



**CONCLUSIONS OF THE 20TH MEETING
OF THE FINANCE AND BUDGET NETWORK**

(Videoconference, 26 February 2013, and Videoconference, 1 March 2013 for
UN DSS 2014–2015 Proposed Budget)

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INTRODUCTION

1. The Finance and Budget Network held its first 2013 session via videoconference on 26th February 2013 and on 1st March 2013 for the review of the UN DSS 2014 -2015 Proposed Budget. The meeting was co-chaired by the Network's spokespersons, Mr. Nick Jeffreys, Comptroller, WHO, and Mr. Darshak Shah, Deputy Assistant Administrator, Deputy Director and Chief Finance Officer, UNDP. The agenda as adopted is provided in Annex I. The list of participants is in Annex II.
2. All documents related to the session are available on the FB Network website at: <http://www.unsceb.org/ceb/mtg/fb/february-2013>.

I. Discussion on a Medium Term Plan for the FB Network

[Mr. Darshak Shah]

Documentation: CEB/2013/HLCM/FB/2

3. In January 2013 the HLCM held a retreat in Turin in order to agree on a Strategic Work Plan to guide its activities for the period 2013 – 2016. The work of the HLCM and its networks for the forthcoming years should be based, inter alia, on the mandates emerging from the outcome of the Quadrennial Comprehensive Policy Review (QCPR).
4. Several identified priority issues for the work of the HLCM concern activities within the scope of the FB Network and organizations were called to comment on such priorities and express their interest in participating to the activities.
5. The Chair presented following activities that concern the FB Network, under the respective HLCM Priority Issues.
 - a) **Priority Issue I: The UN workforce: adjusting to the new environment.**
 - a. Proposal for a simplified compensation package, that reduces transaction costs, to be developed in collaboration with the ICSC.
 - b) **Priority Issue II: The efficiency agenda/re-designing business models: right-sourcing, common services, and new technologies**
 - a. The ongoing Common Treasury Services project, which continues to be a very important pillar of this sub-priority.
 - b. A common approach to the ASHI both in terms of management of the funds, as well as the development of a common approach for the funding of the growing liability.
 - c. A common definition of operating costs and a common and standardized system of cost control (On and opt-in basis. UN and Funds and Programmes are expressly mandated to take action).
 - c) **Priority Issue IV Accountability, oversight and risk management:**
 - a. The development of a reference Oversight & Accountability model for common positioning by the UN system with Governing Bodies.

d) **Priority Issue V. Measuring & communicating results:**

- a. The ongoing project of Financial Statistics published on the CEB Website, which was identified as crucial for continuous improvement of transparency and communication of financial data of the UN System.
6. Organizations expressed broad interest in all the identified items. Following were the observations by the FB Network:
- It was noted that the proposal for a simplified compensation package is in the scope of the HR network, more than in the FB Network. However, financial scenarios should be produced in conjunction and analysed in parallel. ICAO expressed high interest for this item.
 - With regard to the common approach to ASHI funding, the FB Network recognized again its importance as a potential source of harmonization to achieve efficiencies and economies of scale which would benefit the entire UN System. The UN Secretariat will present a report to the GA in fall covering a range of funding options and will report on this to the FB Network face-to-face meeting in June 2013. ICAO and ILO expressed high interest in participating to this exercise.
 - The value of a harmonized definition of operating costs was recognized by several agencies as it is also a prerequisite for a harmonized approach to cost recovery. Following organizations expressed high interest in this outcome: WHO, who expressed interest in a lead or co lead role, WFP, UN, UNESCO, PAHO, IAEA and ILO.
 - The high value of the development of a reference oversight and accountability model was also recognized, to reduce the burden of one on one controls coming from several separated bodies. UNFPA and UNOPS particularly expressed interest in this outcome and in participating to the development of the survey together with the CEB.

➤ **Conclusions and Action Points**

7. The Network endorsed the identified activities as highlighted in document *CEB/2013/HLCM/FB/2* and recognized their relevance to guide the Network's activity over the following years.
8. Organizations interested in participating to one or more of the activities will communicate it to the CEB Secretariat.
9. An update on participating agencies, status quo and timelines will be presented at the FB Network Face-to-Face meeting in June.

II. Briefing on the status and next steps of the Common Treasury Services projects, based on the outcome of the Vienna meeting

[Nick Jeffreys, FBN Co-Chair, WHO]

10. The 4th annual UN Treasury Meeting emphasized the review of all harmonization projects and identified the way forward while agreeing the deadlines for scheduled 2013 activities and deliverables.

