

**CONCLUSIONS OF THE MEETING
OF THE FINANCE AND BUDGET NETWORK**

(Videoconference, 16 February 2010)

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INTRODUCTION

1. The Finance and Budget Network held its first 2010 session via videoconference 16th February 2010. The meeting was co-chaired by the Network's spokespersons, Mr. Gary Eidet, Director, Division of Budget and Finance, IAEA, and Mr. Jay Karia, Deputy Controller, United Nations. The agenda as adopted is provided in Annex 1. The list of participants is in Annex 2.
2. All documents related to the session are available on the FB Network website at: <https://fb.unsystemceb.org/documents/FBNetwrk16February2010/>

I. Update on the HLCM Plan of Action for the Harmonization of Business Practices

[Remo Lalli, CEB Secretariat]

(Terms of Reference of Priority Initiatives, CEB/2010/HLCM/6)

3. The FB Network was briefed on the latest developments in implementing the HLCM Plan of Action for the Harmonization of Business Practices. Some of the earlier identified initiatives of interest to the FB Network have already been concluded such as work of the Capital Budgeting Working Group and IPSAS training.
4. The funding for implementation of the other projects included under the Plan of Action was received at the end of 2009. The Business Practices Steering Committee at its meeting of 11 February 2010 had approved funding allocation to all priority projects. This included two Financial Management Initiatives – the feasibility study for putting in place Common Treasury Services and development of the UN system-wide Financial Statistics Database and Reporting System.
5. The Plan of Action has established an accountability framework for implementation of the harmonization projects. The terms of reference of each project have been shared with the donors, who have high expectation of the outcome from the Plan of Action.
6. The MOUs that have been signed between the donors and the CEB Secretariat, as the programme implementer, are all following the same format. The MOUs follow the usual rules, not requiring specific reporting by each implementing agency and providing for exclusivity of internal and external audit according to the UN rules and regulations.

➤ **Conclusions and Action Points**

The FB Network:

7. Took note of the latest developments in implementing the HLCM Plan of Action for the Harmonization of Business Practices and results of the Business Practices Steering Committee meeting approving funding for the two Financial Management Initiatives.

8. Encouraged the network members to take ownership of the projects being implemented and to provide support to the implementing agencies.

a) Progress report from the Working Group on Common Treasury Services (HBP activity)

[Nick Jeffreys, WHO; Munehiko Joya, IFAD]

*(Terms of Reference of Priority Initiatives, CEB/2010/HLCM/6;
Power-point Presentation, CEB/2010/HLCM/FB/6)*

9. The FB Network was briefed on the progress of the Working Group on Common Treasury Services. Two major activities are being currently implemented: development of a website for knowledge sharing in the areas of treasury operations and a feasibility study to evaluate all the potential harmonization opportunities.
10. The development of a website for knowledge sharing was started in September 2009 and is already in a well advanced stage with 23 agencies actively using it. The website has hosted more than 20 technical treasury related subjects in its discussion forum.
11. Launch of the feasibility study is currently underway. The Steering Committee has been established to oversee the implementation of this activity. It is co-chaired by WHO and IFAD. To start the selection process of consultants the Steering Committee has decided to issue Expression of Interest invitations. This should identify the potential RFP level contenders, who will be given access to more detailed treasury related information, which reaches beyond the publicly available financial information about each organization. IFAD has been appointed executing agency to carry on administrative and procurement process for the feasibility study. The selected consultants will have a six months timeframe to conclude their study and present their results before the end of 2010.

