



Governing Body

312th Session, Geneva, November 2011

GB.312/PFA/7/1(Rev.)

Programme, Financial and Administrative Section
Programme, Financial and Administrative Segment

PFA

SEVENTH ITEM ON THE AGENDA

Other financial questions: Progress report on expenditure review

Overview

Summary

This paper provides a brief update on the work of the Expenditure Review Committee established by the Director-General following the discussion of the Programme and Budget proposals for 2012–13.

Policy implications

None.

Legal implications

None.

Financial implications

None.

Decision required

None.

Follow-up action required

The Expenditure Review Committee will continue its work and report back to the Governing Body at the November 2012 Session.

Author unit

Management and Administration Sector (ED/MAS).

References to other Governing Body documents and ILO instruments

GB.306/PFA/12/3, GB.310/10/3(Rev.).

Origin and characteristics

1. In response to the Governing Body debate on the Programme and Budget proposals for 2012–13, the Director-General announced his decision to establish a high-level internal Expenditure Review Committee (ERC).¹ This paper provides a brief update on the work of the ERC, what it has accomplished so far and how it envisages its tasks and modes of operation.
2. The ERC advises the Senior Management Team and the Director-General on the basis of thorough assessments of all programmes and expenditures, both at headquarters and in the regions. It has the following main characteristics:
 - The ERC's goal is to enhance the efficiency and effectiveness of ILO programmes and operations through a rigorous Office-wide assessment of ILO expenditures, in particular the most cost-intensive. It is tasked with examining structures, procedures, methods of work and expenditure patterns to identify measures that increase value for money.
 - The ERC fully involves ILO senior management. It is chaired by the Executive Director for Management and Administration and includes another Executive Director on a rotating basis, a Regional Director on a rotating basis, the Treasurer and Financial Comptroller, and the Director of Financial Services, and the Directors of the following departments: Human Resources Development; Partnerships and Development Cooperation; Programming and Management; Relations, Meetings and Document Services and a representative of the Director-General's Office.
 - The ERC establishes task teams responsible for analysis of specific areas of expenditure. Where appropriate, these teams call upon specialized internal and external expertise.
 - In addition to the guidance of the Governing Body, the review is open to suggestions from all managers and staff. It includes examination of initiatives and best practices across the United Nations (UN) and other multilateral organizations. It will pay careful attention to the need for communication, change management and consultation.
 - Analysis and proposals developed under the expenditure review are submitted to the Senior Management Team.
3. The work of the ERC builds on existing measures, including the streamlining of research and publications, Governing Body reform, the field structure review and the Director-General's request for proposals to make the International Labour Conference more efficient and cost effective. It will draw on the priority-setting processes under way in the framework of the implementation arrangements for the biennial programme and budget, in particular the Office-wide workplans prepared for each of the 19 outcomes.
4. The expenditure review also builds on long-term efforts to identify savings and to encourage efficiency and effectiveness in the ILO. The Programme and Budget for 2012–13 notes that cost savings averaging well over \$5 million per biennium have been realized over the past decade. Savings for 2012–13 amounted to US\$5.1 million and, in addition, the budget was reduced by \$4.2 million during the Governing Body discussions in March and Conference discussions in June. In addition to these savings a number of

¹ GB.310/10/3/(Rev.) Appendix II, p. 55.

costs have been absorbed within zero real growth budgets, including costs related to staff development, increased allocations to the Building and Accommodation Fund, web development, ethics, the Independent Oversight Advisory Committee and evaluation. The value of this cost absorption amounts to some \$17.8 million in 2012–13, to which should be added further costs related to Internet connectivity and IT infrastructure, amounting to some \$10.4 million.

5. The ERC is mindful that the Governing Body has insisted that measures to generate savings and enhance effectiveness and efficiencies should not reduce services to constituents. A number of areas that might be perceived as overhead and not services to constituents – training and development of management and staff; robust systems for financial management, human resources management and procurement; appropriate facilities and workplaces; security; oversight and evaluation – in fact are essential to support effective services. It is important to eliminate any inefficiency in these areas, but their effectiveness should be protected. Moreover, it is clear that investments in knowledge systems will continue to require strengthening if the ILO is to maintain its capacity and comparative advantages.
6. The expenditure review will be coordinated with additional efforts directed at strengthening internal priority setting, management oversight and coordination of essential functions within the framework of results-based management.

Early operations

7. Between the Governing Body session in March and the International Labour Conference in June this year, the composition, terms of reference and methods of work of the ERC were developed. The Director-General formally established the ERC shortly after the Conference and the Committee is now in operation. Its early work built on the continuing examination of savings possibilities in the context of the Programme and Budget for 2012–13. During the discussion of the programme and budget proposals, the Governing Body placed particular emphasis on savings related to travel and to publications. Preliminary results in these areas are summarized below.

