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CEB Chief Executives Board for Coordination

High-Level Committee on Management (HLCM) Finance and Budget Network

CONCLUSIONS OF THE 39th MEETING OF THE FINANCE AND BUDGET NETWORK

(Hosted on MS Teams, 9 November 2022)

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I. Introduction

1. The Finance and Budget Network (FBN) held its 39th session on the 9th of November 2022 virtually. The meeting was co-chaired by Mr. Chandramouli Ramanathan, Controller, UN Secretariat, and Ms. Chitra Narayanaswamy, Director, Department of Finance & Budget (Controller), WIPO.

2. The FBN Co-Chairs opened the meeting and endorsed the agenda of the session.

II. Working Group on the practical framework for financial management in the UN System

Presenter: Ms. Kelly Mcbride, Deputy Chief Financial Officer, UNDP

Documentation:

Draft TOR of the Working Group on the practical framework for financial management in the UN System

Background:

3. The High-Level Committee on Management (HLCM) at its April 2022 session held discussions on future priority areas of work, based on input received from a survey and interviews conducted with HLCM members. Funding and Financial Management was selected as one of such priority areas. Notable challenges in this area covered common issues of financial management (including significant cuts in donor funding, repurposing of funds from Official Development Assistance (ODA) to emerging crises, and a massive decrease in core funding), the need for a more coordinated and coherent positioning of the UN system with the donor community and the International Financial Institutions (IFIs), to respond more effectively to increasing constraints and unpredictability of funds, and shifting the risk culture from compliance to risk management, as well as mechanisms and approaches that could help organizations in their efforts to enhance these issues across the full planning cycle.

4. As a response to this initiative, at the 38th FBN meeting it was decided to establish a small group composed of UN Secretariat, UNHCR, UNESCO, UN Women, UNDP, UNICEF and led by Mr. Andrew Rizk, Chief Financial Officer, UNDP, to formulate the TORs for a working group to focus on the following:

a) How to ensure the development of basic knowledge products e.g., review of trends in ODA based on publicly available information, and developing more robust data analytics;

b) Outline possible approaches to budgeting and funding requests (as laid out in the Common Agenda) across the UN system, with the view to strengthening linkages to results; and

c) Establishment of a coordination mechanism within the UN system for entities to work with IFI's, including by looking at the possibility of using existing mechanisms that the Group may deem suitable.

Discussion:

5. Ms. McBride briefed the FBN members with the background and context of the initiative and presented the TOR for comments. Three areas are planned to be developed through sub-working groups within the Working Group on the practical framework for financial management in the UN System: Knowledge Products, Budgeting and Funding Requests and Coordination Mechanisms to work with IFIs. The scope of the Knowledge Products is intended to cover the nature of the financial and budgetary knowledge products in use across participating UN organizations. The sub-working group on Budgeting and Funding Requests will focus on how entities are funded, related governance mechanisms for approval and how these facets impact budgetary and planning parameters, outlook and constraints, considering their respective mandates, organizational priorities, business and funding

models and operational requirements. The scope of the sub-working group focused on coordination mechanism with the UN system entities to work with IFIs will cover the review and assessment of collaborative mechanisms, agreements, templates, and tools in place between UN agencies and IFIs, including the relations with the World Bank, regional banks, and other relevant institutions. The methodology of all of three sub-groups will be based on consultative process with a comparative study to be undertaken for participating UN agencies.

6. During the discussion FBN members noted that, where appropriate, the Working Group should leverage on previous work undertaken, such as previous budget surveys, and should avoid any duplication of work that may be being carried out in other fora, such as the UNSDG Fiduciary Management Oversight Group (FMOG). It was also emphasized that the purpose of the sub-working group on budgeting and funding requests should not include harmonization of budget processes across the UN system.

Conclusions:

7. FBN members exchanged their views on the TOR of the Working Group on the practical framework for financial management in the UN System. FBN members agreed to submit any comments on the draft ToR to the CEB Secretariat by 23 November 2022, noting that if comments are not provided by that date, the ToR will be considered endorsed.

8. The FBN endorsed the appointment of Ms Magdolna Bona, UNESCO, as Chair of Sub-Group 2 "Budgeting and Funding Requests" and Mr Thomas Asare, UNICEF, as Chair of Sub-Group 3 "Coordination Mechanism with the UN system entities to work with IFIs". FBN members agreed to submit to the CEB Secretariat by 16 November any nominations to chair sub-working group 1 "Knowledge Products", and/or nominations to join each of the three sub-working groups.

III. Discussion on inflation estimates and budget projections

Presenter: Ms. Magdolna Bona, Chief Financial Officer, UNESCO

Documentation:

Discussion note by CEB Secretariat

Background:

9. The present environment is characterized by significantly higher inflation levels compared to previous decades. This results in a requirement to secure adequate purchasing power for staff while also putting significant stress on many organizations' budgets. The ongoing crisis will impact the next year and/or next biennial budget, and already has an impact on current budgets. Specialized agencies with biennial budgets have tough choices to make in order to manage risks. The FBN could consider good practices to consciously factor inflation patterns into budget discussions with Member States, internal cost projections and other relevant processes.