➤ **Conclusions and Action Points**

The FB Network:

12. Took note of the latest achievements of the Working Group on Common Treasury Services in respect of two directions of the initiative: the website for knowledge sharing and the feasibility study.
13. Requested to share treasury survey information only at the stage of the RFP process of consultants' selection and recommended the executing agency to make available the procurement process modalities and consultant selection criteria on the knowledge sharing website.

b) Update on the UN System-wide Financial Statistics Database and Reporting System project (HBP activity)

[Remo Lalli, CEB Secretariat]

(Terms of Reference of Priority Initiatives, CEB/2010/HLCM/6)

14. The Network was informed about the regular financial data collection exercise conducted on a biennial basis. The latest set of data was issued for the biennium 2006-2007 and included a number of elaborations related to the extra-budgetary contributions and main donors.
15. Further development is foreseen in two main components of the project: technical (IT level) and financial. The technical component will comprise gathering, compiling, publishing financial data on a web-based platform and providing data downloading capability. The financial component will ensure availability of more disaggregated data providing breakdowns at, for instance, expenditure or geographical levels. This will require development of consistent expenditure categories across the organizations.

➤ Conclusions and Action Points

The FB Network:

16. Took note of the UN System-wide Financial Statistics Database and Reporting System project and two main components at the IT technical and financial levels for the project implementation.

c) Update from the UNDG-HLCM Working Group on Cost Recovery Policy (HBP activity)

[Yolande Valle, UNESCO; Remo Lalli, CEB Secretariat]

*(Final Report of the UNDG-HLCM Working Group on Cost Recovery Policy;
CEB Secretariat Concept Note on Cost Recovery Policy, CEB/2010/HLCM/FB/2)*

17. The Working Group chair briefed the FB Network on the progress of this working group and conclusions reached at its last September 2009 meeting.
18. After two years (between 2003 and 2005) of activity the HLCM working group on "Support Costs for Extra-budgetary Activities" had concluded its work by reaching an agreement on definitions of costs and principles on cost recovery. A new Working Group – a joint HLCM effort with the UN/DOCOC, was resumed at the FB Network meeting of 20-22 June 2007. Following the WG objective to find the mechanisms to accelerate the harmonization of the cost recovery policies it hired consultants to develop Common Guidelines to charge costs directly to projects. However, the final study focussed on MDTFs and Delivering as One projects, overlooking costs at the regional and headquarter levels. The latest WG meeting therefore decided that it cannot endorse the consultants' report in whole. A wider Task Force of specialised

agencies met in November 2009 to discuss the results, but did not yet finalized their conclusions.

19. In its September 2009 meeting HLCM decided to establish a small group to discuss the future strategic direction of the cost-recovery harmonization initiative. Acknowledging differences between organizations' funding structures and building on the work completed by the joint HLCM/UNDG working group, the CEB Secretariat conducted informal consultations and developed a Concept Note on Cost Recovery Policy. A three (consequential) phase strategy was proposed in the Concept Note:
 - i. development of well justified categorization of individual specialized agencies, funds and programmes based on their business models;
 - ii. identification of possible cost recovery harmonization approaches among identified categories of homogeneous organizations; and
 - iii. design of standardized costs classification guidelines and circumstances for charging costs directly and indirectly (i.e through the PSC rate) to extra-budgetary projects.

➤ **Conclusions and Action Points**

The FB Network:

20. Took note of the conclusions of the Working Group in respect of the consultants' study completed in 2009. Encouraged senior staff of member organizations to participate in the future activities of the Working Group and to approach the issue from non-politicized positions to achieve practical solutions.
21. Endorsed in general the strategy proposed by the CEB Secretariat on further advancement of the work on Cost Recovery Policy for the final decision by the HLCM. Encouraged revisions and comments to the Concept Note text to be submitted to the CEB Secretariat.
22. Recommended representation in the HLCM proposed strategic group at the level of Controllers or Directors of Finance and Budget.

II. Status of the joint FB/HR Network Working Group on Long Term Care

[Jay Karia, United Nations]

(General Assembly draft resolution on After-service health insurance, A/C.5/64/L.15)

23. The HR Network had invited FB Network's participation in the WG. However, the FB Network has recognized that due to costs involved it would at this stage not be feasible considering provision for this type of staff benefits. Therefore, the Co-chair requested formalizing a response to the HR Network that the FB Network would not be interested to continue with this initiative bearing in mind the magnitude of potential financial implications and in view of the current political environment, in which the

UN General Assembly had recently passed a resolution on the After-service health insurance (ASHI), revisiting options to limit coverage of the ASHI plan.

