

**Chief Executives Board  
for Coordination**

CEB/2015/HLCM/FB/1

22 April 2015

**24<sup>th</sup> Meeting of the CEB Finance and Budget Network**

Videoconference, 18 December

9.30 a.m. – 12.00 a.m. EST / 15.30 – 18.00 CET

**CONCLUSIONS OF THE 24<sup>th</sup> MEETING  
OF THE FINANCE AND BUDGET NETWORK****Table of Contents**

	Paragraphs
Introduction.....	1 - 2
I. IPSAS – Review and approval of the amended IPSAS project proposal for 2016-2017 .....	3 - 5
II. Cost Recovery – Review and approval of the Working Group’s Terms of Reference and Deliverables.....	6 - 10
III. ASHI .....	11 - 16
IV. 2016-2017 budget process of Jointly Financed Activities,.....	17 - 21
V. Common Treasury Services - Briefing on the status and next steps of the ongoing projects, based on the outcome of the New York meeting 10-11 November 2014.....	22 - 23
VI. Any other business.....	24
a) Update on ICSC compensation review. ....	25
b) Recent developments of the EU-UN negotiations. ....	26
c) Development of a proposal for a unified system-wide policy for medical emergency evacuation. ....	27
d) Agenda, dates and venue for the FB Network face-to-face meeting in June 2015.....	28

## **INTRODUCTION**

1. The Finance and budget Network held its second 2014 session via videoconference on 18<sup>th</sup> December 2014. 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/2014/HLCM/FB/13 Rev.1.
2. All documents related to the session are available on the FB Network website at <http://unsceb.org/content/december-2014>.

### **I. IPSAS – Review and approval of the amended IPSAS project proposal for 2016-2017.**

Presenter: Mr. Chandru Ramanathan, Deputy UN controller.

Document: UN-system wide IPSAS project – proposal for 2016-2017, CEB/2014/HLCM/FB/14.

#### **Background.**

3. At the FBN meeting of June 2014, FBN members reviewed the proposed project of the IPSAS Tasks Force for the period 2016-2017. The Chair of the IPSAS task force was requested to revise the proposed project taking into account the following points:
  - a. The roles and functions of the P-5 position should be further clarified and outlined in detail, in connection to its substantive, coordination, and communication tasks.
  - b. Alternative options should be considered, in addition to the proposed option of a full time P5 position. Such option should include a provision for consultancy services, and/or part-time position(s).
  - c. The Network expressed its preference towards maintaining the project nature of the Task Force, without a structural integration of its staff resource in the work force of the CEB Secretariat.
  - d. The overall level of the budget should be subject to some further reduction, especially with respect to travel and consultancy expenses.
4. In addition, it was asked to the Chair of the IPSAS Task Force to propose possible modalities for stronger and more effective representation of the UN system at the IPSAS Board.

#### **Conclusions and follow-up actions.**

5. FBN members endorsed the revised Terms of reference of the UN system wide IPSAS project - proposal for 2016-2017 as outlined in document CEB/2014/HLCM/FB/14 and the proposed budget included therein<sup>1</sup>, with the understanding that the FBN would undertake a further assessment of the UN system needs for IPSAS related support in the course of 2016.

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<sup>1</sup> In April 2015, the 2016-2017 budget of the IPSAS project was revised at \$586,400 from an initial proposal of \$695,700 in December 2014, due to changes in UN Secretariat standard rates for staff, office and IT equipment.

## II. **Cost Recovery – Review and approval of the Working Group’s Terms of Reference and Deliverables.**

Presenter: Ms. Henriette Keijzers, Co-chair UNDG Joint Funding sub-committee, UNDP.