Discussion:

10. FBN members were invited to discuss the impact of high inflation on their budgets and to share their ideas and approaches to respond to high inflation rates. Ms. Bona facilitated the conversation around the following discussion points: specific mechanisms to be applied in respect of 2023 budgets; the possibility of establishing common reference points for inflation assumptions; consistency in the way organizations tackle rising energy costs; interaction with ICSC in order to improve the mutual understanding of the key elements in the evolution of staff costs; possibility of development of common standard staff costs methodologies across the FBN; UNwide cost efficiency measures; and risks of reduced assessed and voluntary contributions.

11. FBN members expressed their appreciation for including this topic on the agenda and underlined the importance of harmonization of budget assumptions where possible, particularly within duty stations. The importance of having reliable inflation estimations that match the reality was also stressed. Several FBN members exchanged their experiences with dealing with increased costs, and underlined the importance of early communication with Member States on cost increases and budget challenges. A suggestion was provided to establish a restricted Teams channel for CFOs to informally exchange their views. The issue of the impact of sanctions on receiving contributions from certain Member States was also raised.

Conclusions:

12. FBN members exchanged their ideas on how to respond to the new challenges caused by high inflation levels and agreed that it would be valuable to share information on assumptions and parameters applied in budget projections and on cost saving initiatives that entities may be considering. UNESCO volunteered to prepare a survey to facilitate the sharing of information between FBN member organizations.

12. The FBN also agreed to explore ways to increase the utilization of Mutual Recognition to realize cost benefits.

IV.Responsible investment principles

Presenters: Mr. Carlos Perrone, Treasurer UN, Co-lead of the WGCTS and Ms. Carmen Hett, Treasurer UNHCR

Documentation:

Briefing note

Background:

13. Upon request by the HLCM Chair, the Working Group on Common Treasury Services (WGCTS) is working on formalizing a set of responsible investment principles and guidelines on the procedures to engage external investment managers, including information from UN Global Compact and PRI. The FBN was invited to engage with the WGCTS on common due diligence approaches and principles on knowledge sharing, and on consistency in communication as the UN system.

Discussion:

14. Mr. Perrone and Ms. Hett provided the FBN with the current status of the work on formalizing a set of high level responsible investment principles and guidelines on due diligence for engaging external investment managers. In November 2021 the WGCTS identified a group of agencies to lead the efforts on the development of a system-wide framework for responsible investment. This sub-working group has held meetings over the past year to review current approaches as well as to facilitate knowledge sharing from the entities that are more advanced in this area. The efforts of this group of practitioners are ongoing and the group will avail of the inputs from and consultations with UN PRI and UN Global Compact. The group is already liaising with the UN Joint Staff Pension Fund to build on their experience. This collaborative approach is aimed at defining a system-wide responsible investment framework in the form of a set of principles, incorporating environmental, social and governance factors in the investment process. The formulation of a common due dilligence approach to the engagement of external managers is also part of the work of the group.

15. FBN members shared their views on the development of the common investment principles, highlighting

the importance of the differences between the agencies, which should be taken into account when developing the common principles.

Conclusions:

16. FBN members supported the formalization of a stream of work under the WGCTS with a focus on formalization of high level principles for responsible investment and common due diligence approaches for investment managers, and requested the WGCTS to report back to the FBN after its annual meeting of the 14 and 15 November 2022.

17. It was noted that a progress report on the status of this work is expected to be delivered by the next HLCM session on 3-4 April 2023, with the final outcome due for review and endorsement by the FBN at its face-to-face meeting in the summer of 2023.

V. JFA cost-sharing: retroactive adjustments to UNSMS cost-shared budgets

Presenter: Mr. Chandramouli Ramanathan, Controller, UN Secretariat, FBN Co-Chair

Documentation:

Briefing note by the CEB Secretariat

Background:

18. At its 36th FBN meeting, FBN members endorsed a policy (CEB/2021/HLCM/FB/4.rev) according to which, data corrections submitted for retroactive application after the formal endorsement by the FBN of the relevant cost-sharing apportionments will no longer be accepted by the CEB Secretariat, regardless of their accuracy and/or materiality.

19. The apportionment of the 2022 and 2023 cost-shared United Nations Security Management System (UNSMS) budget was based on CEB headcounts that the CEB Secretariat has subsequently been requested to revise for two member organizations, which would impact the shares of all other members. Given the significant impact of the errors in these member organizations' headcount submission with respect to the 2022 and 2023 UNSMS cost-apportionment, FBN members were invited to discuss a possible solution to manage the implications for organizations participating in the UNSMS cost-apportionment.

