taking into account the programmatic purpose and results framework of the fund.

3. Fund implementation: Fund implementation is (fully or largely) entrusted to UN entities that assume the programmatic and financial accountability for the resources received.

5. Common definition of operating costs and a common and standardized system of cost control.

Presenter: CEB Secretariat.

Document: CEB/2015/HLCM/FB/5: Proposal of the FB Network on a common definition of operating costs.

Background.

20. In June 2014 the FBN agreed that the conclusions of the Working Group on common cost classification, as outlined in document CEB/2014/HLCM/FB/2 would represent the basis for the UN System's response to the QCPR resolution paragraph 159 and specifically that:
 - The UN System's organizations would use costs classified as "Management" as a proxy definition for "operating costs", along the lines of the definition already adopted by UNDP, UNFPA, UN Women, and UNFPA.
 - Document CEB/2014/HLCM/FB/2 would be integrated with a section on the UN System response to the QCPR's call for a standardized system of cost control, and finalized as a formal response to QCPR resolution paragraph 159.

Conclusions and follow-up actions.

21. FBN members endorsed document CEB/2015/HLCM/FB/5 as the official reply from the FBN to the QCPR resolution paragraph 159 on a common definition of operating costs and on a common standardized system of cost control
22. FBN members committed to reply to the survey on the implementation of the definition of operating cost in view of reporting on the status of implementation of the definition by HLCM to the ECOSOC. It was agreed that agencies unable to implement this definition will also report detailing the reasons preventing them from reporting.

6. Consultative process on 2016-2017 UNSMS budget.

Presenter: Mr. Darshak Shah, Co-Chair, FBN.

Document: CEB/2015/HLCM/FB/7, Draft summary of the consultative process on the governance of UNSMS budget.

Background.

23. The 2016-2017 budget proposal of the UNSMS was presented at an ad-hoc session of the FBN on 2016-2017 jointly-financed activities budgets on 7 April 2015. The FBN members then agreed to start a consultative process on the governance and process related to the development of the jointly financed UNSMS budgets, building on the work already completed during 2012-2014 by the FBN Working.

24. The outcome of the consultative process was presented to the FBN members for discussion and endorsement.

Conclusions and follow-up actions.

25. FBN members agreed with the continuation of the consultative process which gathers finance and security experts. FBN members agreed with the list of participants in the process: the co-chairs of the FBN, UNDSS, UN Secretariat, UNIDO, UNHCR, WFP and FAO.
26. FBN members requested the UN Secretariat to provide three timelines for respectively the billing for 2014-2015, the billing for 2016-2017 and the budget process for 2018-2019. The UN secretariat agreed to provide all information needed by FBN members on UNSMS budget.
27. FBN members agreed that the maximum level of expenditures for UNSMS for 2016-2017 was of USD 225,208,000. It was also agreed by the FBN that expenditures over the agreed maximum would require consultation with the FBN, except in the case of imperative circumstances, such as to reply to critical and unforeseen events.

7. Proposal for an agreement on Medical emergency evacuation.

Presenter: Dr. Michael Rowell, Senior Medical Officer and Dr. Jillan Farmer, Director Medical Services Division. UN Secretariat.

Document: CEB/2015/HLCM/FB/13, Proposal for a common policy on medical emergency evacuation.

Background.

28. At the FB Network meeting on 18 December 2015, the UN Secretariat brought to the attention of the FB Network a request to develop a unified system-wide policy for medical emergency evacuation. As explained by the UN, the UN Medical Directors in the field have authority to initiate staff evacuation. However, there is no formal agreement nor explicit procedure on the financial authorization, the handling of invoice and the billing to Agencies.
29. The UN Secretariat presented a draft policy to the FB Network on the implementation of financial aspects of medical evacuation. The proposed policy would apply on specific and strictly defined circumstances, such as in case of activation of UNMERT.

Conclusions and follow-up actions.

30. FBN members agreed with the spirit of the proposed policy: financial consideration should not interfere with staff care. However, the draft policy should be revised and should clearly detail financial procedures including:
 - a. Specific circumstances triggering the policy;
 - b. Clear identification of the person accountable for the decision of the evacuation;
 - c. Time boundaries for the policy to be invoked on each evacuation case; after this time, the incurred expenditures should be processed through the normal procedures;
 - d. Detail the evacuation procedure to ensure that the best option is selected in the interest of the staff and that this option is also cost efficient.
 - e. Applicability of the policy system wide.