Document: Terms of reference of the Working Group on cost-recovery, CEB/2014/HLCM/FB/15

### **Background.**

6. The UNDG Fiduciary Management Oversight Group (FMOG) has brought to the attention of the FB Network its recent discussion on the proposed revision to harmonized cost recovery rate for inter-agency pooled funding mechanisms under UNDG governance from seven to eight percent.
7. Following an ad-hoc Video Conference meeting of the FB Network held on 12 November 2014, FBN members:
  - a. Acknowledged with concern that the co-existence of different approaches to cost-recovery rates for pooled funding mechanisms poses major administrative difficulties and generates confusion among stakeholders;
  - b. Agreed to launch a comprehensive process aimed at harmonizing cost-recovery rates;
  - c. Reiterated their support for mechanisms and approaches that would ensure full cost-recovery, as underlined in the QCPR (A/RES/67/226);
  - d. Acknowledged that, given the current co-existence of different cost-recovery rates among UN system Organisations, a transition period is necessary before reaching harmonised rates;
  - e. Stressed that the implementation of revised cost-recovery rates will have no effect on the cost-recovery rates for agreements signed previously to the implementation date.
8. The comprehensive process would consist of the establishment of a working group, under the leadership of the Co-chair of the UNDG Joint Funding sub-committee. The tasks of the working group would include:
  - a. Propose a clear definition of the different types of inter-agency pooled funds, including a breakdown of existing funds;
  - b. Arrive at a shared understanding and justification of the move of the cost-recovery rate to eight percent;
  - c. Identify opportunities to pursue rate harmonization beyond pooled funding mechanisms, to all voluntary funding.
9. UNDP, UNICEF, UN, UNFPA, UNESCO and WFP expressed interest in contributing to the Working Group.

### **Conclusions and follow-up actions.**

10. FBN members approved the composition, the terms of reference and the scheduled activities of the working group.

## III. **ASHI**

Presenter: Pedro Guazo, UN

Documents: Concept paper for the ASHI Working Group consultancy requirements - DRAFT, CEB/2014/HLCM/FB/17.

### **Background.**

11. 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.”
12. At the June 2014 FBN meeting, FB Network members reviewed the draft Terms of Reference and agreed to:
  - a. Finalise the TORs of the FBN Working Group on ASHI after incorporating all comments from the Working Group members;
  - b. Identify the subset of deliverables in response to specific requests by the GA resolution A/68/244;
  - c. Finalise the TORs for a study in response to the GA mandate as per point 2 above, to be assigned to an external consultant.
13. The UN presented to the FBN the final version of the TORs integrating all comments including from HRN and FAFICS, and the conclusions from the previous FBN meeting. The proposed Working Group should be composed of the following entities: UN (lead), WHO, FAO, ILO, WFP, UNICEF, WIPO, UNESCO, UNHCR, IAEA, UNFPA, UNIDO, UNDP, ITU, UN-WOMEN, WTO, UNJSPF and FAFICS (Federation of Former International Civil Servants). Representatives from the HR Network should also participate to the activities of the Working Group.

### **Conclusions and follow-up actions.**

14. FBN members approved the composition, the different elements of the terms of reference and the scheduled activities of the Working Group, provided that the analysis under section D “Funding alternatives of the liability” takes into account the different funding sources (assessed versus voluntary).
15. FBN members agreed that activities of Pillars A and B would be undertaken with the support of a consultancy firm. Funding would be sought through the HLCM HBP Trust Fund
16. It was finally agreed that the first meeting of the Working Group should be scheduled early January, in advance of the beginning of the work with the consultants.

## **IV. 2016-2017 budget process of Jointly Financed Activities.**

Presenter: CEB Secretariat.

Document: Outline of the process of the 2016-2017 budget approval of Jointly Financed Activities, CEB/2014/HLCM/FB/19.

### **Background.**

17. The CEB Secretariat outlined the review and approval process for the proposed programme budgets of the Jointly Financed Activities (CEB Secretariat, JIU, ICSC, UNSMS IPSAS project) for 2016-2017. UNRC is also a JFA, however its budget is managed by UN-DOCO under the responsibility of UNDG.

18. JFAs (except UNRC) follow the UN Secretariat budget approval process. By January 9th, 2015 the UN controller's office would have received all proposed budgets subject to its review. At the time of this FBN meeting, proposed budgets were not available.