11. Representatives were present from 15 out of 21 entities, in addition to CEB. Following on the meeting all decisions, documents and schedules were posted on the treasury website (TCOP) so that all members of the WGCTS continue to be fully updated and informed.
12. All projects continue on schedule at this time, and several deliverables are projected to be completed by 31 March 2013. Among the current and scheduled deliverables are:
 - Credit and rating information on MM/TDs to be provided in 1Q 2013
 - Common Investment Framework document at the final stage of coordination in 1 Q 2013.
 - UNHQ investment pool services can be provided immediately to UN subsidiary organs
 - Full year of Forex trades matched against 2011 baseline to be provided in 1Q 2013
13. The Global Banking Services project has been funded and has published the vacancy announcement (closing date of 31/1/2013) for the temporary project resource that will be responsible for assisting with the collating of survey information so that the first group of countries can be identified, agreed and RFPs launched. GT & C templates currently in use across the UN system for banking counterparties have been collated and forwarded to UNHQ for analysis by OL consultant to guarantee that all needed and /or required clauses are included in the global contract to be developed under this project. Detailed transaction data on the top 15-18 banks in the field for each organization have been prepared and forwarded to UNHQ. This data will be analysed and the first group of countries for RFPs will be agreed and the process initiated.
14. The list of the Way Forward & Agreed Responsibilities is an important outcome of the Vienna meeting. During 2013, the WGCTS will discuss and explore:
 - the possibility of the management and investment of ASHI funds as a possible opportunity for harmonization;
 - the possibility of gaining increased usage of the Citi Bank cards services for the UN system as it is believed that wider use of this service could generate increased savings;
 - the open sharing of information and discussions of contingency plans and back-up procedures based on lessons learned during/following recent natural disasters.

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15. The FB Network expressed broad appreciation for this project in terms of information and knowledge sharing in the area of treasury services and highlighted the added value both on a collective level and for individual agencies.
16. The FB Networks further emphasized the need for continuous work on harmonization and efficiencies, particularly on the banking services, not only at HQ but also at country level to streamline the number of banking counterparties used and to leverage on volume to achieve cost reductions.

17. The FB Networks requested continuous updates on this project to be presented at the June FB Network face-to-face meeting based on the list of the Way Forward & Agreed Responsibilities.

III. Proposed cost shared budgets for JFAs for biennium 2014-2015

a) Proposed cost shared budgets for 2014–2015 for CEB, ICSC and JIU

[Nick Jeffreys, FBN Co-Chair, WHO]

Documentation:

- CEB/2013/HLCM/FB/3
- CEB/2013/HLCM/FB/3/Add. 1
- CEB/2013/HLCM/FB/3/Add.2
- CEB/2013/HLCM/FB/3/Add.3
- CEB/2013/HLCM/FB/3/Add.4
- CEB/2013/HLCM/FB/3/Add.5
- CEB/2013/HLCM/FB/3/Add.6

18. The FB Network was presented with the 2014 – 2015 Proposed Budgets for the Jointly Financed Activities ICSC, JIU, CEB, UN DSS. The FB Network agreed to review the UN DSS budget in a separate session on 1 March 2013.
19. The proposed budget for CEB is USD 5,799,600 in line with the 2014-2015 starting position. The proposed budget for JIU is USD 15,450,600, including an increase of USD 1,261,900 from the 2014-2015 starting position. The proposed budget for ICSC is USD 17,965,300, thereby including a decrease of USD 100,000 from the 2014-2015 starting position.
20. It was clarified that the 2012-2013 Proposed Budget as approved by FB Network (Table 1, column B, document CEB/2013/HLCM/FB/3) were based on 2010 – 2011 prices, before the recosting by the General Assembly to account for updated prices. Therefore, amounts in column B do not represent the true cost of services. As per current practice, the General Assembly applies recosting to the budgets twice a year to account for updated prices and inflation forecasts.
21. It was further clarified that the 2014 – 2015 starting positions (Table 1, column D, document CEB/2013/HLCM/FB/3) do not embed any increase in staff but include a delayed impact of posts approved in the prior biennium, as per UN practice, to account for the average time of filling vacancies. Furthermore, they include the removal of 2012-2013 non-recurrent items, thereby avoiding that one-off expenses or budget needs inflate the starting positions.
22. JIU presented to the FB Network the reasons and needs underlying their request for an increase in their budget, specifically for consultancy, travel and data processing services.
23. Organizations carefully reviewed the budget proposals recognizing the importance of the Jointly Financed Activities. However, all organizations highlighted the budget constraints they are currently facing. Many organizations can only present a zero real

growth budget to Member States. Other organizations advocated for a zero nominal growth budget. Under such conditions, no budget increases could be absorbed for the forthcoming biennium.

