



CEB
Chief Executives Board
for Coordination

28 September 2023

CONCLUSIONS OF THE 40th MEETING OF THE FINANCE AND BUDGET NETWORK (18-19 July 2023)

International Fund for Agricultural Development, Rome, Italy

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Introduction

1. The Finance and Budget Network (FBN) held its 40th session on 18th – 19th July 2023 at the International Fund for Agricultural Development (IFAD) in Rome, Italy. The meeting was co-chaired by Mr. Chandramouli Ramanathan, Controller, UN Secretariat, and Ms. Chitra Narayanaswamy, Controller and Director, Department of Program Planning and Finance, WIPO.
2. Mr Hernan Alvarado, Associate Vice President and Chief Financial Officer, IFAD, opened the meeting and welcomed participants.

I. Next generation of UN Financial leaders

Presenters: Hans Baritt, Controller and Director, UNHCR and Advit Nath, Controller and Director, IFAD

Discussion:

3. FBN members discussed the challenges they are facing in recruiting and retaining talented finance professionals, and the trends some have seen in the quality of applications and interest from young professionals in public service careers. Some of the problems identified included cumbersome recruitment processes, a lack of innovative training programmes to develop future financial leaders, and perceived issues with organizational culture and remuneration systems.
4. Several ideas were suggested that could help to address these challenges:
 - Enhancing the way the UN communicates its value to potential hires and leveraging the UN's brand effectively
 - Improving training with courses beyond accounting, including AI, innovative finance, and systems management.
 - Reviewing recruitment processes, using tools like AI, and changing the perception of the UN as an inaccessible organization.
 - Exploring adjustments to the remuneration system to offer portable benefits rather than long-term career commitments.
 - Collaborating with outreach to universities and exploring collaboration on entry-level programmes to attract and nurture new talent.
 - Focusing not just on recruitment but on retention and growth of existing staff, recognizing changes in the work environment.

Conclusions:

5. The FBN agreed on the importance of investing time into reimagining the recruitment process, training approaches and career paths of talented finance staff that would be fit for the future of finance in the UN. Potential areas for collaboration were noted to include joint outreach to universities and other fora; joint development of training programmes that extend beyond accounting to build skillsets for emerging realities for finance leaders; exploring the possibility of

a common application portal; and exploring the possibility for a common entry-level programme for young UN finance professionals. The FBN Co-Chairs also agreed to connect with the HR Network on this topic of how the UN can retain and develop bright financial talent.

II. Innovative Financing - Engaging non-traditional partners and donors

Presenters: Tomas Asare, Comptroller and Director, UNICEF and Hans Baritt, Controller and Director, UNHCR

Background:

6. The session aimed to facilitate the exchange of effective practices and ideas for innovative financing mechanisms, engaging private sector donors and establishing meaningful collaborations with non-traditional donors.

Discussion:

7. During this agenda item, UNICEF shared experiences and lessons learned with innovative approaches to financing. Insights were provided into how UNICEF uses innovative financing to engage non-traditional partners and donors, noting that reliance upon traditional sources of philanthropic capital alone will not be enough if the world is going to achieve the Sustainable Development Goals (SDGs). It was highlighted that ESG and impact investing has become a megatrend within the global capital markets, which can be tapped by UN organizations. Some examples of UNICEF innovative financing were provided, including partnering with the World Bank to issue a COVID response bond. Though this generated goodwill and potential for future impact bonds, it also revealed legal complexities and lessons to be learned in this respect. Other examples included the use of national committees as a bridge fund to ensure a continuous supply of vaccines; supply and procurement financing workstreams; and strategies to improve access to capital markets for programme countries.

8. UNHCR presented examples of financing for sustainability practices in UNHCR operations, with an overview of its Green Financing Facility. This facility is an innovative financing mechanism via guarantee and revolving funds. UNHCR noted that by utilizing a guarantee-based mechanism, UNHCR is 60 per cent more efficient in usage of donor funding than traditional grant based models, setting aside a lower level of funding to unlock private sector investment.

Conclusions:

9. The presentations highlighted the need for creative solutions to financing, the potential legal obstacles to such approaches, and the importance of collaboration and strategic thinking to meet the UN's humanitarian and development goals. The FBN agreed to schedule a separate virtual session to follow up on this discussion and identify a way forward for collaboration in this area.

III. Future of ERPs

Presenters: Massimiliano Merelli, WFP and Thinus Greyling, UNHCR, Digital and Technology Network ERP Special Interest Group (via VC)

Background:

10. ERP systems have become indispensable tools for organizations worldwide, including the UN, enabling efficient management of key business processes and facilitating data-driven decision-making. As new technologies and business approaches continue to evolve, it is timely for the FBN to exchange information on the current state of ERPs used in the UN system and to share their ideas and insights on future ERP developments.

Discussion:

11. The Chairs of the Digital Technology Network (DTN) ERP Special Interest Group (ERP SIG) from WFP and UNHCR provided an overview of the work currently being undertaken by the ERP SIG, and the results of a recent ERP survey. The survey, conducted during February and March 2023, gathered data on the current application landscape; Future Plans for ERP upgrades or re-implementations; and other information on integration and reporting platforms. The ERP SIG has also commenced a UN-wide ERP Study with Deloitte, co-funded by WFP and UNHCR, the results of which will be shared with all organisations in October/November 2023. The main goals of the study include:

- Current state assessment
- Best practices for public sector organisations
- Shared roadmap for all UN organisations
- Cost savings through economies of scale
- Change management strategy.