**Additional comment.**

19. The Chair of the Task Force on Accounting Standard (TFAS) raised two issues resulting from the UN's transitioning to IPSAS which have implications for the other UN system organisations. 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 channelled 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.
20. 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 organisation's share in its books. The Chair of TFAS suggested to devote some time at the next face-to-face meeting to figuring out what this issue means in terms of cost and of accounting, in order to have a common position in dealing with the auditors as well. The Chair of TFAS proposed to prepare a note to kick off the discussion on this issue. This issue doesn't have to impact the 2016-17 budget, but moving forward determining how to handle it will have to be done.

**Conclusions and follow-up actions.**

21. The CEB Secretariat mentioned that, with regard to the budget approval process for JFAs for 2016-2017, FBN Members should expect to receive the JFAs budget proposals for their review in Q1 2015.
22. The Co-Chairs of the FBN thanked the Working Group on the Governance of the UNSMS budget and its Chair for the very valuable work carried out. It was agreed to bring forward the discussion directly with the UN comptroller as appropriate.
23. It was agreed to devote some time at the next FBN meeting on challenges raised by IPSAS implementation on accounting for funds and liabilities. It was nevertheless stressed that this discussion would not impact the 2016-2017 budget.

**V. Common Treasury Services - Briefing on the status and next steps of the ongoing projects, based on the outcome of the New York meeting 10-11 November 2014.**

Presenter: Mr. Nick Jeffreys, Comptroller, WHO

**Background.**

24. Following the November Treasury Group meeting, the FB Network received an update on the status of the four projects of the Working group on Common Treasury Services,

namely Banking Harmonization, Foreign Currency Management, Investments and Risk Management and Payments.

**Conclusions and follow-up actions.**

25. FB Network took note of the following:

- The USD RFP process was completed and results were widely shared;
- RFPs on field banking services continue;
- Knowledge sharing session on optimal management investments took place;
- Informative session on non-cash payments possibilities, in particular in regions where cash payments are difficult such as in Ebola affected countries, provided valuable insights;
- The Treasury Group was ready to start a survey on the existing funding practices of ASHI liabilities among the UN Organizations, to support the work of the WG on ASHI.

**VI. Any other business**

**a) Update on ICSC compensation review.**

26. The FB network was briefed on the compensation review process and of the progress made so far. It was brought to the attention of the FBN that the concrete proposals of new compensation models will start to emerge in the coming months at the Working Group meeting. Consensus on the new compensation model should be reached by mid-May 2015 within the Working Group. Based on these proposals, it would be possible to evaluate the budgetary impact and any needed transitional measures before implementation. The FBN June meeting will be an opportunity to review the outcomes of the Compensation review and its financial impacts, including the impacts on workflows and processes.

**b) Recent developments of the EU-UN negotiations.**

27. The FBN was informed by the UN controller's office that the negotiations on the new agreement template PAGODA were completed and that PAGODA enters into force on 1st January 2015. It was shared that compared to the previous agreement, PAGODA is financially more risky with much higher transaction costs. Attention of the FBN members was drawn on the necessity to negotiate individual delegation of implementation; negotiations on special delegations would begin in June 2015. Finally, PAGODA is implemented on a trial period of one year and additional guidance on practical implementation issues is expected from the EU.

**c) Development of a proposal for a unified system-wide policy for medical emergency evacuation.**

28. 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. A proposal from the UN to cover these aspects should be presented in advance of the FBN June meeting in order to reach approval from the FBN at the time of the meeting. The policy is expected to be implemented by 30 June 2015.

**d) Agenda, dates and venue for the FB Network face-to-face meeting in June 2015.**

29. The following topics were proposed for inclusion in the agenda of the June meeting:
- ASHI: review of draft report;
  - Update on the Compensation review exercise by HR Working Group and ICSC;
  - Update on the UNSMS budget and governance discussion with the UN comptroller;
  - Proposal of a Medical evacuation policy;
  - Implementation of EC-UN agreement: experience sharing in the first half of 2015;
  - IPSAS and its consequences: differences between budgeting and finance reporting;
  - Report proposal for a Harmonization of Cost-recovery for pooled funding mechanisms;
  - Update on progress on implementation of gender equality markers
30. Agreed dates of the next FB Network face-to-face meeting at ICAO, Montreal: Thursday 25 and Friday 26 June 2015.