

CEBChief Executives Board for Coordination

High-Level Committee on Management (HLCM)

Finance and Budget Network

CONCLUSIONS OF THE 35th MEETING OF THE FINANCE AND BUDGET NETWORK

(Hosted on MS Teams, 19 & 24 November 2020)

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I. Introduction

- 1. The Finance and Budget Network (FBN) held its 35th session on 19th and 24th November 2020 virtually. The meeting was co-chaired by Mr. Darshak Shah, Senior Advisor to the Administrator, UNDP and Mrs. Chitra Narayanaswamy, Director, Programme Planning and Finance (Comptroller), WIPO.
- 2. The FBN Co-Chairs opened the meeting and welcomed participants. Special welcome was extended to the representative of the Organization for Economic Cooperation and Development (OECD), Ms. Ana Jose Varela Gonzalez, CFO. The OECD joined as observer to the FBN in late 2020.
- 3. Mr. Shah announced the appointment of the new Chair and Vice Chair of the Task Force on Accounting Standards (TFAS), Mr. Adnan K. Chughtai, Treasurer and Financial Comptroller of ILO, and Mrs. Donna Grimwade, OIC and Deputy Director of UN-Women, respectively. The FBN expressed its appreciation to the outgoing Chair, Mr. Pedro Guazo (United Nations), for his great job and leadership.

II. COVID and its impact on Financial Management (challenges and opportunities)

Documentation:

✓ CEB/2020/HLCM/FB/3

Background:

4. An ad hoc FBN virtual session on May 2020 took place to discuss the impact on Financial Management and challenges in the context of COVID-19 pandemic. The forum included discussions on financial accounting policies, internal control and adjustments to operations under remote working conditions. Additionally, there were exchanges on matters related to external and internal audit as well as anticipated funding challenges.

- 5. To continue the discussion started on May 2020, a follow up segment was organized to exchange any updates on the various challenges and opportunities arising during the COVID-19 pandemic. This segment was split into discussions on sustainability & funding challenges including potential impacts on the 2021 budget. The second part of the discussion focused on the external/internal audit perspective, including aspects of fraud, fraud awareness and internal controls.
- 6. The discussion on sustainability and funding highlighted that the immediate and short-term implications of COVID on funding was not a concern, however, major impacts were expected in 2022 and onwards. A budget related challenge would be to identify the underlying assumptions which might include programmatic adjustments as well as redistribution on costs allocations resulting from changes in working modalities (teleworking, hybrid meetings, etc).
- 7. Regarding programme implementation, it was underlined that entities adapted well and rapidly to the new circumstances leveraging on technology, remote-working, and relational capital. The discussion also touched upon the challenge of resources reprogramming and reprioritisation, which required consultations and re-negotiations with donors. In this regard, the issue of funding structures

(limited core and high level of earmarking of non-core) was highlighted as both a challenge and a missed opportunity which must continue to be part of intergovernmental deliberations.

- 8. On the other hand, it was also recognized that new opportunities were brought about by COVID, it accelerated a change in culture towards teleworking and remote working, gave a push to updates with respect to infrastructure and advanced business transformations initiatives. The discussion highlighted that organizations are proactively seeking innovative ways of working while capitalizing on the gained experiences. For instances, remote working has been successfully extended to remote inter-governmental meetings featuring limited remote interpretation; and voting.
- 9. It was noted that further opportunities to create a more agile operational approach could be enabled by the future of work initiative, hybrid teams, etc. Nevertheless, it was cautioned that remote work and teleworking relied on relational capital, and this was built by in-person interactions with the different stakeholders (member states, donors, team members, etc.).
- 10. This sub-segment also featured discussions on risk management, including examples of entities strengthening internal controls to support remote and electronic operations and address any changes in the risk environment. For instance, WIPO developed a specific COVID risk assessment which was shared with its audit committee. Aspects of financial resilience and financial risk mitigation were briefly discussed.
- 11. The audit and fraud sub-segment highlighted that the 2020 audit cycle is expected to be more challenging than the 2019 one in terms of assurance provision. WFP explained that the third line of defense have relied more heavily on the second line of defense due to restrictions impeding verification missions. As a response, WFP strengthened its global and regional oversight functions, and developed a questionnaire for high-risk locations to gather information of controls implemented in lieu of the regular procedures. Additionally, this questionnaire would empower certain decentralized functions to provide the necessary assurance.
- 12. The discussion added that the audit working methods should adjust to the COVID circumstances and should made use of alternative options such as subcontracting local audit firms and make use of technology (successful examples using photographic evidence, satellite images, GPS technology, etc. were shared). This discussion will be initiated with the Board and the Panel by the Network.
- 13. In addition, entities expressed concern about the lack of consistency among auditors regarding the COVID emphasis of matter. While the variety of business models of the UN system organization would imply different COVID impacts, there are some commonalities that could not be reconciled with the auditors' criteria to express emphasis of matter on few UN entities financial statements. This discussion will be initiated with the Board and the Panel by the Network.