24. The Network received a brief summary from the focal point of the Working Group in which clarification was provided with regards to the proposed Initiative. The FB Network was assured that the proposed long term care was separate from the ASHI Schemes and hence should not have long term liability implications on the Organization, considering that it would be entirely funded by Staff contributions.

➤ **Conclusions and Action Points**

The FB Network:

25. Approved the recommendation to halt participation of the FB Network in the joint HR/FB Working Group on Long Term Care and to inform the HR Network accordingly. Recommended the HR Network to continue to explore options of the long term care schemes to be funded by participants, including those offered by the private sector in view of the advantages of economies of scale presented by the UN system.

III. Update from the joint FB/HR network Working Group on Compensation for Service Incurred Death, Injuries and Illnesses (Appendix D)

[Raj Rikhy, United Nations]

(Power-point Presentation, CEB/2010/HLCM/FB/3;

Walkthrough of Benefit Calculation – Haiti, CEB/2010/HLCM/FB/4)

26. The Network was briefed on the work undertaken by the Working Group, which had as its main objective the update of Appendix D with best practices. An expert consultant - PricewaterhouseCoopers was engaged from mid-October 2009 to assist in the evaluation of existing plans, benchmark against best industry practices, identify areas for change, recommendations and draft a revised text of Appendix D. No definitive recommendations have been reached yet. So far an overall finding was that the UN compensation plans largely compare favorably with benchmarks.
27. HR Network has two more working groups dealing with staff benefits: WFP leads WG on Additional Benefits in the Case of Malicious Acts; and UNDP leads WG on Benefits for National Staff. Consistent and coordinated approach linking all three WGs would allow benefiting from synergy. However, cost implications of recommendations have not yet been assessed.

➤ **Conclusions and Action Points**

The FB Network:

28. Took note of the progress reached by the Working Group on Compensation for Service Incurred Death, Injuries and Illnesses looking forward for the recommendations to be produced shortly.
29. Encouraged HR Network Working Groups to submit their findings to the FB Network for assessment of the financial implications arising from their recommendations, which should be reviewed in a combination with existing benefits.

IV. FB Network Working Group on Staff Safety and Security

[Sean O'Brien, WFP]

(Power-point Presentation, CEB/2010/HLCM/FB/7;

Revised Apportionment of the 2010-2011 Budget of the UNSMS, CEB/2010/HLCM/FB/8)

30. The FB Network was briefed on the Working Group meeting convened in November 2009 where TOR was analyzed to identify steps forward. The main activity will be a CEB survey on security expenditures. This survey of all agencies will review, security costs, charging and funding mechanisms at each agency. Results of the survey will be analyzed in association with the review of UNDSS budgeted costs to arrive at recommendations on how security elements could be budgeted and on the applicable cost-sharing formula.
31. The Working Group is planning its next videoconference meeting in the early March 2010, when objectives of the meeting will be to develop the survey for agencies, confirm the information gathering from UNDSS and agree the timeline for conclusion of the work.

➤ **Conclusions and Action Points**

The FB Network:

32. Took note of the conclusions reached in the Working Group meeting in November 2009. Encouraged the Working Group to complete its work on time before the submission of the next biennium 2011-2012 UNDSS budget, at latest by mid-2011.
33. Accepted the revised apportionment of the 2010-2011 budget of the UNSMS as presented in document CEB/2010/HLCM/FB/8.

V. Progress report from the Working Group on Harmonized Financial Regulations and Rules

[Subhash K. Gupta, UNFPA]

34. The Network was given an overview of the work carried out by the Working Group consisting of UNDP, UNICEF, WFP, UNFPA and UN. The Office of Legal Affairs has also been involved throughout the process of work. The objectives of the harmonization exercise as set out by the Working Group were to provide for comparability, to facilitate adoption of IPSAS and to support Delivery as One initiatives. The Working Group had met five times since September 2007 with the last meeting convened in October 2009. The final joint meeting planned for 19-20 April 2010 would review the definitions, feedback pertaining to the articles of external audit and procurement rules. The finalized harmonized document will be drafted for the April 2010 meeting, and thereafter will be brought to the attention of the ACABQ and the Governing Bodies. It will be ready to be shared with the FB Network in the early May 2010.