12. The FBN discussed several aspects related to the future of ERPs, including trends on adoption of cloud-based ERP solutions, vendor-specific strategies for SAP and Oracle, cautious technology adoption, a business-driven approach to solutions, and the need for collaboration and strategic planning within individual UN organizations and across the system. Interoperability was also discussed, with an emphasis on the need for seamless interfaces between different parts of the UN system. Leadership's role in driving change, the complexity of achieving efficiency, and the need for regular updates to infrastructure were emphasized.

13. The next meeting of the ERP SIG is scheduled for 26-29 September, hosted by UNESCO in Paris.

Conclusions:

14. The FBN noted with appreciation the update from the ERP Special Interest Group, and agreed to have a follow up session on the agenda of the next in-person FBN meeting. It was noted that FBN colleagues are invited to attend the upcoming ERP Special Interest Group meeting that will take place in Paris on 26-29 September, hosted by UNESCO. FBN members who would like to

engage with the Deloitte ERP study were invited to reach out directly to the Chairs of the ERP SIG.

IV. Common Treasury Services and responsible investing

Presenters: Carmen Hett, Treasurer, UNHCR and Co-Chair WGCTS; Carlos Perrone, Treasurer, UN and Co-Chair WGCTS (via VC); Simona Colaiacomo, Senior Finance Officer and Head of Treasury, FAO; Nuala Moreau, Chief and Senior Investment Officer, UN; and Pedro Guazo, Representative of the Secretary-General for Investments, UNJSPF (via VC)

Documentation:

- Draft UN System Responsible Investment Statement (CEB/2023/HLCM/FB/5)
- UNJSPF Sustainable Investing Manifest & Policy

a) Responsible investing

Background

15. At the 39th FBN session, FBN members supported the formalization of a stream of work under the Working Group on Common Treasury Services (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.

Discussion

16. The Co-Chairs of the WGCTS, together with the co-leads of the Sub-Group on responsible investing, presented the draft Responsible Investment Statement (the RIS) to the FBN. The RIS was developed in response to a mandate from HLCM to develop system-wide common principles of responsible investment and a system-wide common approach to external manager engagement.

17. The aim of the RIS, as a mechanism for a coordinated and consistent approach, is to:

- more closely align each UN Entity's investment governance and practices with its own mandates and goals, while UN entities continue to manage funds in line with individual investment policies and investment objectives,
- provide a common standard framework for the management of UN Entities' investment portfolios with due regard for environmental, social and governance issues across the UN System, and
- reduce reputational risk and favor sustainable long-term growth

18. It was noted during the presentation that the RIS is a living document that will evolve with best practices as experience continues to be integrated in a consultative effort. It was also noted that responsible investment represents an important element of how the UN system is perceived as a whole, and as such requires additional finetuning between entities. It aspires to be a framework to guide each UN entity in their investment activity, and effort was made to consider the differences between UN agencies.

19. Each UN entity will determine its own implementation approach for the RIS, including incorporation in each entity's investment governance structure. The WGCTS will provide a series of tools to assist the practitioners, at Treasurer level, such as an external manager database; a due diligence questionnaire template for external managers; and any useful market information on providers and methodologies. The WGCTS will also support record-keeping and sharing of good practices, and will work to maintain the relevance and usefulness of the RIS by updating as necessary.

20. UNJSPF also presented an overview of its journey with responsible investing, which began at inception of the Fund. It was noted that responsible investing for UNJSPF is not just about restrictions, but also about engagement and the opportunity to invest in activities that will drive positive change, such as solutions for renewable energy.

21. The FBN welcomed with appreciation the RIS, noting that it provided a common framework that individual entities can build upon by integrating additional environmental, social and governance factors into their investment analysis and decision-making processes, as appropriate for their entity.

b) Digital finance and operations

Background

22. At its 38th session, the FBN decided that the topic of digital finance will continue to be a standing item on the agenda with continued involvement by experts in the field and sharing of lessons and experiences.

Discussion

23. UNHCR presented a brief overview of the Digital Hub of Treasury Solutions, which is a common UN Financial Gateway for integrated and secure straight-through processing for payments and collections: Digitization; Interoperability; Standardization; Security & Data Privacy; with Scalability and Synergies. The presentation highlighted opportunities for UN collaboration and the associated benefits, including common access in banking connectivity, reduction in internal processing and external transaction costs with a single financial gateway that allows economies of scale; and tracing of payments all the way through to receipt by beneficiaries.

24. An overview was also provided of a UNHCR use case utilising blockchain technology for disbursements to internally displaced persons in Ukraine, where aid recipients receive funds instantly in digital wallets, which can be withdrawn in cash when needed at any MoneyGram location.

25. A short update on cash operations in Afghanistan was also provided by the Chair of the WGCTS, and the FBN noted the excellent collaboration between entities that facilitated the UN system's responses to emergencies.

Conclusions:

26. The FBN welcomed the RIS with appreciation for the work done, and generally endorsed the

approach taken, and process followed, noting that the RIS is a living document that will continue to evolve based on further UN entity input and legal review. FBN members were invited to provide comments on the RIS through their representatives in the WGCTS by 30 September 2023, and the WGCTS will prepare a final version of the RIS, incorporating any remaining entity-level feedback, including any legal and governance considerations.

V. Artificial Intelligence (AI) in the UN System

Presenters: Cory Hrnčírik, Director, CFO Office, Microsoft (via VC); Advit Nath, Controller and Director, IFAD; Thomas Bousios, Director, ICT, IFAD; and Hans Baritt, Controller and Director, UNHCR

Documentation:

- CEB Principles for the ethical use of artificial intelligence in the United Nations system (CEB/2022/2/Add.1)
- HLCM Risk Management Forum discussion on AI Risks

Background

27. Generative Artificial Intelligence (GAI) has captured significant attention since the launch of ChatGPT in late 2022. Use cases are emerging of AI for business productivity, creativity and for social good, and investment in AI is increasing at a rapid pace across various industries, changing the way businesses operate. The financial industry has also recognized the potential of AI and Chat GPT models in enhancing financial processes and services.