Travel

8. In March, the Director-General advised the Governing Body of his intention to undertake a broad review of travel arrangements. The focus of the review was to seek opportunities for budgetary savings whilst maintaining suitable standards and efficient and equitable reimbursement arrangements for persons travelling on ILO business.
9. The initial Programme and Budget proposals for 2012–13 included reductions of \$800,000 for staff travel. A further \$750,000 reduction in cost increases for travel was decided by the Governing Body during the March discussions on the programme and budget. In real terms the budgeted travel for 2012–13 has been reduced by 12.2 per cent. Since the 2002–03 biennium, the reduction in travel expenditure in the regular budget amounts to 52.9 per cent in real terms.
10. The ERC has identified immediate measures for direct savings on travel related to the rules governing payment of Daily Subsistence Allowance (DSA) and to class of travel. DSA rates for each location are established centrally by the International Civil Service Commission, but certain specific calculations of the number of days of DSA due to the traveller differ slightly in the ILO from those in most UN organizations. The most important of these in financial terms is the payment of one half day of DSA at the final destination, which is a long-standing provision of the ILO Staff Regulations. Modest

savings could be obtained by harmonizing the classes of travel between the ILO and other UN organizations.

11. Whilst most of the proposed changes can be implemented by decision of the Director-General, it is possible that a minor amendment to the Staff Regulations may be required in order to implement one of the harmonization measures. The Office is consulting the Staff Union on the proposed changes. It is providing full data on options that would achieve, at a minimum, the savings decided by the Governing Body.
12. In addition to the abovementioned measures, the Office is reinforcing its procedures to ensure better planning of travel, earlier purchase of tickets and more systematic use of video and telephone conferences. These measures should result in additional savings over time.

Publications

13. The Governing Body discussion included considerable emphasis on publications as an area of potential savings. This has therefore been a priority for the ERC, and progress is reported in some detail below.
14. Publication is a major means of distributing the knowledge and official information available to the ILO. It therefore publishes, distributes and maintains stocks of printed materials. These printed materials fall into two broad categories: firstly, official documents for the Conference, Governing Body and regional, technical and sectoral meetings; and secondly, other publications and printed materials, such as priced publications, working papers, and training and promotional materials.
15. Information and communication technologies have transformed the way that knowledge is managed, and as part of the expenditure review it is appropriate to appraise how the Office has responded to these changes and is undertaking printing, inventory management and distribution of documents and publications. In this regard, the current practices of other international organizations were assessed to identify what could be applicable to the ILO.
16. In the 2008–09 biennium, the ILO expended some \$34 million in regular budget funds related to the publication (excluding authorship, editing, translation and distribution) of some 165 million pages of official documents, publications for sale and other printed materials such as working papers, studies and brochures. Of this cost, some 76 per cent or \$26 million is attributed to staff costs.
17. Under International Public Sector Accounting Standards (IPSAS), publications produced in the two preceding years are deemed to have a market value and will be included in the ILO's financial statements, but stocks of more than two years old are not valued. At the end of 2010, some 43 million pages of publications were held in inventory and will be valued. An estimated 89 million additional pages are held in inventory but will not be valued.
18. Publications are a critical component of the knowledge strategy endorsed by the Governing Body in November 2009.² In 2010, apart from Conference/Governing Body documents, 485 publications were produced, of which 16 were high-profile books and reports, 113 were working papers and 18 were journal volumes. Some 70 publications were produced for meetings and another 85 were promotional materials, which include executive summaries, catalogues, etc. The remaining 184 publications were manuals,

² GB.306/PFA/12/3.

guidelines and other miscellaneous items. As the ILO's research agenda becomes more focused around the four key topics mentioned in the 2012–13 programme and budget, the Office expects to produce fewer but higher-quality publications.

19. Regarding official documents, the Working Party on the Functioning of the Governing Body and the International Labour Conference has already identified the following measures which will be implemented as from November 2011 and are expected to yield savings of some \$300,000 per biennium, including:

- distribution of pre-session documents by electronic means wherever possible, which is expected to reach 80 per cent, with printed copies to those delegates who need them;
- publication and distribution of “For Information” documents by electronic means only;
- elimination of individual committee reports and posting of Governing Body sections by electronic means only; and
- printing of in-session copies of the *Provisional Record* discontinued as of the 2012 Conference, resulting in an estimated saving of about \$90,000 in printing costs (for the three languages).