8. Review of the implication of IPSAS adoption for jointly-financed activities.

Presenter: Mr. Pedro Guazo, Director, Accounts Division, UN Secretariat.

Document: CEB/2015/HLCM/FB/12, Message from the UN Secretariat detailing shared liabilities by participating Organizations in Jointly Financed Activities.

CEB/2015/HLCM/FB/8, Accounting for Jointly Financed Activities and Joint Operations/ Arrangements at the UN.

Background.

31. At the FBN meetings on 18 December 2014 and on 7 April 2015, the UN Deputy Controller raised two issues resulting from the UN's transitioning to IPSAS which have implications for the other UN system organizations. Firstly, the UN was challenged by the auditors as to why the UN was not accounting for certain MPTFs administered by UNDP but under UN control such as the Peace Building Fund and more recently the MPTF of UNMEER. Money relating to these MPTFs is only channeled through UNDP which acts as agent, so probably, with justification, the UN along with the other UN system organizations that act as principal to these MPTF arrangements may have to account for the totality of these operations in their books.
32. Secondly, this approach is also relevant to JFA accounting. The JIU and the CEB are not technically part of the UN Secretariat. With the adoption of IPSAS, the UN will not be accounting for the total ASHI liabilities for JFA funds; but only accounting for its share of the JFA ASHI liabilities. This brings to the fore front that current JFA billing does not take into account ASHI costs. It is to be expected that at some point, the auditors will start asking each UN organization whether its share of this liability is on its books or not. Auditors have already started this conversation with the UN as regards Volume 1. As the UN accounts for its share of the MPTFs and of the JFA, very soon, the auditors will look for each organization's share in its books.
33. In March 2015, the UN Secretariat circulated a message to concerned organizations where liabilities related to jointly financed activities were relatively shared among organization financing these activities. While the message was of an information nature, the Deputy controller of the UN suggested devoting some time at the FBN in order to have a common position for the future and also in dealing with the auditors.

Conclusions and follow-up actions.

34. FBN members agreed to request the IPSAS Task Force to provide an informed recommendation on the proper way to account for the liabilities of jointly financed activities, starting by exhaustively listing the liabilities and taking into account the different possible scenarios: accruing for the liabilities or pay-as-you-go arrangement.

9. Review on the implementation by UN agencies of PAGODA.

Presenter: Mr. Pierre Harzé, Deputy Director UN/UNDP representation office in Brussels, UNDP

Document: Presentation Working with the EU, a new beginning

Background.

35. The new template agreement (PAGODA) entered into force on 1st January 2015. While not suited for the UN in many aspects, the UN controller decided to accept the implementation of the new template for one year, and to feedback on the issues encountered. At mid-point of the first year of implementation, FBN members took the opportunity of the 25th session to share experience on the implementation of PAGODA.

Conclusions and follow-up actions.

36. FBN members underlined the necessity to follow-up closely the evolution of the implementation of PAGODA, since interpretation of the agreement varies depending on the EU interlocutor (Delegation or HQ). FBN members stressed the importance of the communication and training on PAGODA's implementation within the UN system in order for all to benefit from the same treatment by the EU.

10. Quantifying the costing of oversight in the UN system.

Presenter: Mr. Andrew Saberton, Chief Finance Branch, UNFPA.

Document: 1. CEB/2015/HLCM/8a, Concept note on costing of oversight mechanisms;

2. Presentation Cost of oversight in the UN system;

3. Template survey to capture cost of oversight.

Background.

37. Following on the work carried out by the FBN on a reference risk management, oversight and accountability model for common positioning by the UN system, at its 28th session in New York, HLCM requested the FBN to “conduct an assessment of cost related to the oversight and accountability structures and mechanisms, for the entire UN system”.
38. UNFPA proposed an approach to quantify the costs that UN Organizations incur to maintain their oversight and accountability structures. UNFPA designed a template to capture such costs, for review by the FB Network at its June 2015 session.

Conclusions and follow-up actions.