Discussion

28. A Director from Microsoft's CFO Office presented Microsoft's AI journey over the last several years, specifically how Microsoft is incorporating AI into its own financial operations to boost efficiency, significantly reducing manual work hours and empowering employees to achieve more. Microsoft has employed machine learning for forecasting many aspects of its business, including forecasting revenue and headcount. Recently, Microsoft has employed GAI to stitch together processes in 4 main areas:

- To summarize information, such as distilling collection agents' call notes into actionable plans
- To recommend actions, for example to define a collection strategy based on customer payment history
- To generate content, such as drafting collection call follow up emails in different languages with payment plan details, or summarizing client transcripts in over 60 languages and generating action plans
- To simplify tasks, for example, prioritizing collection emails, tagging disputes, and identifying resolution owners.

29. Through the use of GAI, Microsoft is streamlining processes and democratizing data insights to enable efficient decision making. Examples of questions that the Microsoft finance team ask are: How can we use AI to streamline this process? Is there a decision that can be recommended by AI? Are there processes that can be repeated with low risk?

30. Microsoft also showcased several of their AI tools and services, including Copilot to boost productivity, and Azure Open AI to build custom solutions. The presentation stressed the importance of understanding the problem first before deploying AI solutions, and highlighted some of Microsoft's continuous learning initiatives it has been collaborating with the UN on.

31. A presentation from IFAD highlighted the revolutionary impact of GAI, noting its expansive applications. AI use case categories were discussed, including customer service, fraud detection, risk assessment, document analysis and document preparation. Examples of how IFAD is using AI were also showcased such as training videos, legal document reviews, projects using blockchain interfaces, the IFAD OMNIDATA platform for data analysis and data visualization, and development of other fit-for-purpose commodity and bespoke products. The importance of collaboration across UN entities was discussed, as was the need for more bespoke AI use cases. Some lessons learned on the IFAD experience in adopting /embedding AI were also shared.

32. UNHCR presented some use cases of GAI in its finance department, including a new pilot “Ask Finance” to obtain information from UNHCR financial policies, and noted that finance will be one of the top functions most affected by AI. When discussing why the UN system CFOs should be interested in AI, projected productivity gains of 15% to 40% were highlighted, through using AI to automate or improve processes and using AI for data insights that can inform operational and strategic decisions across an organization. Donor expectations for innovating and the anticipated use of AI by external stakeholders were also discussed.

33. The broader FBN discussion revolved around the importance of understanding AI’s impact and potential disruptions, how staff are already integrating AI into their work, and guiding staff in its use. It was also noted that while financial benefits are not the primary concern for AI projects, leadership and demonstrating value are crucial.

Conclusion

34. The FBN took note of opportunities for the application of AI technologies in financial management operations to achieve increased productivity, while also recognizing the need to ensure that AI is used in an enterprise safe manner. The FBN will continue to exchange experiences and knowledge on AI applications, policies and other relevant materials going forward, as well as explore opportunities for collaboration on pilots in areas of commonality across the UN system.

VI. Task Force on Accounting Standards (TFAS)

Presenters: Adnan Chughtai, Treasurer, Financial Comptroller and Director, ILO and Donna Grimwade, Deputy Director of Financial Management, UN WOMEN (Via VC)

Documentation:

➤ Progress Report, TFAS

Background

35. The TFAS provides regular progress reports and updates to the FB Network.

Discussion

36. The Chair of the TFAS, Adnan Chughtai (ILO) presented the latest TFAS Progress Report, together with the Vice Chair, Donna Grimwade (UN Women). It was noted that the goal of the TFAS is to promote consistent interpretation and application of the International Public Sector Accounting Standards (IPSAS) for UN entities. The TFAS Secretariat monitors the IPSAS Board's (IPSASB) activities and keeps the TFAS informed on new developments.

37. The progress reported included the following developments:

- The TFAS is working towards a system-wide consistent interpretation of IPSAS, in collaboration with the IPSASB and the external auditors (Board of Auditors and Panel of External Auditors).
- The new IPSAS 41 (on Financial Instruments) went into effect from January 1, 2023.
- The Working Group on Revenue and Transfer Expenses, led by Johanna Clark from UNICEF, continues its engagement with the IPSASB staff.
- New standards on Revenue and Transfer expenses were approved in March 2023 and will come into effect on January 1, 2026.
- Several other new standards (Leases IPSAS 43, Measurement IPSAS 46, Property Plant and Equipment IPSAS 45, and Non-Current Assets IPSAS 44) were approved and are set to be effective from January 1, 2025.

38. In terms of upcoming projects, the TFAS is closely examining new standards (IPSAS 47 and 48) on Revenue and Transfer Expenses, with plans to create policy papers that will be integrated into a TFAS Application Guidance. The TFAS sought approval from the FBN to engage a consultant to help create this Application Guidance, with funding of \$75,000 proposed from the TFAS Surplus Fund.

39. The TFAS is also monitoring other works and pronouncements from the IPSASB, which include areas like Natural Resources, Presentation of Financial Statements, Differential Reporting, Public Sector Sustainability, Retirement Benefits Plans, and other types of Leases in the Public Sector.

40. An update was also provided of a meeting with the Technical Group of the Panel of External Auditors (TG) held on 12 July. The TG raised the issue about UN Financial Regulations and Rules (FRRs) conflicting with IPSAS, leading to discussions on which should prevail. The TFAS informed the TG that the revision of FRRs for IPSAS compliance is underway in many entities, and the TG communicated that it wishes to be consulted in the FRRs redrafting. The TG also expressed desire for the UN to have an IPSAS application manual for more synchronization

between different UN entities, and was pleased to hear from TFAS that this will commence with IPSAS 47 and 48. The TG encouraged the TFAS to expand the scope of the manual to cover other IPSAS standards.