Conclusions and follow-up actions:

14. The FBN members took note of the experiences and good practices shared during the discussions and concluded that the issues related to the auditors' working methods and the inconsistent approach to the emphasis of matter shall be taken by the IPSAS TFAS with the TG of the Panel of Auditors. The TFAS was also requested to develop a COVID disclose standard text to assist the UN system entities during the preparation of the 2020 financial statements.

III. Technical Working Group on Security cost-sharing mechanism (IASMN WG)

Presenters: Mr. Bill Miller, Director, Regional Operations, DSS (the Global Security Situation), and Ms. Renu Bhatia, Technical Working Group IASMN/FBN lead (options under consideration by the working group).

Documentation:

- ✓ CEB/2017/HLCM/FB/8
- ✓ 20201109 TRS BN Evolution of Threats and Challenges in Europe.pdf
- ✓ 20201104 TRS BN Global Security Environment 2020-2021
- ✓ Note to FBN security funding mechanism rev 11Nov2020.docx
- ✓ Details on Options E to J_21Sep2020.docx
- ✓ Options A-J funding model for consultations with FBN rev 21Sept2020.xlsx

Background:

15. At its 29th meeting in June 2017, the FB Network established a working group with joint representation from the FBN, IASMN and DSS to review the funding model for jointly financed security costs. FAO, IOM, WFP, UNHCR, UNDP, UN Women, UNOPS, ITU, UNIDO, UNESCO, World Bank, WHO, CTBTO, ICGEB, UNICEF, UNFPA and the UN Secretariat volunteered to join the Working Group. A Technical Group was established to review the cost-sharing arrangement based on the fundamental principle that such arrangement should be equitable, simple, timely, accurate and transparent. This review aimed to develop a methodology that would provide a harmonized approach including a simple and timely method of implementation. The proposals were presented to the IASMN in its meeting held in June 2020, the IASMN concluded that the proposals should be presented to the FBN for advice.

- 16. The FBN received from Mr. Bill Miller, Director, Regional Operations, DSS a briefing on the Global Security Situation explaining that the deterioration of the security situation has a direct effect on DSS' operations due to the corresponding resource implications. DSS is currently dealing with high levels of instability due to the complexity of multiple crisis and new developments such as the Tigray war in Ethiopia (which expands to neighboring countries), and climate change (which exacerbates instability in affected areas, etc.). Mr. Miller explained that the world of today was different from the one knew before and concluded that all the afore mentioned factors open occasions for actors creating instability to grow and challenges for DSS to mitigate the inherent risks.
- 17. The Technical Working Group IASMN/FBN lead proceeded with the presentation to the FBN of the six options under consideration (E to J).
- 18. The FBN expressed sincere recognition to the work of DSS, and to the efforts of the Technical Working Group to develop the different options. Discussions stressed that the current approach and baselines established were clearly outdated and expressed strong support to bring update the methodology, it was also highlighted that the methodology should use the latest data available.
- 19. Further, it was emphasized that the current methodology was established in 2006, and that the minimum fee has never been adjusted, not even to consider inflation. Headquarter entities without field presence expressed their concern about apportioning based on global headcount figures as this

would ignore the relative low risk levels of HQ locations and the larger role often played by the host country in providing security in those locations. Additionally, small entities were concerned about increases in their contribution and requested more information on the services covered by the minimum fee.