39. FBN members agreed to create a restricted Working Group which would test the template to capture oversight costs and would provide with guiding principles to other agencies on how to fill in the template.
40. FBN members agreed that the Working Group will include UNFPA (lead), WIPO, UNDP, ILO, WFP and UNICEF. It was also agreed that UNFPA will set the timeline of the work and set the date for a Video Conference meeting in September 2015 to take stock of the progress made and in preparation to report to HLCM meeting (5-6 October 2015).

11. Common Treasury Services – Progress report.

Presenter: Mr. Nick Jeffreys, FBN Co-Chair.

Document: Presentations on Banking Harmonization across the UN system and on FOREX Harmonization & Centralized Trading.

Background.

41. The Working Group on Common Treasury Services (WGCTS) was established in 2009 by the FB Network. Four harmonization initiatives were identified and had been continuously pursued by the WGCTS which successfully achieved tangible results over the past years. The WG also set up a web-based knowledge sharing tool, the Treasury Community of Practice (TCOP) website which was fully launched and functional by January 2010.
42. The FB Network members received an update on the status on Banking Harmonization and Foreign Currency Management activities.

Conclusions and follow-up actions.

43. FBN members took note of the progress made in the banking harmonization and foreign currency management activities of the Working Group on Common Treasury Services, and supported the deliveries of the Working Group. FBN members underlined the necessity for the work to continue, even if it would be at a reduced pace for banking harmonization since all “big” countries have now gone through the banking RFP’s process.

12. UN-SWAP on gender equality and women’s empowerment.

Presenter: Ms. Donna Grimwade, Chief of accounts, UN-WOMEN

Document: CEB/2014/HLCM/FB/9: Briefing Note on UN-SWAP by UNWOMEN

Background.

44. In April 2012, the CEB endorsed a system-wide action plan (UN-SWAP) to operationalize the system-wide policy on gender equality and women empowerment and accelerate gender mainstreaming within the UN system.
45. The SWAP contains performance indicators that set out minimum requirements for UN entities on gender equality and women’s empowerment. It defines also reporting requirements, including timelines for reporting and minimum requirements to be met and by when. In relation to financial resources, two indicators are defined:
 - Indicator 8 Financial resource tracking
 - Indicator 9 Financial resource allocationEntities are expected to meet all requirements between 2017 and 2019.
46. The creation of a FB Network Working Group was agreed in June 2014. A stocktaking survey on the implementation of the Gender Marker was conducted in May-June 2015 and results were presented to the FBN.

Conclusions and follow-up actions.

47. FBN members took note of the poor implementation level of Indicator 8 and Indicator 9 of the UN-Swap within the UN system. FBN members underlined the necessity for all Organizations to participate to trainings and workshops organized by UN-Women in order to learn how to apply these indicators.

13. Open discussion on the future activities of the FBN and A.O.B.

Presenter: Mr. Nick Jeffreys, Co-Chair FBN.

Document: CEB/2015/HLCM/FB/11, Reflection on the future activities of the FB Network.

Background.

48. The TORs of the FB Network have been agreed since 2013. The co-chairs of the FB Network have suggested identifying which themes could be addressed in the future at the FB Network level. The FBN members have discussed proposals.

Conclusions and follow-up actions.

49. FBN members agreed that a number of topics will continue to be dealt by the FBN:
- a. Funding of Jointly Financed Activities,
 - b. Risk management
 - c. IPSAS implementation
 - d. Management and funding of ASHI liability
50. FBN members also identified additional topics which should be address by the FBN:
- a. Incorporating IATI requests of statistics in the CEB financial collection of data;
 - b. How Organizations manage the fluctuation of major currencies, such as the Euro;
 - c. Guidance on how to recognize specific liabilities such as JFAs;
 - d. Following up the adoption of the new standards by the IPSAS Board and its impacts on Organizations such as on the Statement of Internal Control;
 - e. Engaging in a dialogue process with the BoA and the panel of the BoA to ensure consistency of auditors practices between auditors;
 - f. Cost-recovery rate to be analyzed and brought up to the political level (HLCM and CEB) rather than the technical level;
 - g. Shared service center issues are currently dealt within the procurement network and should also be looked at by the FBN.
51. FBN members agreed that the next face-to-face meeting will be hosted by the ITU in Geneva. The exact date will be set after consultation with FBN member Organizations during one of the last three weeks of June 2016.