41. During the discussion, the FBN thanked the TFAS for their efforts, emphasizing the importance of looking forward and focusing on upcoming standards like IPSAS 47. Challenges with IPSAS for the UN system were discussed, as well as the issue of inconsistent interpretation of IPSAS standards by external auditors. The frequent rotation of the external auditors adds to the challenges with consistency. It was noted that, over time, policy and interpretations have changed, rendering financial statements less useful. It was reiterated that there is a need for the UN to have a voice and influence on the IPSASB, and to ensure the Board meets the UN's unique needs.

42. The proposal to engage a consultant to develop IPSAS application guidance was supported, however it was agreed that the guidance should allow flexibility due to varying business models within the UN system, noting that some policy exceptions might arise.

Conclusion

43. The FBN approved the use of \$75,000 from TFAS surplus funds for a consultancy to develop IPSAS application guidance for new standards 47 and 48, and agreed to appoint Johanna Clark, as Vice Chair of the TFAS following the retirement of Donna Grimwade. The FBN thanked Ms Grimwade for her service to the FB Network and as Vice Chair to the TFAS, and also thanked Mr Chughtai for agreeing to continue to chair the TFAS for an additional two years.

VII. Conditionalities of funding - Follow on from HLCM discussion

Presenters: Chandramouli Ramanathan, Assistant Secretary General, Controller, UN

Documentation:

- CEB/2023/3 Report of HLCM 45th session
- CEB/2023/HLCM/9 Discussion paper - considerations for audit and investigation clauses in UN funding agreements with donors

Background

44. At the December 2022 meeting of the UN System Oversight Committees, representatives of the Oversight Committees raised concerns regarding donors' growing requests to put conditionalities on funding, such as privileged access to the results of investigations, and suggested that HLCM takes a firm position on this matter. At its 45th session HLCM discussed a paper recently authored by a group of UN heads of internal oversight on principles and considerations for audit and investigation clauses in UN funding agreements, and encouraged all UN entities to engage with donors through established networks where possible. HLCM also requested the FBN to continue the dialogue with the UN Representatives of Internal Audit Services (UN-RIAS) and UN Representatives of Investigation Services (UN-RIS), and to engage with the UNSDG Fiduciary Management Oversight Group, resource mobilisation counterparts and other relevant

stakeholders on this issue, with a view to establishing a UN system wide coordinated approach to address donor audit and investigation concerns.

Discussion

45. Mr Ramanathan provided some background to introduce the topic, recapping discussions that had taken place during the April 2023 HLCM meeting, with reference to the key principles document that had been submitted to HLCM by a group of UN oversight representatives. Ongoing challenges with respect to EU-UN FAFA agreements were also discussed.

46. It was noted that UN entities are receiving increased requests for funding conditions, even from countries that previously did not request additional conditions, with examples including sanction clauses and other stipulations. It was noted that issues around sanction clauses are growing in complexity, and that the challenge is to maintain UN principles while meeting donor requirements.

47. FBN members discussed ideas to collaborate with UN- RIS, UN-RIAS and other relevant stakeholders on this matter. During the discussion, the FBN noted that across the board, there is a growing demand for greater oversight, which brings about challenges and increased demands, and that there is a domino effect, whereby if one UN entity accepts additional conditions, there are broader implications for all UN entities. Recognizing gaps in the UN governance model, and addressing them, is crucial. There is also a need for better communication and understanding between auditors and the audited entities.

48. The associated increases in the cost of oversight were also discussed. UN entities have been asked to do more on oversight, yet it has only led to even greater demands placed on UN entities.

49. During the discussion, the FBN highlighted the complexities and challenges faced by UN entities in navigating conditionalities of funding, donor demands, and internal oversight mechanisms. Possible approaches were discussed, including bringing the discussion on the Single Audit Principle through the Board of Auditors to Member States, to discuss at a political level, noting that the Board of Auditors are best placed to defend the Single Audit Principle, supported by the UN's internal auditors; considering looking into quantifying the cost of oversight; analysing gaps in UN governance models, for example looking at transparency and whether the UN entities are consistently publishing the right information, and on the right platform; looking at why there is no reliance between internal and external audit function; and considering how UN oversight bodies can assure they are fit for purpose.

50. With respect to the roles of internal and external auditors, it was noted that it has become a homogenous pool of auditing and that it would be helpful to delineate more clearly between them and explore ways in which internal auditors can add value through their audits.

Conclusions

51. The FBN agreed to establish a new Working Group with two sub-groups as follows:

- a) A Sub-Group to address key challenging funding conditions that UN entities are encountering and come up with a proposal for a clear common position and approach to managing these. The UN Secretariat agreed to chair this Group.
- b) A Sub-Group to focus on identifying and analyzing the governance gap perceived by Member States and other donors in UN system entities, in the light of assurances already provided by management, internal audit, external audit and the UN Joint Inspection Unit, and to propose how these perceived gaps can be addressed. UNFPA agreed to co-chair this Working Group, and nominations from other entities to co-chair are welcome.

52. It was noted that early engagement, as appropriate, of UNRIAS, the Board of Auditors and other stakeholders in the outcomes of the Working Group would be important.

VIII. Embedding sustainability into reporting and decision making

Presenter: Professor Carol Adams, Chair of GRI's Global Sustainability Standards Board (Via VC)

Documentation:

- Public sector sustainability reporting: time to step it up

Background

53. The concept of embedding sustainability into reporting is gaining increasing attention as organizations recognize the need to address environmental, social, and governance factors in their operations. The issue of ESG reporting has been raised by the UN audit and oversight community, and the International Public Sector Accounting Standards Board (IPSASB) also recently decided at its June 2023 meeting to move forward with the development of a public sector specific Climate-Related Disclosures standard. The IPSASB announced that it hopes to be able to initiate other sustainability projects in the coming months subject to funding and resource availability.