20. During the discussions, the FBN advised to eliminate two options, namely option H and option G, the latter being considered impractical as it would require approval by the General Assembly. Option J was withdrawn. The FBN requested the Technical Working Group to clarify how the options are to be reviewed against the agreed principles and highlighted the importance of the principle of fairness.

Conclusions and follow-up actions:

21. The FBN requested the Technical Working Group to work on the refinement of option F, as this option best complies with the agreed principles, and to come back to the FBN with only two options for assessment. These two options should take into consideration the small organization concerns as well as the indexing of the minimum fee. It was also emphasized that the methodology should use the most up-to-date data available. In addition, DSS was requested to provide more information on the central services provided to assist with the understanding of the basis for the minimum fee.

IV. EU-UN FAFA updates

Presenters: Mr. Pierre Harze Deputy Director United Nations / United Nations Development Programme Representation Office in Brussels, and Mr. Pedro Guazo, UN Controller's Office representative.

Documentation:

✓ *FAFA* update to the *FBN*.10.11.2020

Background:

22. The 16th meeting of the EU-UN FAFA Working Group meeting was postponed to early 2021. The FBN received an update on the work of the EC-UN Working Group on the new Terms of Reference for pillar assessments, the new ECHO contribution agreement and EU restrictive measures.

- 23. Mr. Guazo updated the FBN on the EU-UN FAFA developments. Reference was made to the revised ToRs for pillar assessments which introduced three new pillars, and the obligation to pay for the assessments. It was noted that the ToRs where applicable to IPs and considered not suitable for the UN system, as a result, a working group was established to develop a ToR to fit the UN context whose work was expected to conclude in December. Further, the FBN was informed that official communication to the EU on behalf of all UN organizations would be sent emphasizing the single-audit principle and requesting the extension to the implementation of the assessments.
- 24. ECHO shared the new contractual agreement HACA (Humanitarian Aid Contribution Agreement), the new online platform (e-Single form) and a new budget template. It was noted that these introduced additional requirements, including more granularity on beneficiaries and details on direct vs support costs. An official letter was sent to ECHO drawing attention to the UN system concerns.

25. Regarding the restrictive measures, the FBN was informed that a stock taking of experiences on how the new FAFA sanctions clause has been operationalized by the UN organizations, after analyzing the results a recommendation was made to UN organization to take a risk-based approach.

Conclusions and follow-up actions:

26. The FBN took note of the main EU-UN FAFA developments and agreed to follow a common strategic approach to any issues of common concern to the UN-system entities. The FBN extended appreciation to the work carried out given the importance of the partnership with the EU and requested to receive the ToR under preparation by the working group once finalized.

V. Medical Evacuation (MEDEVAC) and First Line of Defense (FLOD)

Presenter: Mr. Chandramouli Ramanathan, ASG, UN Controller.

Documentation:

✓ MEDEVAC and FLOD FBN.10.11.2020

Background:

- 27. During the FBN ad hoc virtual session on 8th May 2020, UNDP and WFP provided an introductory briefing of the, at the time, recently established Medevac taskforce to FBN members. The Task Force operationalized a unified COVID-19 MEDEVAC System.
- 28. Following the Secretary-General's Executive Committee Decision 2020/36 on COVID-19 Response, UN entities were requested to join the effort to strengthen the first line of defense (FLOD). Following the EC decision, the Medical Services Task Force was established and subsequently, the "First Line of Defence working group" was enhanced to support the Task Force and a Sub-WG on Medical Supplies was created.