➤ Conclusions and Action Points

The FB Network:

35. Invited all organizations who modified their Financial Regulations and Rules (FRR) for IPSAS compliance to share them with other organizations and requested the CEB Secretariat to facilitate access to these FRRs through the CEB Secretariat website.

VI. Follow-up to the IPSAS Task Force meeting (Rome, Dec-2009) and IPSAS implementation progress

[Jay Karia, United Nations]

(Task Force on Accounting Standards IPSAS adoption progress report, CEB/2010/HLCM/7; Task Force on Accounting Standards meeting minutes (Rome, 7 – 8 December 2009), CEB/2010/HLCM/FB/5)

36. The Network was briefed on the status of IPSAS implementation within the UN system through some highlights of the Progress Report as of 31 December 2009 presented to HLCM (CEB/2010/HLCM/7). Since June 2009 two organizations restated their implementation dates; eight organizations now plan to implement IPSAS by 2010. Project funding and implementation of new ERP systems were mentioned as two of the main challenges for IPSAS adoption faced by organizations. The system wide IPSAS training suite had been completed and made available to organizations in November 2009. Training material was made available to auditors and in some cases shared by organizations with their Governing Bodies.

37. An amendment to UNSAS paragraph 3 proposed by the Task Force on Accounting Standards was presented for endorsement. The amendment aimed to eliminate reference to 2010 as the implementation year, to reflect that many organizations are now implementing IPSAS beyond that date.
38. The network was briefed on the December 2009 Task Force meeting. Three new accounting papers were presented. The issue of auditors' engagement and progressive implementation was extensively discussed. The meeting was organized in combination with the IPSAS Board meeting in Rome and offered an occasion of fruitful confrontation between the Task Force and the Board.
39. Another proposal was received from WHO, calling to establish a Working Group on Financial Reporting to Donors. The Working Group would review both financial reporting to external donors and intra-UN reporting. The following organizations volunteered to join the newly created Working Group – WHO, UNHCR, FAO, UNESCO, ILO and UN. WHO offered to take role of a lead agency.

➤ **Conclusions and Action Points**

The FB Network:

40. Took note of the IPSAS Progress Report as of 31 December 2009 which will be presented to the February 2010 HLCM meeting.
41. Endorsed the proposal to revise UNSAS paragraph 3 removing the 2010 deadline for gradual IPSAS implementation.
42. Established the Working Group on Financial Reporting to Donors, confirming WHO as a lead agency. Encouraged FB Network members to confirm their interest in joining the Working Group within one week by directly informing the CEB Secretariat.

VII. Any Other Business: The future FB Network meetings - Organization of meetings, topics and selection of lead agencies for topics

[Gary Eidet, IAEA]

(List of proposed meeting topics, CEB/2010/FB/XII/INF.1)

43. The normal practice is to convene the FB Meetings twice a year. The proposed and historical pattern is to convene Feb-Mar videoconference meeting and Aug-Sep face-to-face meeting on alternating basis between Europe and the North America.
44. The last year FB Network meeting set out a number of possible topics for future meetings. However, these topics require an initial discussion paper or a concept note to be prepared before the face-to-face meeting. A proposition was made to initially

assign the preparation of the identified topics to the organizations who proposed them. A few additional topics were proposed by the co-chair during the meeting:

- Sharing experiences of ERP implementation in the context of IPSAS.
 - The impact of IPSAS on budgeting methods.
 - Reimbursement of US income tax.
45. The meeting was informed about the upcoming Accruals Symposium taking place in the 2nd week of March 2010 in Paris. One of the usual highlights of the event is discussions on accrual budgeting. The date and information of the symposium will be made available on the CEB website.