Discussion

54. Professor Carol Adams, currently Chair of GRI's Global Sustainability Standards Board, author, and member of the Project Advisory Panel on Sustainability Reporting to the Australian Accounting Standards Board, introduced the Global Reporting Initiative (GRI), an independent body setting international standards for organizations to report on their sustainability impacts, noting that GRI is widely recognized, with many organizations globally adhering to its standards.

55. The GRI Standards are principles-based and designed to enable an organization to publicly disclose its most significant impacts on the economy, environment, and people, including impacts on human rights. The Standards are a modular system comprising three series of standards: Universal Standards, Sector Standards and Topic Standards. Professor Adams referred to the concept of "double impact materiality", highlighting the importance of understanding the key material impacts, both on the value of the reporting entity but also from the perspective of the

environmental and social impact of the reporting entity's activities on a broad range of stakeholders.

56. GRI 3 was emphasized as a crucial standard as it guides organizations on determining their material impact and assessing severity and likelihood. Understanding impacts is a necessary first step in identifying risks and opportunities that result from an organization's impacts.

57. Professor Adams gave insights into the development of GRI standards and projects in progress, including a public sector research project being undertaken to understand existing practices, needs, and a workable structure for sustainability reporting in the public sector. The intention is that this will be collaborative, working in conjunction with the evolving agenda of the International Public Sector Accounting Standards Board (IPASB) and other regional and national level standard setting bodies to ensure access to the most useful information and alignment.

58. During the FBN discussion, questions arose around the specifics of sector standards and their applicability to different organizations. Given the evolving landscape of sustainability standards, there was also a concern raised about potential overlap and duplication. Professor Adams noted that the focus on impact is a key feature of the GRI standards that sets them apart from other standards.

59. Assurance activities were also discussed, noting the International Organization of Securities Commissions (IOSCO) is seeking development of an agnostic standard, and Professor Adams highlighted the EU's alignment with GRI.

60. Queries on model disclosures and compliance methods were raised. FBN members were encouraged to refer to the GRI website for a content index and description of various levels of compliance and external assurance.

Conclusions

61. The FBN took note of the presentation with appreciation, and will consider future agenda items on sustainability at upcoming FBN sessions.

IX. Working Group on Capital Investment needs

Presenter: Robert van Der Zee, Director, Corporate Finance Division, WFP

Documentation:

- Draft report of the Working Group on Capital Investment Needs
(CEB/2023/HLCM/FB/7)

Background

62. At its 38th meeting the FBN decided to establish a working group to address the issue of how to best fund long-term capital expenditure investments, through the development of guidance and recommendations for UN system entities on the issue of funding long-term capital expenditure investments.

Discussion

63. The Co-Chair of the Working Group for Capital investment needs, Rob Van der Zee, WFP, presented the draft report of the Working Group, which presents guidance for UN entities on funding long-term capital expenditure investments, under consideration of the current practices in relation to the set-up and management of capital expenditure (CapEx) reserves.

64. In considering prior observations and recommendations from the ACABQ, the complex landscape of existing reserves, and the different mandates, funding models, operational models and types of activities, the Working Group decided to focus its efforts on collating guidance in relation to the following aspects:

- An overall approach to structure the objective and set-up of CapEx reserves.
- Target levels and ranges (floor/ceiling), funding and replenishment of CapEx reserves.
- The role of governing bodies and high-level management in relation to the set-up, use and management of CapEx reserves.
- Establishment of framework documents, such as reserve policy and capital plan.

65. An overview of the recommended guidance was provided, highlighting the key aspects as follows:

Structure

- Reserve objectives: Serve the needs for foreseeable, known or predicted requirements related to fixed assets; and together with other mechanisms, assist in addressing an impact of uneven capital outflows and unforeseen events;
- Distinguish reserves for corporate versus programmatic assets
- Targeted asset classes: Buildings, ICT and other.

Funding

- Target levels: fixed amounts or formulas linked to revenue / expenditure elements.
- Target levels versus ranges (floors/ceilings)
- Use of reserves – based on planned interventions or unforeseen events;
- Replenishment of reserves
- Reserve funding sources

Governance

- Identification, set-up and use of CapEx reserves is impacted by main organizational governance arrangements.
- Essential elements to apply for proper governance, including: Strategic versus tactical aspects; Right mix of business units; Degree of responsiveness; Scaling of authorities
- Accountability framework for performance monitoring and reporting.

66. During the discussion, FBN members mentioned various challenges they have with capital

investment planning, budgeting and accounting. IT investments were also discussed, noting that they are not easy to manage and can place a business at risk. In this regard, it was suggested that the Working Group consider engaging with the Digital and Technology Network to seek guidance, also with respect investment related to cyber security.

Conclusions

67. The FBN welcomed with appreciation the work done by the Working Group. The FBN was requested to review the guidance on establishing, administering, and reviewing CapEx reserves as described in Section IV of the Report, and revert back to the Co-Chairs of the Working Group by 15 October 2023 with any comments on the draft report. The final report will be circulated to the FBN for approval.

X. New GEM Data Standard - Continuing the SG's High-level Task Force on Gender Equality recommendations and UN System

Presenter: Donna Grimwade, Deputy Director of Financial Management, UN Women

Documentation:

- UN Data Standards for United Nations System-Wide Reporting of Financial Data

Background

68. At its 39th session, the FBN endorsed a new 7th Data Standard on the Gender Equality Marker, with a transitional period until 31 December 2025. There was an opportunity for FBN members to request a modification to the transitional period by May 2023, however no requests were received, and the transitional period to 31 December 2025 has been confirmed.