24. In particular, the FB Network could not endorse the request presented by JIU for a budget increase from the 2014-2015 starting positions. The FB Network requested the JIU to look into the prioritization of their activities and to present scenarios for the impact on the JIU activities of a reduced budget.
25. Members of the FB Network also highlighted that, differently to the UN Secretariat, they operate in a fixed budget environment. Therefore, after the budgets are approved, organizations will not be in a position to absorb increases stemming from the recosting practice.

➤ **Conclusions and Action Points**

26. The FB Network endorsed the Proposed Budgets for 2014-2015 for the JFAs in the following amounts:
 - a) CEB: USD 5,799,600 in line with the 2014–2015 starting positions
 - b) ICSC: USD 17,965,300 in line with the proposal submitted to the FB Network
 - c) JIU: USD 14,188,700 in line with the 2014–2015 starting positions
27. The FB Network endorsed such amounts with the understanding that any increase stemming from recosting will need to be absorbed within the approved budgets during the biennium.

b) Proposed cost shared budget for 2014 – 2015 for UNSMS (Videoconference 1 March 2013)

[Nick Jeffreys, FBN Co-Chair, WHO]

Documentation:

- *CEB/2013/HLCM/FB/3*
- *Response to CEB-2013-HLCM-FB-3-Add 2 (25-02-13 FINAL)*
- *Response to CEB-2013-HLCM-FB-3-Add 2 - Annex I (25-02-13 FINAL)*
- *Response to CEB-2013-HLCM-FB-Add 2 Annex II - Field budget distribution by country (25-02-13)*
- *Response to CEB-2013-HLCM-FB-Add 2 Annex III - Locally cost-shared budgets for 2012 (25-02-13)*
- *Response to CEB-2013-HLCM-FB-Add 2 Annex IV - Preliminary Locally cost-shared budgets for 2013 (25-02-13)*

28. The UN Secretariat presented to the FB Network the below scenarios for the 2014 2015 UNDSS budget:

- a) USD 213.9 million: this represents the 2014 - 2015 starting position with a vacancy rate for both GS (Local Field staff) and professional staff of approximately 14%.
 - b) USD 226.2 million: this represents the budget including full recosting for 2012 – 2013, and with a vacancy rate for GS (Local Field staff) of 7.2% and professional staff of 7.5%.
 - c) USD 234.7 million: this represents the 2014-2015 budget estimate at 2014-2015 prices including full recosting for 2012 – 2013 with a vacancy rate for GS (Local Field staff) of 7.2% and professional staff of 7.5%.
29. It was noted that the proposed JFA budget for the 2014-2015 biennium had not yet been discussed, reviewed or approved by the IASMN.
 30. It was clarified that the scenario of USD 218.6 presented to the FB Network in September 2012 was based on 2012- 2013 prices but with a vacancy rate of 7.5% for professional staff and 11% for GS (Local Field staff). The vacancy rate was artificially high to keep the budget within the ceiling, and this could turn into a higher level of risk for the UN Security.
 31. It was noted that a cap on the JFA budget would not necessarily cap organizations cost-shared budget obligations since there are many examples of the same types of costs (local security advisors, for example) being included in both the JFA and locally cost-shared budgets. As such, the possibility exists that costs not included in the JFA could be shifted to the locally cost-shared budgets. It was noted that the IASMN had identified this problem and had requested a comprehensive paper itemizing the services to be funded through locally cost-shared budgets as clearly differentiated from those provided as a result of the JFA funding contributions. Organizations requested that this paper also be brought to the FB Network.
 32. With regard to the ongoing strategic review of the UNSMS requested by IASMN, UN DSS advised that the review aims at identifying efficiencies; however the envisaged efficiency measures will most likely not enable savings in the desired amount and cannot be relied upon to keep the budget within the ceiling of USD 218.6 million. It was suggested that the IASMN review the necessity of any planned JFA resource allocation to OECD countries, countries with a low SLS rating and countries for which DPKO has the mandate for security
 33. UN DSS advised that if it is forced to keep the budget at the level of USD 218.6 million, it will most likely have to increase the vacancy rate (possibly double it). While demand for security is increasing, lack of resources might have consequences for those with accountability for the operation and financing of the UN security system.
 34. Organizations reiterated the need for a fixed and predictable budget as, differently to the UN Secretariat, they operate in a fixed budget environment and cannot absorb recosting once the budget for the biennium is approved, just like they cannot present a revised budget to Member States during the course of the biennium.
 35. Therefore, organizations expressed the strong need to maintain the budget within the approved ceiling of USD 218.6 million, considering growing budgetary constraints

and the zero real growth budget that the majority of organizations are facing for 2014-2015.