- 29. The FBN was informed that the fourteen largest UN system entities participating in the COVID-19 MEDEVAC and FLOD system have agreed to an overall cost-sharing mechanism based on their footprint in the field. Due to the urgency, the arrangement was put into place without consultations with the FBN. It was emphasized that high standards of financial management have been followed. Mr. Ramanathan explained that the MEDEVAC plan is expected to continue at least until mid-2021. It was added that in both cases, MEDEVAC and FLOD, there is enough funding to finance the beginning of 2021.
- 30. The matter of the COVID vaccine was introduced, informing that WHO, UNICEF and UN Secretariat are working on the necessary arrangements to provide the vaccine to UN personnel in locations where governments might not be able to do so. In this context, an integrated solution to include vaccine distribution was highlighted as the best mechanism. This coordinated approach would achieve the maximum economies of scale not only for procuring but also for distributing the vaccines.

Conclusions and follow-up actions:

31. The FBN members took note of the recent developments of the MEDEVAC, FLOD and COVID vaccine and expressed their full support to the work to be carried forward in 2021.

VI. Harmonized principles for cost recovery and cost classifications

Presenter: Mr. Thomas Asare, Comptroller and Director - Financial and Administrative Management, UNICEF.

Documentation:

- ✓ CEB/2019/HLCM/FB/9 Conclusions of the 34th session of the FBN
- ✓ Note on Harmonized principles for cost recovery and cost classifications, FBN meeting Nov 2020.pdf

Background:

- 32. The issue of cost recovery is both a recurrent and an evolving one among UN system entities as they look at the financial sustainability of non-core funding, avoid cross-subsidization and improve fairness and transparency of institutional revenue allocation. A more systematic cost classification and harmonized definitions provide means to ensure that greater clarity is achieved on how resources entrusted to UN entities are utilized and furthermore demonstrate efficiency gains. This is extremely important in an era where significant non-core funding is envisaged in order to accelerate the achievement of the SDGs. It also serves as a way of building confidence for increase in core resource mobilization.
- 33. At its regular session in November 2019, the FBN agreed that the working group on harmonized principles for cost recovery should commence its work under the leadership of UNICEF and participation from UN Secretariat, UNHCR, UNFPA, UNDP, UN Women and WFP. The efforts are to be directed towards harmonization across the UN system to enhance transparency (aligned with the Funding Compact commitments on cost recovery) while allowing for some level of differentiated approaches to cost recovery by individual entities in line with their business models, whilst still based on common methodology.

- 34. The topic was introduced by the FBN Co-Chair, Mr. Shah referring to the many efforts to harmonize cost recovery and cost definitions by various organizations to respond to member states' request for more transparency and accountability. It was emphasized that as funding modalities increasingly move towards pooled funding and joined activities, an agreed cost recovery rate is becoming more relevant. In addition, the QCPR called on cost recovery harmonization to address unhealthy competition among UN organizations. It was also added that the harmonization of the cost classification is the mean to achieve harmonization of the cost recovery rates but allowing some differentiated rates based on legacy and justification.
- 35. The working group explained some of the issues faced. First, a survey based on the harmonized costs classifications and definitions agreed by the NY-based funds and programmes was launched and few responses were received as the definitions were considered no pertinent to all business models. Second, the matter of harmonizing cost classifications was seen as an imperative only for UNSDG entities. Third, there are issues of comparability due to the wider spectrum of mandates

and costs structures. And fourth, the need for buy-in at a corporate level rather than at the technical level.

- 36. The WG continued with a call for the FBN to renew the commitment to the work of harmonizing cost classifications. It was highlighted that the surveys on cost recovery carried out by several organizations were testimony that this is indeed a topical matter. The WG called for a proactive participation, not only for a meaningful discussion but also to be able to reach an agreement on how to harmonize in view of the differences among business models.
- 37. The FBN Co-Chair called for the Controllers engagement to set the basis for the development of a conceptual framework to move the work forward and ensure stakeholders by-in. It was further explained that lessons learned from previous exercises showed that the ability to compromised was very important, as well as the effort to find the commonalities through in-depth discussions. Furthermore, transparency in the process was key, the ability to demonstrate the basis for the discussions and conclusions is very important for the governing bodies to trust the work behind the decisions.