69. This GEM data standard is for reporting to IATI and OECD.

Discussion

70. Donna Grimwade, UN Women, provided a brief recap of the journey to establish and approve a UN system data standard on the Gender Equality Marker.

Conclusion

71. The FBN took note of the confirmed transitional period to 31 December 2025 and thanked Ms Grimwade and UN Women for the years of work that went into establishing the GEM Data Standard.

XI. Removing barriers to further operationalization of Mutual Recognition

Presenters: Giorgia Salucci, Chief, Field Support Unit, IFAD and Christophe Monier, Director, Business Transformation and Accountability Division, UN (Via VC)

Documentation:

- CEB/2023/HLCM/6/Rev.2 Terms of Reference of the HLCM Coordination Group on Mutual Recognition
- Discussion points for reflection

Background

72. At its 44th session in October 2022, HLCM decided to strengthen the coordination between the different strands that support the operationalization of Mutual Recognition, through: 1) the development/ revision of management policies to address bottlenecks in the application of Mutual Recognition principles as identified by relevant reform streams; and, 2) the formulation of common comprehensive operational guidance on Mutual Recognition that can be shared with entities and also disseminated to country/field offices. At its 45th session in April 2023, HLCM approved the Terms of Reference of the HLCM Coordination Group on Mutual Recognition, and requested coordinated development of internal guidance to advance the operationalization of mutual recognition.

Discussion

73. The Co-Chairs of the HLCM Coordination Group, Ms Salucci and Mr Monier, introduced the concept of mutual recognition and provided an update on the coordination group that began its work in April 2023. As of now, 15 entities are represented in the group (UNHCR, UNOPS, WFP, UNRWA, UNEP, UNDP, UNCTAD, UNIDO, UNESCO, FAO, IFAD, ICAO, ILO, IOM and UN). The Co-Chairs facilitated a discussion on the ways that the FBN can contribute to the further operationalization of mutual recognition, and the need for raising awareness of mutual recognition was also discussed.

74. It was noted that the ultimate goal for UN system collaboration that yields positive results is to enable early engagement that fosters upstream cooperation between UN entities, and the FBN discussed ways in which downstream mutual recognition can be leveraged to build more upstream cooperation overtime.

75. Some successful examples of mutual recognition were discussed, such as the UN Fleet and the UN Booking hub. With respect to challenges, it was noted that in principle, mutual recognition should be free, but some entities are charging fees for using their Long-Term Agreements (LTAs). Some disappointment in the low adoption rate of Human Resources services under mutual recognition was expressed. Challenges and concerns with the UNSDG Common Back Office (CBO) initiative were also raised, including issues that projected savings associated with the CBO may not be realistic, especially with mandated procurement policies. The decision-making process for opting in or out of services and the conditions surrounding those choices was also noted as an area that may warrant further discussion.

76. In terms of additional opportunities for mutual recognition, it was noted that knowledge about existing LTAs could be improved, possibly through increasing the role of the UN Global

Marketplace in facilitating LTAs. The discussion also touched on IT contracts, emphasizing that UN entities are paying regular rates for services like Microsoft, suggesting that there is a potential for better-value deals. Additional examples suggested included UN system-wide coordination on sanctioned vendors and sharing of risk assessments of partners across entities, as well as collaboration on negotiation with airlines.

77. It was also noted that advancements in technology can aid in mutual recognition and collaboration, with the use of blockchain technology for recording expenditure mentioned as a specific example.

Conclusions

78. The FBN took note of the potential benefits of mutual recognition in terms of collaboration, reducing costs, and increasing efficiency, with some specific areas of collaboration being identified as being more promising than others. Those FBN entities that are not already participating in the Coordination Group were encouraged to consider joining.

XII. Our Common Agenda

Presenter: Magdi Bona, Chief Financial Officer, UNESCO and Thomas Asare, Comptroller and Director, UNICEF

Documentation:

- Final Report of the Sub-Group on Budgeting and Funding Requests (CEB/2023/HLCM/FB/6)
- Update from the Sub-Group on Coordination with IFIs
- Accompanying background ppt for Sub-Group on Coordination with IFIs

Background

79. In May 2022 the FBN agreed to establish a cross-functional Working Group on the Practical Framework for Financial Management in the UN system, to develop a common framework of good practices, processes, and roles required for a longer-term view of financial management, including consideration of the role of the CFOs in the monitoring and review of financial structures, and bridging the gap between finance and resource mobilization, with a view to facilitating and supporting the delivery of the Common Agenda. Two sub-groups were established under this Working Group: a sub-group on budgeting and funding requests, and a sub-group on coordination with IFIs.

A) Sub-Group on budgeting and funding requests

Discussion

80. The Chair of the Sub-Group on budgeting and funding requests presented the report of the Group, including recommendations for improving budgeting frameworks, roles and processes within the UN system. The recommendations of the Group included the following:

1. Development of frameworks of good practices and processes: Common principles for formulating budget and funding requests; Leveraging emerging technologies for meaningful interconnections between financial resources and results; Better synchronization of budgets with priorities emerging from inter-governmental discussions; Exploring mechanisms to promote collaboration, cohesion and synchronized delivery among UN system entities.
2. Roles required for a longer-term view of financial management: More interconnected approaches between finance, strategic planning and resource mobilization; Skills inventory of the financial planning and budgeting function; Establishing a network of budget experts as way to facilitate knowledge and experience sharing at a more technical level.
3. Bridging the gap between finance and resource mobilization: Diversity of approaches to linking Organizational budgets to fundraising efforts; Systematic analysis of fundraising initiatives to better shape budget proposals; Exchanging and documenting experiences in terms of different types of budgets (needs-based vs. revenue-projection based), and scenario preparation; Consideration for advocating for the creation of a network of Resource Mobilization professionals as a critical partner to FBN.