36. It was clarified that the headcount used for the apportionment of the budget is the headcount of field staff at 31 December 2011 as decided at the FB Network in September 2012. It was noted that the most recent headcount figures seem to exclude some staff in non-OECD countries, and it was reaffirmed that the current methodology of including all headcount in non-OECD is applicable to all organizations participating in the UNSMS. A revision of the headcount would be issued by the CEB Secretariat by end of April 2013 after having verified some submissions for which issues have been raised during the peer review of the published figures by member organizations.
37. It was reiterated that the UN Secretariat would not absorb any amount in excess of its cost-shared portion as per the established methodology to meet the unbudgeted cost-share of other UN system entities.

II. Conclusions and Action Points

38. The FB Network was supportive of a ceiling for the 2014-2015 DSS jointly-financed budget of USD 218.6 million, noting that, in order to stay within this ceiling, DSS would need to maintain a higher vacancy rate than in the current biennium, and that keeping the current vacancy rate in 2014-2015 would increase the budget to USD 226.2 million.
39. The FB Network strongly encouraged UN DSS to maintain the budget within the approved ceiling of USD 218.6 million by finding other means of savings by identifying efficiencies within the strategic review that is expected to be concluded by June 2013, recognizing the challenges to find savings in the field of Security Management.
40. The FB Network further noted the responsibility for financing this joint service and the need for clarity on the overall governance of the shared security budget, which will be addressed by the work of the Working Group led by UNFPA, due to report at the FB Network meeting in June 2013. A mechanism should be established to alert UN system entities of any material budget revisions.

IV. Status and next steps of Financial Statistics Project

[Nick Jeffrey, FBN Co-Chair, WHO]

Documentation: CEB/2013/HLCM/FB/4

41. The goals of his project, launched in March 2011, were to improve the consistency of data collection from agencies, provide timely consolidated financial data, analysis and reports for the various stakeholders, integrate existing databases, eliminate data collection overlaps and reduce workload for agencies.
42. The data collected and used is public, from the agencies' financial statements and is not adjusted for the purpose of this exercise.
43. The 2011 data will be available on the new CEB Website to be launched within spring 2013.

➤ **Conclusions and Action Points**

44. The next round of collection for the 2013 data will start in March 2013 after the closing of the agencies' Financial Statements. Agencies will receive the full set of 2011 data for reference together with a revised used guide and will be requested to submit the data by no later than 30 April 2013.

V. Agreement on the preliminary agenda for the FB Network face-to-face meeting in June 2013

45. The FB Network agreed on the following preliminary agenda for the face-to-face meeting in June:
- a) Update on the HLCM Strategic Plan as outcome of the HLCM Spring session
 - b) Security Cost Sharing
 - 1. WG work on Security Cost Sharing
 - 2. WG work on Governance of Security Budget
 - c) Statement on Internal Controls – Update
 - d) Updates on the Study on ASHI Funding options, and on any other ongoing projects.

VI. Confirmation on date and venue for the June face-to-face meeting – Proposal: 24-25 June 2013

46. The dates of the next face-to-face FB Network meeting are confirmed for the 24-25 June 2013. The venue will be communicated in due course.

Annex 1 – Agenda

AGENDA

➤ 09.00 – 10.00 (15.00 – 16.00)

1. **Discussion on a Medium Term Plan for the FB Network** – Briefing of the FBN on the Strategic Work Plan for the HLCM, as outcome of the retreat in January 2013 and based on the outcome of the Quadrennial Comprehensive Policy Review (QCPR) for what concerns the FBN.

Reference document: CEB/2013/HLCM/FB/2

➤ 10.00 – 10.15 (16.00 – 16.15)

2. **Briefing on the status and next steps of the Common Treasury Services projects, based on the outcome of the Vienna meeting**

➤ 10.15 – 11.15 (16.15 – 17.15)

3. **Proposed cost shared budgets for JFAs for biennium 2014-2015**

Reference documents:

CEB/2013/HLCM/FB/3

CEB/2013/HLCM/FB/3 ADD1 for Information

➤ 11.15 – 11.30 (17.15 – 17.30)

4. **Status and next steps of Financial Statistics Project** - New round of data collection for 2012 to start at the end of March 2013

Reference document: CEB/2013/HLCM/FB/4

➤ 11.30 – 11.50 (17.30 – 17.50)

5. **Agreement on the preliminary agenda for the FB Network face-to-face meeting in June 2013. Proposed items:**

- a) Security Cost Sharing
 1. WG work on Security Cost Sharing
 2. WG work on Governance of Security Budget
- b) Statement on Internal Controls – Update based on outcome of 4. above
- c) Accrual budgeting: an update
- d) Updates on the Study on ASHI Funding options, and on any other ongoing projects

➤ 11.50 – 12.00 (17.50 – 18.00)

6. **Confirmation on date and venue for the June face to face – Proposal: 24-25 June 2013**

Annex 2 – List of Participants

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