Discussion:

20. Mr. Ramanathan presented to the FBN the requests received by the CEB Secretariat for retroactive adjustments to the Headcount Census data submitted by IOM and the World Bank, used for the apportionment of the UNSMS 2023 and 2022 budgets, respectively. IOM and WBG provided the FBN with additional clarifications and comments to justify their revised Headcount submissions.

Conclusions:

21. FBN members discussed the requests received by the CEB Secretariat for retroactive adjustments to the Headcount Census data submitted by IOM and the World Bank, and recalled the policy CEB/2021/HLCM/FB/4 that does not permit retroactive adjustments to the apportionment of UNSMS budgets. FBN members agreed to a proposal to apply an adjustment to the cost apportionment of the upcoming 2024 and/or 2025 UNSMS budgets, in the form of a credit to IOM and the WBG against their respective shares, and of corresponding debits to all other participating organizations.

22. FBN members also took note, for further review, of a comment from UNWTO regarding the possibility of providing a credit to small organizations that are designated as security focal points in some countries, such as UNWTO in Spain.

23. The UN Secretariat and the CEB Secretariat will consult further on these issues and revert back to the FB Network with a proposal for endorsement.

VI. AOB: Data Standard on the Gender Equality Marker

Presenters: Ms. Donna Grimwade, UN WOMEN, Ms. Henriette Keijzers, Strategic Advisor to the Data Cube project

Documentation:

Briefing note by the CEB Secretariat

Background:

24. The Data Standards for United Nations system-wide reporting of financial data currently comprise six data standards for the reporting of UN system-wide financial information. A new 7th Data Standard on the Gender Equality Marker has been established in collaboration with UN Women. This standard introduces a common UN methodology and format for tracking the contribution of UN activities to Gender Equality and the Empowerment of Women (GEEW) and women's rights. This standard defines the manner in which UN financial information must be reported at activity level against the gender equality marker (GEM). This standard is a performance indicator in the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women (UN-SWAP) and is also meant to ensure that UN entities will report in a similar manner on their support to achieving gender equality to IATI and OECD-DAC.

25. The standard was presented to the Task force on Accounting Standards, where it was recommended for approval by the FBN.

Discussion:

26. Ms. Grimwade and Ms. Keijzers provided the FBN with a brief history and background of the Data Standard on the GEM. It was highlighted that in 2021 GEM was included in the UN-CEB minimum data set for activity level reporting.

27. Under the Standard, activities will be marked on a four-point scale with the category of the Gender Equality Marker to which the activity is contributing: GEM 3 - GEEW Principal objective, GEM 2 - Significant contribution to GEEW, GEM 1 - Limited contribution to GEEW, GEM 0 - No contribution to GEEW. The presenters stated that gender equality is key to catalyzing progress across all the SDGs, and the gender-related SDG results correspond to almost all SDGs, not only to SDG 5.

Conclusions:

28. The FB Network members expressed appreciation for the work carried out by all parties in the development of the new data standard on the Gender Equality Marker. Some entities noted that they still need time to evaluate whether their ERPs are able and ready to report in accordance with the standard with little additional cost. In light of this, the FBN endorsed the standard with a transitional period until 31 December 2025, and also agreed to provide an opportunity for one review prior to the 2023 FBN face to face meeting. The review option will provide entities time to evaluate the feasibility of implementing the standard and provide an opportunity for an adjustment in the duration of the transition period if necessary.

VII. AOB: Reporting savings from the Business Innovation Group (BIG)

Presenter: Mr. Hans Baritt, UNHCR

Background:

29. Through the Secretary-General's proposals for repositioning the UN development system, a target of \$310m of annual savings from consolidation of business operations was set, which was originally planned to come from four areas (1) Business Operations/common back-offices; (2) Common Premises; (3) New Generation of UN Country Teams; and (4) Merger of UN Information Centres with RC Offices. These four areas of potential savings were revised and were presented as follows in the 2022 report on the quadrennial comprehensive policy review of operational activities for development (A/77/69–E/2022/47):

- (1) the business operations strategy (BOS),
- (2) common premises,
- (3) global shared service centres (GSSC),
- (4) Common Back Offices (CBO).

Discussion:

30. UNHCR proposed to exchange experiences with FBN members with a view to achieving consistency when it comes to reporting and discussing these savings with Member States, donors and other stakeholders.

Conclusions:

31. UNHCR agreed to convene a dedicated meeting with CFOs from the concerned member organizations to discuss common approaches to the reporting of savings from the Business Innovation Group.

VIII. AOB: The date and the venue of the next FBN session in 2023

Discussion:

32. The CEB Secretariat will coordinate a consultation with the FBN Co-Chairs and the broader FBN membership to identify a series of dates for the 2023 face to face meeting. Any organizations interested in hosting the 2023 meeting are encouraged to indicate their interest to the CEB Secretariat.

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