81. During the discussion, the FBN agreed that a forward-looking, holistic approach to financial management requires links between finance, strategic planning, budgeting and resource mobilization, and that there is a need for more collaboration across these functions and across UN entities. The importance of integration of budgeting and finance was also emphasized, with reference to cost accounting being the link to connect IPSAS accounting and budget. The FBN also discussed the increasing importance of resource mobilization.

82. Some possible options for increased cross-functional collaboration were explored, including greater opportunities for budget and finance practitioners to work together, focusing on and understanding the link between budgetary issues and accounting, and a proposal to consider establishment of a resource mobilization network or forum that could partner with the FBN.

Conclusions

83. The FBN welcomed with appreciation the report of the Sub-Group on budgeting and funding requests, agreeing with the need for a holistic approach to budgeting. The FBN proposed that the Group refine the recommendations in the report based on outcomes of the FBN discussion, particularly with respect to the support for stronger inclusion of budget perspectives and discussions within the FBN, and support for bridging the gap between finance and resource mobilization. The refined recommendations would then be circulated to the FBN for endorsement.

B) Sub-Group on coordination with IFIs

84. The Chair of the Sub-Group on coordination with IFIs presented an update on the Group's activities and progress to date. The Group has been reviewing the results of research on collaborative mechanisms that have been implemented by the UN Funds and Programmes in

working with IFIs. There is evidence that substantive work has been done by some UN Funds and Programmes in creating coherence when engaging IFIs, and some collaboration exists in the IFI engagement space among these agencies. From the research conducted, it has become evident that the approach in the original TOR for this Group needs to be modified, and the Group proposed a revised approach.

85. The Group is at the initial stages of discussion on the review of mechanisms, agreements, and templates, and plans to narrow the initial focus to the World Bank, due to its position as the largest IFI donor to the UN system, and also taking advantage of the fact that the World Bank templates of engagements are publicly available. The Group requested FBN approval to extend the timeline for the Group to enable a detailed review of IFI agreement arrangements in order to establish whether benchmark structure, modalities of work and templates can be developed for the use by all UN agencies when engaging with IFIs.

86. The Group intends to propose inputs and recommendations towards:

- I. Joint Vision of the UN System in engaging with IFIs
- II. The principles of engagement/collaboration with IFIs
- III. Structures for engagement/ collaboration with IFIs proposed (new) and existing structures
- IV. Joint and fit for purpose engagement/ collaboration approaches
- V. The guiding pillars of the engagement/ collaboration strategy

87. The following outcomes were proposed for FBN endorsement:

- a) Gain a common understanding of the budgeting and costing structures of the IFIs; with a focus on large institutions, such as the World Bank;
- b) Analysis of financial and administrative management issues when engaging with IFIs, such as reporting, compliance, and clarity on what constitutes standard cost recovery rate (and under what conditions the preferential rate will be applicable); and
- c) Recommendations for UN agencies to jointly re-negotiate the Financial Management Framework Agreement dated March 10, 2006. The framework agreement should cover all engagement modalities (bilateral, thematic, joint) and key principles of cooperation, including monitoring, reporting, verification, eligibility of costs, overhead etc. This exercise will require the input of partnership and legal colleagues in recrafting the framework that can be adapted for all UN agencies.

88. During the FBN discussion, it was suggested to advocate for a similar agenda item on the corresponding IFI networks, for IFI engagement with the UN system, which could possibly lead to a joint UN-IFI working group.

Conclusion

89. The FBN endorsed the revision of the scope of the Sub-Group's work and an extension to the timeline for the Group's activities. It was also agreed that the work under item (c) on re-negotiating the Financial Management Framework Agreement would require input from the UN Controller's office, as well as from legal and partnership colleagues.

XIII. Any Other Business and Closing of the Session

(a) FBN Terms of Reference

90. The current FBN Terms of Reference (*CEB/2013/HLCM/FB/14/Rev.1*) were endorsed in 2013. In light of ongoing discussions regarding the role of the FBN vis-à-vis other UNSDG groups, as well as discussions related to the role of the FBN in reviewing the budgets of the UN's Jointly Financed Activities, FBN Members were invited to express their interest in participating in a review of the FBN TOR to the CEB Secretariat.

(b) UNSMS Review

91. In the context of the review of the 2024 proposed budget of the United Nations Security Management System (UNSMS), the USG DSS committed to work with UN entities to conduct a holistic review of the UNSMS footprint and security budgets, Local Cost Shared Security budget and JFA budget, setting out system security requirements, entity roles and responsibilities, sources of funding, and related trends over the past 5 years inclusive of all UNSMS member organizations, as well as the location and profile of posts. The FBN supported that approach and requested that the terms of reference, who chairs the review, and who undertakes the review be agreed with the FBN and IASMN.

92. The FBN had before it the draft Terms of Reference for the UNSMS Review. The Co-Chairs requested that any comments on the ToR be submitted to the CEB Secretariat within 72 hours following the conclusion of the FBN session, otherwise the ToR would be considered endorsed. It was also agreed that two FBN members nominated to join the proposed Project Board are Maria Costa (UN Secretariat) and Iva Gorcink Christian (UNFPA).

(c) General Assembly Request for Annual Reporting on Compensation Package

93. In its resolution A/RES/76/2401 the General Assembly “requested the Secretary-General to provide to the Member States, on an annual basis starting at the seventy-eighth session, comprehensive data on system-wide compensation costs for all staff categories, including all compensation package components”.