20. In its review of the functioning of the Conference, the Working Party may recommend further measures for cutting the preparation, printing and distribution costs of Conference documents, including that the Office:

- Continues to work to reduce the length of Governing Body and Conference documents by enforcing tighter word limits. Shorter documents not only yield savings in printing but, more significantly, savings in translation, editing and revision costs. Many Conference reports are much longer than recommended and, at a cost of about \$700 per 1,000 words for editing and translation, this can add considerably to the cost of a document produced in seven languages.
- Establishes and maintains a single official address list for the purposes of the distribution of official documents (not three as is the case currently).

21. With regard to other publications and printed materials the following measures have already been identified:

- Publish and distribute ILO working papers by electronic means only, using a single ILO working paper series. This practice, which is found in other international organizations, will result in a projected cost saving for the 2012–13 biennium of about \$160,000 and will also have a positive impact on the ILO's environmental footprint by printing some 4.5 million fewer pages.
- Require that all printing requests are submitted with a mandatory distribution plan to ensure that more realistic print runs are undertaken, which will obviously feed through into reduced inventory levels.
- Establish an editorial board as a subcommittee of the existing Research and Publications Committee. The board's mandate would include the review and approval of the annual proposed publications programmes of departments, with a view to streamlining and reducing the output as well as ensuring higher-quality publications.

- Encourage publishing in high-profile peer-reviewed journals, and expand partnerships with other publishers in order to share costs, raise visibility and improve distribution.
22. In the longer term, the ERC intends to review the following areas for further potential savings:
- assessing the status of research, printing and publications in the regions, including the relative pros and cons of printing at headquarters and in the regions (for example, it might be more cost-effective to produce and distribute documents for regional meetings from the regions rather than from Geneva);
 - reviewing the costs of specific ILO periodicals, including the *World of Work* magazine, the *International Labour Review* and the *International Journal of Labour Research*;
 - placing a request for proposals from external printers, both in Geneva and the regions, to reduce processing of individual orders and reduce the cost of shipping documents to the regions;
 - studying the feasibility of print-on-demand technology to reduce print volumes; and
 - piloting “paper light” meetings at the Conference, for instance at a particular Committee (ultimately this could entail the use of tablets for paperless meetings but in the short term could include other measures to reduce editing, translation and printing costs).

Going forward

23. The initial work of the ERC supports the view that short-term savings can be realized in certain areas of expenditure and that consistent application of a longer-term strategy can result in significant improvements in efficiency and effectiveness and greater value for money in ILO programmes and operations.
24. The Director-General is committed to conducting the review transparently and to providing the necessary opportunities for review and guidance. A number of issues are raised below on which the guidance of the Governing Body would be especially valuable.
25. One of the most promising areas for greater efficiency is improved organization of work and work methods. The challenges of organizational change should not be underestimated, but there are a number of areas where structures can be consolidated and procedures streamlined, in particular through centralization of administrative tasks and reduced fragmentation of departmental secretariats.
26. Governments and organizations that have conducted this type of review are aware that efficiency measures can raise concerns among staff. In an organization with almost 70 per cent of its expenditure on staff, and with little discretion over large parts of non-staff costs, it is inevitable that attempts to find significant savings and efficiencies will affect the assignments and methods of work of staff, even if employment security is fully protected. The ERC is committed to consulting widely on its proposals, in particular where they affect staff assignments. The Office plans to use all available avenues of consultation to ensure that the voice of staff is effectively heard.
27. Many efficiency measures require investments before savings can be realized. Rigorous business case analysis can help in such decisions. It may be possible to channel some

savings into investments directed at rationalization. The position of the Governing Body on these matters will influence the scope and direction of efficiency measures.

- 28.** In principle all types of ILO expenditure will be reviewed by the ERC, but it will be important to determine priorities. It is intended to continue to follow up work on travel, publications and reform of the Governing Body, Conference and regional meetings. The following items are put forward as early priorities in order to obtain the reaction of the Governing Body:
- optimization of work methods in the regions, in the light of experience with the measures undertaken as part of the field structure review;
 - centralization versus decentralization of specialized IT and financial services at headquarters; and
 - administrative work in the technical sectors at headquarters, optimizing the roles of management support units, departmental secretariats and secretariats of smaller units.
- 29.** In addition to the guidance provided during its discussion of this item, Governing Body members are invited to send additional comments and ideas to edmas@ilo.org. Measures are being put in place to involve all ILO management and staff in the review.
- 30.** The Governing Body may wish to provide guidance on the orientations set out in this paper.

Geneva, 13 October 2011