UNITED NATIONS SYSTEM

CEB

Chief Executives Board **for Coordination**	CEB/2009/HLCM/FB/4 11 February 2009

CONCLUSIONS OF THE MEETING
OF THE FINANCE AND BUDGET NETWORK
(Videoconference, 11 February 2009)

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INTRODUCTION

1. The Finance and Budget Network held its first 2009 session via videoconference on 11 February 2009. The following organizations participated in the meeting: from New York: UN, UNDP, UNICEF, UNFPA and UNDG; from Rome: FAO, IFAD, and WFP; from Geneva: ILO, IOM, ITC, ITU, UNAIDS, UNCTAD, UNFCCC, UNHCR, UNOG, WIPO, WHO, WMO, WTO and the CEB Secretariat; from Vienna: IAEA, UNIDO, and UNODC; from London: IMO; from Paris: UNESCO; from Amman: UNRWA; from Washington: PAHO; from Montreal: ICAO; from Madrid UNWTO. The agenda as approved is attached as Annex 1 and the list of participants as Annex 2.

2. The meeting was co-chaired by the Network's spokespersons, Mr. Gary Eidet, Director, Division of Budget and Finance, IAEA, and Mr. Jay Karia, Director, Accounts Division, United Nations.

3. All documents related to the session are available on the FB Network website at: https://fb.unsystemceb.org/documents/FBNetworkvideoconf11Feb09/

I.   Final Report of the Working Group on Capital Budgeting – A conceptual Framework for Capital Budgeting in the UN System

[Gary Eidet, IAEA; Michael O'Hara, UNDP]
 (Report of the Working Group on Capital Budgeting Practices, CEB/2008/HLCM/FB/2)

4. The FB Network was briefed on the progress of this working group.

5. In October 2008, the working group issued a survey to benchmark how organizations are currently applying capital budgeting. Twenty two organizations members of the CEB Finance and Budget Network responded to the survey, plus ADB, WB and OECD. On the basis of this analysis the working group produced a conceptual framework for the introduction of capital budgeting in United Nations system organizations.

➢   **Conclusions and Action Points**

The FB Network:

6. Endorsed the conceptual framework produced by the working group as useful tool, broad in scope, strategic in focus, and inclusive in nature. The proposed conceptual framework contains agreed principles and definitions for capital budgeting and statements on a series of other critical elements: capital budgeting policy and governance, capital budget scope and restrictions, structure, financing and compliance with IPSAS.

7. Recommended that the conceptual framework be used as the reference by member organizations in any attempt at introducing capital budgeting modalities in their budgeting frameworks, consistently with their legal and regulatory framework.

8. Endorsed the recommendation to reconvene the Working Group in 18 months time (June 2010) to further assess progress made and lessons learned by the organizations.

II. Progress report from the UNDG-HLCM Cost Recovery Working Group

[Yolande Valle, UNESCO]

(Progress report from the Chair of the HLCM – FB Network Working Group on Cost Recovery Policies on the UNDG – HLCM Joint Study, Power-point Presentation)

9. The FB Network was briefed on the progress of this working group.

10. The Working Group on Cost Recovery Policies was re-established in June 2007, chaired by UNESCO and mandated to identify possible areas for harmonization of cost recovery policies. In November 2007. The Working Group and its Task Force on Costs Categorization agreed that, in the MDTF and "Delivering as One" pilot countries, PSC rates were de facto harmonized at reduced levels, most often at 7%.

11. Following the UNDG-HLCM consultations held on 4 April 2008, two consultants were hired under the joint lead of HLCM and UNDG with the view to accelerate and further develop the harmonization of support cost policies. The study was in its implementation phase: two out of three inception visits to field offices had been completed (India, Tanzania), the last one would be held in Vietnam at the end of February 2009. The study would be completed by the first semester of 2009.

➢ **Conclusions and Action Points**

The FB Network:

12. Took note of the preliminary observations and findings of the ongoing study. Consultants noted that the existing considerable differences between UN system organizations' policies and practices could adversely affect the possibility to fully harmonize the charging of direct costs to projects and the consultants' ability to fully respect the list of deliverables (e.g. common price lists of inputs per country). Consultants also noted that funding mechanisms vary widely among organizations creating differences in the need to recover costs incurred in connection with project delivery that need to be taken into account in the harmonization process. Expected deliverables were restated consequently and presented to the FB Network.

13. Encouraged the working group to achieve the results of the study as reaffirmed and presented to the FB Network. Particular emphasis was placed on the definition of common guidelines to identify direct costs of projects in the field and on the further

homogenization of cost classification methods and PSC policies among UN system organizations.