Conclusions and follow-up actions:

38. FB Network took note of the updates and advised the WG to leverage on the past experiences but with focus on developing work that would create value in the current and wider context. It was concluded that the next meeting will be require presence by the Controllers to lay out the WG' strategy, convened by UNICEF Controller. Once this is concluded, it will be handed over to the working group for the development of the technical aspects.

VII. Technology and digitalization of financial functions

Presenters: Hans Barrit, Controller and Director, Division of Financial and Administrative Management UNHCR, and Ms. Carmen Hett, Treasurer, UNHCR and Co-Chair of the Working Group on Common Treasury Services (WGCTS).

Documentation:

✓ WGCTS PPT 27 Oct 2020, Pathfinder Project – digital Hub of Treasury Solutions.pdf

Background:

39. On its 32nd session meeting, the FBN agreed to continue the discussion on innovation and to try to identify some concrete deliverables such as specific solutions for FBN members to opt into. As new technologies and ecosystems push developments in digital financial service to access marketplaces in local and global economies, the Network recognized the opportunity for UN organizations to collectively look at how innovation and digitalization can improve the way the UN system makes and receives payments. The objective to deliver integrated real-time money transfers can be achieved by adopting digital transfer mechanisms and modalities with speed, quality, and global coverage.

Discussion:

40. UNHCR Controller introduced the topic highlighting how complex and fast changing is the field of digital payments and digital money, evolving from the traditional money transfers to electronic wallets and crypto currencies. It was emphasized that Controllers should be able to recognize the

value creation of these new digital technologies to incorporate innovative solutions to payments and to ensure the buy-in by high management and member states. It was proposed to have a panel discussion on the future of money by leaders in various sectors such as banking, IFIs, private sectors, etc. The event will provide the FBN members with the necessary background for a more in-depth discussion on how to adapt those technologies to the UN system. In preparation to the panel, a stock taking on the different types of digital payments the UN system makes and receives was proposed as a good starting point. In addition, the FBN could also refer to the Financing for Sustainable Development report by the Inter-agency Task Force on Financing for Development to anticipate the role of the Network within this framework.

- 41. The Co-Chair of the WGCTS (UNHCR Treasurer) provided a presentation to the FBN on the future of digital payments. The proposal is to have a UN inter-system Digital Connectivity Platform for a standardized and streamlined approach to access financial ecosystems for all kind of payments. The value proposition is that the UN can leverage on existing humanitarian cash assistance that would make possible for this proposed concept to be roll out in a modular approach in line with each Organization needs and developments. Additionally, this common connectivity and accessibility would put the UN system in a position to approach the financial regulators and facilitate meeting compliance elements (e.g., counter terrorism, money laundry, data protection, etc.) while promoting transparency, strengthening cyber security, and ultimately delivering digital value transfer in payments, as well as in collections, with traceability and accountability worldwide.
- 42. The discussion underlined that the humanitarian agencies are clearly leading on digitalization of payments and have developed various products to reach their beneficiaries in all kind of locations. However, it was pointed out that better coordination is needed to address fragmentation at the country level and to ensure that the existing payment options can be extended to all recipients. In addition, risk management was highlighted as an area where further collaboration could realize major efficiencies in addressing cyber security through a system-wide coordinated manner.
- 43. Further, the discussion touched upon the technological aspects of the project and emphasized that close coordination with the DNT is a must and should take place at an early stage. It was stressed that a more effective approach, given the speed of digital technology innovations, would be the use of externally developed and proven solutions as oppose to in-house built solutions.
- 44. The discussion underlined that the platform also provides the opportunity to leverage on the UN system-wide data that would be available in a protected manner to influence regulators, to map out the financial ecosystems in countries and regions with potential financial service providers, to produce a high-level overview of country-based transaction, etc. It was also emphasized that a fragmented approach would be expensive and not efficient.