➤ **Conclusions and Action Points**

The FB Network:

46. Decided to regularise the FB Network face-to-face meetings to be convened within the fixed timeframe from the last week of August to the first week of September.
47. Requested the organizations to confirm their interest in identified face-to-face meeting topics, highlight additional topics of interest and volunteer to develop discussion papers for selected topics for the next face-to-face meeting.

Annex 1

AGENDA

Videoconference, Wednesday, 16 February 2010
8.30-11:45 New York time; 14:30-17:45 CET

- I. Update on the HLCM Plan of Action for the Harmonization of Business Practices**
(for information)
 - a) Progress report from the Working Group on Common Treasury Services (HBP activity)** (for information)
 - b) Update on the UN System-wide Financial Statistics Database and Reporting System project (HBP activity)** (for information)
 - c) Update from the UNDG-HLCM Working Group on Cost Recovery Policy (HBP activity)** (for discussion to identify possible way forward)
- II. Status of the joint FB/HR Network WG on Long Term Care**
(for information and to agree strategy)
- III. Update from the joint FB/HR network Working Group on Compensation for Service Incurred death, injuries and illnesses (Appendix D)** (for information)
- IV. FB Network WG on Staff Safety and Security**
(for information and to agree further course of action)
- V. Progress report from the WG on Harmonized Financial Regulations and Rules**
(for information and to agree further course of action)
- VI. Follow-up to the IPSAS Task Force meeting (Rome, Dec-2009) and IPSAS implementation progress** (for information, discussion and decision)
- VII. AOB: The future FB Network meetings: Organization of meetings, topics and selection of lead agencies for each topic** (discussion to confirm interest in topics for the next meeting and to identify agencies willing to develop new discussion topics)

Annex 2

LIST OF PARTICIPANTS

<p><u>New York:</u> Mr. Jayantilal Karia, UN Mr. Raj Rikhy, UN Ms. Gwenda Jensen, UN Ms. Valencia Williams-Baker, UN Mr. Daniele Alesani, UN Mr. Subhash K. Gupta, UNFPA Ms. Diane Kepler, UNFPA Mr. James Notaro, UNFPA Mr. George Kyriacou, UNDP Ms. Louise Morretta, UNICEF</p> <p><u>Montreal:</u> Mr. Rahul Bhalla, ICAO</p> <p><u>Washington, DC:</u> Linda Kintzios, PAHO Esteban Alzamora, PAHO</p> <p><u>Gaza:</u> Mr. Jagannathan Gopalan, UNRWA Mr. Bernard Laufenberg, UNRWA</p> <p><u>Copenhagen:</u> Ms. Kerstin Speer-Bockelmann, UNOPS</p> <p><u>Paris:</u> Ms. Yollande Valle, UNESCO Mr. Getachew Engida, UNESCO</p>	<p><u>Geneva:</u> Mr. Nick Jeffreys, WHO Ms. Pornthip Srethwatanakul, UNOG Ms. Ana-Maria Cristescu, UNOG Mr. Greg Johnson, ILO Mr. Adnan Chughtai, ILO Ms. Claire Ouerghi, UNHCR Mr. Vitaly Rousak, UNCTAD Mr. KC Tan, ITC Mr. John S. Breckenridge, WTO Mr. Remo Lalli, CEB Secretariat Mr. Armands Cakss, CEB Secretariat</p> <p><u>Vienna:</u> Mr. Gary Eidet, IAEA Ms. Monica Hemmerde, UNODC Mr. Grahame Soper, CTBTO Mr. Gela Abesadze, CTBTO</p> <p><u>Rome:</u> Mr. Sean O'Brien, WFP Mr. John Crisci, WFP Ms. Mary Bautista-Owen, WFP Ms. Donna Ducharm, WFP Mr. Munehiko Joya, IFAD Mr. Bambis Constantinides, IFAD Mr. Nicholas Nelson, FAO Mr. David Bowen, FAO Mr. René Knellwolf, FAO Ms. Charlotta Oqvist, FAO Mr. Finlay Grierson, FAO Mr. Nabil Gangi, FAO</p>
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