III. Results and Preliminary Analysis from the Survey on Common Treasury Practices

[Nick Jeffreys, WHO; Munehiko Joya, IFAD]
(Initial Observations of the Survey on Common Treasury Services, CEB/2009/HLCM/FB/3)

14. The FB Network was briefed on the progress of the working group on Common Treasury Services.

15. The preliminary phase of this project was launched in September 2008 with the objective to identify, assess and prioritize specific areas where efficiencies and economies of scale can arise from the application of common treasury practices and services. The services and areas of intervention considered as priority could then be included in the "execution phase" with the objective to develop a full feasibility study including tasks and responsibilities for their implementation.

16. A survey on current treasury practices was issued by the working group and initial observations and results were shared with the FB Network. Whilst there may be apparent obvious opportunities for some of the areas initially identified – i.e. cash/investment pooling - there would be important legal, governance and managerial barriers to overcome for real integration. Consequently, focus could initially be on "quick wins", areas offering attractive and practical solutions which can be put in place in a relatively short time frame.

➢ **Conclusions and Action Points**

The FB Network:

17. Took note of the initial observations and findings of the preliminary phase of this project. A first step may be taken on knowledge sharing in areas such as external fund management, investment advisory services, investment committees, custodians, banking arrangements, payment methods, FX platforms, risk management. Knowledge sharing could also provide the basis for establishing common guidelines in the area of investment management, practices and/or definitions in areas such as counterparty risks, credit risk, and liquidity definitions. Information on other areas of common interest could be identified and knowledge sharing platform established and/or broadened. Best practises in related compliance monitoring activities could also be explored. Finally, the possibility of joint RFPs and contracting joint services for different banking services could be explored.

18. Encouraged the working group to produce its conclusions and share its results with the FB Network members at the second meeting of 2009. A second phase of the study

could be launched after approval by the Network, to conduct a full feasibility study on the areas of intervention considered as priority.

19. Asked the working group to share the consolidated results of the survey with the FB Network for review and feedback. The survey results would allow the working group to further identify and assess priority areas for common treasury services.

IV. Recruitment of the new FB Network Advisor – CEB Secretariat

[Remo Lalli, CEB Secretariat]

20. The Network was briefed on the recruitment process for the new FB Network advisor, which was about to be launched through an inter-agency selection process. Contrary to the initial plans, the CEB Secretariat budget proposal for the biennium 2010-2011 had been finalized with a confirmation of the current grade for this post, i.e. P-4, despite the support already provided by the full Network membership to an upgrade to the P-5 level. This decision was made to address the Secretary-General's call for budget restraint and maintenance of zero-growth levels in the budget proposals across the board, in light of the necessary consideration to be given to the difficult budgetary situation faced by most organizations of the UN system as a result of the global financial crisis.

V. Update from IAEA on U.S. Income Taxes

[Gary Eidet, IAEA]

21. The FB Network was briefed on the latest developments of the discussion with the US Government on tax reimbursement for US staff members.

22. As a result of a recent International Labour Organization Administrative Tribunal (ILOAT) judgement, many UN system organizations have been reimbursing US staff members for US taxes based on a "Last income" method or will soon start to do so. At the same time, the "First income" basis has been used by the US Government to refund organizations. As a consequence, these organizations are financing part of the tax reimbursement for US staff members.

23. In July 2008, the FB Network had agreed to re-affirm with the US Administration the position of UN system organizations in this respect.

➢ **Conclusions and Action Points**

The FB Network:

24. Supported the proposed course of action, i.e. to prepare a letter in consultation with the Legal Network, re-affirming the main points of the UN system organizations' common position on this matter, providing further arguments in their support, and also

requesting the US Government to appoint an official to enter in negotiations with the representatives of UN system organizations.

VI. Update from the IPSAS Task Force and Approval of the Task Force Budget for 2010-2011

[Jay Karia, United Nations; Gwenda Jensen, IPSAS Task Force]

(Task force on Accounting Standards IPSAS Adoption Progress Report, CEB/2009/HLCM/8)

25. The Network was briefed on the latest progress report from the Task Force on Accounting Standards.

26. The report was composed of two main parts: *i)* results of the questionnaire issued by the task force on the status of implementation of IPSAS adoption as of 31 January 2009 by the organizations of the UN system; *ii)* state of advancement and proposed future developments of the system-wide IPSAS project.

➢ **Conclusions and Action Points**

The FB Network:

27. Took note of the concerns on the ability of UN system organizations not able to meet the 2010 target date, expressed by the Panel of External Auditors and supported by the information collected in the last IPSAS adoption progress report.

28. Mandated the IPSAS system wide team to carry out a new, in-depth analysis, possibly through an updated survey across member organizations, to provide a detailed and reliable picture of expected UN-system wide IPSAS implementation, with existing constraints, envisaged risks, and cost implications for delayed implementation.