Conclusions and follow-up actions:

- 45. The FBN expressed full support to UNHCR's proposal to have a panel of Digital Solutions Experts to be convened for a Symposium to take place in the first quarter of 2021. This event would provide the FBN, and other stakeholders, with insights to better form an opinion and validate directly how these new digital monetary and value transfer mechanisms are being relevant to the respective UN organizations.
- 46. The FBN agreed to have a stock-taking carried out by the WGCTS on digital payment modalities and digital remittance mechanisms currently used by the UN agencies. This survey will provide

- important information of early adoptions, opportunities to further leverage digital value transfer mechanisms across the UN system and system requirements, including on cyber security.
- 47. The FBN tasked the WGCTS to initiate a pathfinder project for a Digital HuB of Treasury Solutions (DHoTS)¹ for digital monetary transfer connectivity and collaboration, together with coordination and harmonization opportunities to strengthen standardized and seamless integration to digital delivery approaches. The project should incorporate the risk management and the technological dimensions, the latter calling for close collaboration with the DTN.

VIII. Centralized treasury investment function and operational reserves (ACABQ)

Facilitator: Mr. Chandramouli Ramanathan, ASG, UN Controller.

Presenters: Mr. Carlos Perrone, UN Treasurer and WGCTS Co-Chair, Ms. Carmen Hett, UNHCR Treasurer, and WGCTS Co-Chair, and Ms. Marianne De la Touche, CFO and Director of Administration of UNOPS.

Documentation:

- ✓ CEB/2019/HLCM/FB/9 Conclusions of the 34th session of the FBN
- ✓ FBN operating reserves and centralized treasury 24 Nov 2020.docx
- ✓ PDF_WGCTS October 2020 Meeting Full Report of Investment Survey Detailed Analysis and Results .pdf
- ✓ FBN fv WGCTSInvestmentPresentation24Nov2020FINAL (003).pdf

Background:

48. During its consideration of the Secretary-General's report on the review of the implementation of shifting the management paradigm (A/75/201), the Advisory Committee requested information on actions taken by the Secretary-General to implement decisions taken by the General Assembly on a centralized treasury investment function and benchmarks for minimum and maximum levels of the operational reserves for the United Nations system. The Advisory Committee expressed concern in that Secretary-General did not implement the decisions taken by the General Assembly in its resolutions 73/268 A and 74/249 A relating to the centralized treasury investment management function; and benchmarks for minimum and maximum levels of the operational reserves for the United Nations system (see also A/75/538, paragraph 44). The Committee elaborated further on this matter during its consideration of the report on the financial reports and audited financial statements, and reports of the Board of Auditors for the period ended 31 December 2019 (A/75/539, paragraphs 15 - 18).

a. Centralized treasury investment function discussion

49. The FBN 34th session concluded by requesting the Working Group on Common Treasury Services (WGCTS) to review the discussions and conclusion of the 2011 study regarding the feasibility to establish a centralized Treasury investment management function in response to the ACABQ recommendation that referred to pooling of cash and investments as a desirable investment management model in view of potential administrative cost savings for individual UN entities.

¹ Reference is made to the attached presentation by the co-chair of the Working Group of Common Treasury Services (WGCTS), which was also provided to the F&B Network, as well as initially to the UN Treasurers during their virtual Annual Treasury Meeting in October 2020.