94. FBN members discussed the ongoing data collection in response to this request, and several concerns were raised regarding consistency of data across all the UN system organizations. Several FBN members proposed that there should be some analysis done of the figures for the system as a whole, with possible presentation to the upcoming HLCM October 2023 session, prior to the provision of data to the General Assembly.

95. It was agreed that FBN entities should report the requested compensation data to the CEB Secretariat at the level of granularity they feel comfortable with. The CEB Secretariat will compile the data and provide a consolidated analysis to the FBN for a collective decision on what level of

• ¹ [A/RES/76/240](#) General Assembly Resolution in the United Nations Common System

detail should be provided to the Secretary-General, to inform his reporting back to the General Assembly, and which caveats and disclaimers should be attached to the data.

(d) Update on enabling functions reporting

96. In May 2022 the FBN endorsed the definition of ‘enabling functions’ for application within the context of financial reporting in the UN Data Cube.

97. FBN members were reminded to refer to the written update from the Working Group on Harmonization of Cost Classification and cost definitions, specifically with respect to reporting financial data to the CEB with the common definition of “Enabling Functions”.

(e) Venue and date of next in-person session

98. The 42nd session of the Finance and Budget Network will take place in July 2024, with the exact dates and venue to be confirmed. The UN Secretariat offered to host the meeting in Nairobi, and will revert back after confirming there are no logistical scheduling conflicts.

Annex I – List of participants

Co-Chairs: Ms. Chitra Narayanaswamy (WIPO) and Mr. Chandramouli Ramanathan (UN)

Organization	Name	Title
CTBTO	Uday Dayal	Director of Administration
CTBTO	Melissa Buerbaumer	Chief Budget and Finance
FAO	Aiman Hija	Director of Finance and Treasurer
FAO	William Marvin	Deputy Director, Finance Division
FAO	Eugene Park	Finance Officer
FAO	Dora Ronai	Finance Officer
FAO	Simona Colaiacomo	Senior Finance Officer, Head of Treasury
Global Fund	Adda Faye	Chief Financial Officer (via VC)
IAEA	Mervi Taalas	Acting Director of Division of Budget and Finance
ICAO	Olga Nam	Chief, Finance Branch
ICC	Ivan Dragano	Finance Officer
ICC	Gela Abesadze	Chief, Finance Section
ICGEB	Franco GIACOMIN	Chief of Financial Services
IDLO	Mr Haroun Atallah	Director of Finance and Support Services
IFAD	Saheed Adegbite	Director, Office of Strategic Budgeting
IFAD	Advit Nath	Controller & Director
IFAD	Sankari Reddy	Special Adviser
ILO	Adnan Chughtai	Treasurer, Financial Comptroller and Director
ILO	Fikri Gurzumar	Chief, Treasury and Accounts Branch
ILO	Bojana Susic	Chief, Budget and Finance Branch
IOM	Hind Kambal	Senior Finance Officer
IOM	Leonel Antonio Guzman	Director of Finance and Accounting Division
IRENA	Ziyaad Asvat	Finance Accounts Officer
ITC	Christophe Ahouansou	Chief, Financial Management Section
ITU	Jamshid Djuraev	Head, Asset Management Unit
PAHO	Christos Kasapantoniou	Director, Financial Resources Management Department
PAHO	Kristan Beck	Director of Administration
UN	Chandramouli Ramanathan	Assistant Secretary General, Controller
UN	Maria Costa	Director, Finance Division
UN	Sandra Canales	Chief, Financial Policy & Internal Controls Service
UN	Sharon Borsits	Chief of Section, Committee on Contributions
UN	Nuala Moreau	Chief and Senior Investment Officer
UN	Carlos Perrone	Treasurer
UN Women	Donna Grimwade	Deputy Director of Financial Management
UNCCD	Somarajan Pillai	Chief of Administrative Services
UNDP	Andrew Rizk	Chief Financial Officer
UNESCO	Magdi Bona	Chief Financial Officer
UNFCCC	Sam Kambarami	Chief, Financial Resources Management Unit
UNFCCC	Frank Rauch	Team Lead for Budget

UNFPA	Andrew Saberton	Director, Division for Management Services
UNHCR	Hans Baritt	Controller and Director
UNHCR	Carmen Hett	Treasurer
UNICEF	Thomas Asare	Comptroller and Director
UNICEF	Gurpreet Singh Samrow	Chief - Decision Support
UNICEF	Tsitsi Soko	Senior Advisor
UNICRI	Kai Suelze	Chief, Centralized Management Unit
UNJSPF	Pedro Guazo	Representative of the Secretary-General for Investments
UNJSPF	Karl Ludwig Soll	Chief Financial Officer
UNODC	Monica Hemmerde	Chief, Financial Resources Management Service
UNOPS	Jawid Azizi	Head of Financial Statements and Audit
UNRWA	Shadi Alabed	Director of Finance
UNRWA	Joby Mathew	Deputy Director of Finance
UNWTO	Monica Gonzalez	Chief, Budget and Finance
UPU	Jean-Alexandre	Director of Finance
WFP	Rob van Der Zee	Director, Corporate Finance Division
WHO	George Kyriacou	Comptroller and Director of Finance
WIPO	Chitra Narayanaswamy	Controller & Director, Department of Program Planning and Finance
WIPO	Janice Cook Robbins	Director, Finance Division
WIPO	Paradzai Nematadzira	Assistant Controller (Via VC)
WMO	Brian Cover	Chief, Finance Division
World Bank	Juan Carlos Jaldin	Treasurer
WTO	Francesco Perlini	Head of Financial Operations
CEB Secretariat	Remo Lalli	Secretary, High-Level Committee on Management
CEB Secretariat	Laura Gallacher	Inter-Agency Adviser, Finance and Budget
CEB Secretariat	Ekaterina Zizekalova	Associate Finance and Budget Officer