29. Encouraged the United Nations IPSAS team to meet the established deadline of mid-2009 for the completion of the training materials for all courses to be included in the training suite. It appeared that, while the insufficient capacity of the system-wide team from November 2009 onwards and the consequent takeover of this task by the UN system team caused delays, the targeted completion date remained achievable.

30. Endorsed the proposed work plan and related budget for 2010-11 of the system-wide IPSAS team and agreed to present it to the next HLCM meeting for approval. The system-wide support for IPSAS adoption in 2010-2011 will focus on the following three areas: administration and communication; accounting guidance and policies, IPSAS Board involvement. A detailed Work Plan was provided in the report: the proposed biennial budget amounted to USD 1,331,000, with a proposed staffing of 3 analysts and 1 part-time administrator. The actual funding requirement amounted to USD 477,000 (with USD 854,000 rolled-forward from the 2008-2009 budget, as outlined in document CEB/2009/HLCM/8).

VII. Any Other Business

i) Disclosure Policy for Information Collected through the FB Network

[Remo Lalli, CEB Secretariat]

31. The Network was briefed on the emergent need for a disclosure policy for information collected through the steadily increasing number surveys and questionnaires carried out by the CEB Secretariat.

➢ **Conclusions and Action Points**

32. The FB Network asked the CEB Secretariat to develop a disclosure policy for such information and to submit it for approval by the FB Network at its next meeting.

ii) Transparency on Common Security Costs

[Nick Jeffreys, WHO]

33. The issue of severe lack of transparency in current budgeting and reporting for cost-shared safety and security expenditures, associated with a constant and significant increase in the amount of resources requested, was raised.

➢ **Conclusions and Action Points**

The FB Network:

34. Took note of the observations and proposals for transparency of budgeting and reporting for security expenditures and decided to discuss and address the subject more extensively at its second 2009 session.

Annex 1

AGENDA

Videoconference, <u>Wednesday, 11 February 2009</u>
8.30-11:30 New York time; 14:30-17:30 CET

**I   Final Report of the Working Group on Capital Budgeting - A Conceptual Framework
for Capital Budgeting in the UN System** (CEB/2009/HLCM/FB/2, for approval)

II.   Progress report from the UNDG-HLCM Cost Recovery Working Group (for
information)

III.   Results and preliminary analysis from the survey on Common Treasury Services
(for information and guidance on next steps)

IV.   Recruitment of the new FB Network Advisor - CEB Secretariat (for information and
agreement on recruitment process)

V.   Update from IAEA on U.S. Income Taxes (for information)

**VI.   Update from the IPSAS Task Force and Approval of the Task Force Budget for
2010/2011** (for information and for approval)

VII.   AOB
   i)   Disclosure policy for information collected through FB Network surveys
   ii) Transparency on Common Security Costs

Annex 2

LIST OF PARTICIPANTS

New York: Jay Karia, UN Gwenda Jensen, UN Darshak Shah, UNDP Michael O'Hara, UNDP Giovanie Biha, UNDP Ayalew Abai, UNICEF Subhash K. Gupta, UNFPA Iva Goricnik, UNFPA Ashok Nigam, UNDG **Washington, DC:** Sharon Frahler, PAHO **Montreal (by audio):** Rahul Bhalla, ICAO Hugh O'Donnell, ICAO **Amman:** Jagannathan Gopalan, UNRWA **London:** Patricia Richards, IMO Sung-Jin Kim, IMO **Paris:** Yolande Valle, UNESCO Getachew Engida, UNESCO **Madrid**: José G. Blanch, UNWTO Monica Gonzalez, UNWTO	**Geneva:** Greg Johnson, ILO Adnan Chugtai, ILO Jose Vacca, ILO Nicholas Jeffreys, WHO Richard Barr, ITU Alassane Ba, ITU Luckson Ngwira, WMO Janice Cook Robbins, WIPO Udorn Chantranuwatana, UNOG Pornthip Srethwatanak, UNOG Vitali Rousak, UNCTAD Claire Ouerghi, UNHCR François Reybet-Degat, UNHCR K.C. Tan, ITC Leslie Cleland, ITC Mirella Folkson, UNAIDS John Mbae, UNFCCC Anthony Mistri, WTO Julian Finn, IOM Ljiljana Todorovic, IOM Remo Lalli, CEB Secretariat Daniele Alesani, CEB Secretariat **Rome:** Nicholas Nelson, FAO Amir Abdulla, WFP Sean O'Brien, WFP Bambis Constantinides, IFAD Munehiko Joya, IFAD Branka Vukadin, IFAD **Vienna:** Gary Eidet, IAEA George Perrera, UNIDO Chris Kirkcaldy, UNODC