- 50. The FBN Co-Chair opened the segment explaining that following the 2011 study many developments in advancing system-wide collaboration in Treasury and Investment functions took place thought the WGCTS. The system did not move towards a centralized treasury; however, it has been clear that in areas where more collaboration and harmonization to achieve efficiencies was possible, the UN system has taken the necessary steps. Examples are that several service providers performing investment management services (e.g. UN Secretariat, UNDP and World Bank), the streamlining of the number of bank accounts for achieving better rates, as well as sharing RFPs for investment management services. Other areas of existing joint work include WGCTS members sharing information on short term investments which allows improved counterparty management for related products and the ongoing work on the development of a framework for ASHI Investment Policies.
- 51. The Co-Chairs of the WGCTS briefed the FBN on the discussions that took place during the WGCTS annual meeting in October 2020 with respect to the ACABQ recommendations, the basis for the discussions were the results of the detailed survey conducted in early 2020 on the long-term viable solutions originally proposed by the 2011 Feasibility Study. The results were subject to considerable discussion during the annual meeting and focused on the two buckets of investment, namely, ASHI and excess cash. The discussions also included consideration to overhead cost implications.
- 52. The survey results depict the landscape of the UN system-wide investment environment, highlighting the differences in key investment factors such as investment mandates, internal/external managers, liquidity needs, risk tolerance, expected results, benchmarks, ASHI funding rations and ASHI asset allocation, etc. The WGCTS highlighted that there has been a lot of work done in relation to investment management and this has been possible through close coordination among all members and information sharing, the additional details captured thought the survey provides further opportunities for more collaboration.
- 53. The WGCTS presentation included an FTE analysis of the investment function, showing that the function is very thin already, specially taking into consideration the fact that investment is only one aspect of the overall work of the staff. The estimated FTE and system-related savings that could be achieved through centralization would not be enough to make a business case for a centralized investment unit. This is especially true in view of the existing modern collaboration modalities which have demonstrated being effective in achieving system-wide efficiencies and savings.
- 54. Based on the above, the WGCTS conclusions are that modern investment management collaboration modalities offer better opportunities to achieve economies of scale through opportunities for lower fees, support stronger decision-making through joint approaches and information sharing, and strengthen governance through shared access to experts and expertise and follow best practices.
- 55. The FBN expressed appreciation for the work of the WGCTS. During the discussion agreement was expressed with the WGCTS' conclusions, and it was highlighted that the proposed approach with focus on collaboration and harmonization, with due regard to the different business models, has proven to be effective and efficient. The instances provided during the presentation and in the meeting, well illustrate the value brought by this collaborative approach already. Further, it was agreed that the strategic areas proposed by the WGCTS for more collaboration are supported by the FBN.

Conclusions and follow-up actions:

- 56. The FBN concluded that in response to the ACABQ recommendation, it has been determined that based on the work done by the WGCTS and various discussions on this matter, the centralization of treasury investment function is not a viable option. Further, modern investment management collaboration modalities offer better opportunities, as it has been already demonstrated by the work of the WGCTS which has been effective in achieving system-wide efficiencies and savings.
- 57. Furthermore, the WGCTS will continue looking for opportunities to strengthening collaboration in alignment with entity mandates, reporting requirements, governing bodies and best practices based on the strategic areas identified by the WGCTS.

b. Development of reasonable benchmarks for minimum and maximum reserve levels for use by UN system organizations discussion:

- 58. UNOPS introduced the topic stating that both the JIU and the BoA issued recommendation requesting a review to the approved minimum level of its operational reserves. As a response, UNOPS developed a comprehensive paper explaining its business model and introducing changes to the presentation of UNOPS reserves in the financial statements. The change in presentation was to align with other UN entities and to improve transparency. UNOPS added that a consultant was working on the development of a formula to calculate the appropriate level of minimum operation reserves.
- 59. The FB discussions included exchange of different entity practices with reference to the approval by governing bodies of the relevant policies, adjustments to reserve levels due to changes in operational risks, instances of provisions allowing for the use of the reserves in excess of the set target, as well as reporting of utilization of reserves to governing bodies.
- 60. The FBN acknowledged the opportunity for a system-wide collaboration in view of the matter of reserves being crucial to all entities. This has been shown by the fact that various entities have recently conducted or are conducting a review on existing reserve policies, and the increase interest of governing and oversight bodies. It was agreed that it would be in the best interest of the organizations to engage into a coordinated effort to perform an analysis of the existing practices and leverage in the common knowledge on this area as well as in the ongoing consultations that UNOPS is having with the BoA.

Conclusions and follow-up actions:

- 61. The FBN agreed to establish a working group with a wide representation of business models to develop reasonable benchmarks for operational reserves levels for the UN system. The WG will launch an analysis of the different practices in the UN system to serve as a reference to its work and to inform any ongoing and future reviews on the matter of reserves by individual organizations. UNOPS agreed to lead the WG with the participation of UNESCO, WFP, UN Secretariat and UNDP volunteering during the meeting.
- 62. The FBN Co-Chair requested the FBN to communicate any additional volunteers to UNOPS. This item will be included in the agenda of the next FBN meeting.

IX. After-service health insurance (ASHI) transfer of accrued liabilities

Presenter: Mr. Chandramouli Ramanathan, ASG, Controller

Documentation:

- ✓ ASHI transfer of accrued liabilities.09.11.2020.docx
- ✓ A 73 662 Final ASHI WG report Dec 2018.pdf

Background:

- 63. At the Executive Committee meeting held on 16 July 2020 the Secretary-General requested the UN system to focus on effectively addressing the financing challenges and explore ways to overcome the barriers that exist for staff mobility.
- 64. The inter-agency Working Group on After-Service Health Insurance was established by the Secretary-General under the auspices of the Finance and Budget Network. The Working Group considered the issue of portability of certain benefits and entitlements between agency health insurance plans in support of inter-agency mobility. Specifically, the Working Group considered whether an inter-agency agreement could be reached to mitigate the effects of mobility on staff members' accrued health insurance benefits and entitlements.

Discussion:

- 65. The FBN was informed that the Working Group already recommended the transfer of the afterservice health insurance liability, as well as of certain accrued health insurance benefits and entitlements, without the administratively onerous transfer of funding. This recommendation was supported by an inter-agency mobility statistical analysis showing that the inter-agency net effect is almost null.
- 66. The discussion highlighted that the underlying issue is not the ASHI liability, but rather seemed to stem from the differences in the benefits plan, including the eligibility criteria. The FBN concluded that the actual impediments to inter-agency mobility seem to be unclear and that the HRN would be the most suitable to carry out the necessary analysis to provide the needed clarity. It was added that the BoA expressed concerns about eligibility data following inter agency mobility not being properly reflected in the receiving organization, this matter is being addressed through a survey with the support of the HRN.
- 67. Nevertheless, it was noted that because in some high-level for there have been reference to the ASHI liability transfer being an impediment to mobility, the FNB should address this by properly communicating the working group conclusions.

Conclusions and follow-up actions:

68. The FBN concluded that there is no impediment to inter-agency mobility related to ASHI liability as the working group already concluded. The message to address this misunderstanding needs to be clear, individuals bring value to the organization and should be consider as assets.

X. Any other business and conclusions

a) Appointment of the successor to FBN Co-Chair

- 69. The FBN endorsed the appointment of Mr. Chandramouli Ramanathan, ASG, Controller as the FBN Co-Chair, effective 1st of April 2021, following the retirement of Mr. Darshak Shah, Senior Advisor to the Administrator, UNDP.
- 70. The FBN expressed since appreciation to Mr. Shah for his successful and illustrious 30-year career with UNDP and his exceptional leadership during his10-year Co-chairing the FBN.

b) Date and venue of the the 36th session of the Finance and Budget Network

71. The date of the meeting will be announced to the FBN later as well as the modality.

Annex I – List of participants

Participants - 19 November
Alasdair Taylor
Sydorenko, Liliya
Aamir Awan
Adnan Chughtai
Agapilais Ginalis
AJWALA Awuor
Akiko Hasegawa
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AMERI, Delphine
Andrew Richardson
Andrew Saberton
Andrew.Carine
Annabelle Viajar
APPIAH Joseph Samuel
Batdolgor Chuluun
BAUSWEIN, Tristan
Bill Anthony Miller
Breckenridge, John
BRENES Alberto
Brian Cover
BRUNNER DE CASTRIS, Helen
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Maya Bachner
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