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Report II

# Information concerning the Programme and Budget and other questions

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Second item on the agenda: Programme and budget and other questions

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# Preface

1. This report comprises, in addition to material submitted for information, a number of items requiring action by the Conference. Any other items which may arise after the publication of this report and which also call for action by the Conference will be submitted to the participants through the *Provisional Record*.

2. The items requiring action are:

(a) financial report and audited consolidated financial statements for the year ended 31 December 2013, which is published in a separate document available to Conference participants; and

(b) use of the 1992–93 and 2000–01 surpluses.

3. Details of these items are set out in the following pages of this report.

4. Information concerning programme implementation in 2012–13 is contained in the Report of the Director-General, under item I(A) of the Conference agenda.

# Contents

# Financial and administrative questions

## I. Financial report and audited consolidated financial statements for the year ended 31 December 2013

1. In accordance with articles 28 and 29 of the Financial Regulations, the International Labour Conference will be called upon to adopt the audited consolidated financial statements for 2013 after their examination by the Governing Body. The statements cover the regular budget, the Working Capital Fund, extra-budgetary accounts administered by the Organization, and all other special funds and accounts.

2. The Director-General's financial report and the statements for 2013, together with the Auditor's report, will be communicated to Members as a separate document. The Governing Body's recommendation as to the adoption of the audited statements will also be communicated to the Conference in a separate document which will be presented to the Finance Committee of Government Representatives.

# II. Use of the 1992–93 and 2000–01 surpluses

1. At its 320th Session (March 2014), the Governing Body considered a paper [1] on the United Nations system coordination and its financial implications for the ILO. The discussion of the paper was recorded in the draft minutes of the Programme, Financial and Administrative Section of the Governing Body, an extract of which is reproduced as Appendix II.

2. The Governing Body decided to propose to the Conference at its 103rd Session (June 2014) that an amount of $1.01 million from the 1992–93 surplus, as well as an amount of $0.820 million from revaluation gains relating to the 2000–01 surplus, be used to partially finance the UN Resident Coordinator system during the biennium 2014–15. The Governing Body proposes to the Conference that it adopt a resolution in the following terms:

> The General Conference of the International Labour Organization,
>
> Recalling its decisions at its 81st Session (June 1994) to finance an approved list of expenditure items from the 1992–93 cash surplus and its 90th Session (June 2002) to finance activities to be approved by the Governing Body at its 285th Session (November 2002),
>
> *Decides* that an amount of $1.01 million from the 1992–93 surplus, as well as an amount of $0.820 million from revaluation gains relating to the 2000–01 surplus, be used to partially finance the UN Resident Coordinator system during the biennium 2014–15.

[1] GB.320/PFA/4, reproduced as Appendix I to this report.

# Appendix I

## United Nations system coordination: Financial implications for the ILO (GB.320/PFA/4)

INTERNATIONAL LABOUR OFFICE

# Governing Body

320th Session, Geneva, 13–27 March 2014 **GB.320/PFA/4**

**Programme, Financial and Administrative Section**
*Programme, Financial and Administrative Segment* **PFA**

**Date:** 12 February 2014
**Original:** English

FOURTH ITEM ON THE AGENDA

# United Nations system coordination: Financial implications for the ILO

**Purpose of the document**

In March 2013, the Governing Body approved the principle of an ILO financial contribution to the cost-sharing arrangement of the United Nations (UN) Resident Coordinator system. The Governing Body is now invited to approve the financial contribution requested of the ILO, amounting to US$3.9 million (see the draft decision in paragraph 22).

**Relevant strategic objective:** All strategic objectives.

**Policy implications:** ILO policy towards the UN system.

**Legal implications:** Relationship with the UN and Resident Coordinators.

**Financial implications:** $3.9 million in 2014–15.

**Follow-up action required:** Financial Management Department (FINANCE).

**Author unit:** Strategic Programming and Management Department (PROGRAM); Financial Management Department (FINANCE); Partnerships and Field Support Department (PARDEV); Multilateral Cooperation Department (MULTILATERALS).

**Related documents:** GB.317/PFA/4; GB.317/PV.

## Introduction

**1.** In March 2013 the Governing Body discussed a paper on "UN system coordination and common services: Financial implications for the ILO" (GB.317/PFA/4). The Governing Body decided then that future arrangements for the financing of UN Resident Coordinators and UN Country Teams (UNCTs), relative to their possible implications for the ILO, should be referred to the Governing Body for decision.

**2.** It is recalled that the UN General Assembly, in its December 2012 resolution (A/Res/67/226) on the Quadrennial Comprehensive Policy Review (QCPR) of operational activities for development, urged members of the UN development system to provide further financial, technical and organizational support for the Resident Coordinator system through a fair cost-sharing formula. The resolution was careful to point out that this financing should not compromise resources allocated to programme activities.

**3.** In February 2013 the UN Secretary-General addressed a memorandum to all UN Executive Heads announcing a detailed implementation plan and encouraging the circulation of the QCPR resolution to all members of the respective governing bodies and to staff.

**4.** In July 2013 the UN Economic and Social Council adopted resolution E/RES/2013/5 on progress in the implementation of the QCPR, paragraph 20 of which reads as follows:

> *Notes* the review of existing funding modalities in support of the resident coordinator system, and the resulting recommendations for improving the provision of resources and support to the resident coordinator system on the basis of a cost-sharing arrangement among all member entities of the United Nations Development Group, and in this regard requests the respective governing bodies to consider the recommendation for a cost-sharing arrangement and, subject to approval, to implement it in 2014, in order to ensure that the resident coordinators have the necessary stable and predictable resources to fulfil their mandates effectively, without compromising resources allocated to programmatic activities.

**5.** In a letter dated 22 May 2013, the Chair of the United Nations Development Group (UNDG) informed the ILO Director-General of the amount expected from the ILO as a contribution towards the cost of the Resident Coordinator system, at $1,839,000 annually, to be adjusted slightly on the basis of UN salary scales released by the International Civil Service Commission (ICSC). The UNDG Chair requested to be informed as to when the ILO would submit this proposal to its Governing Body and when the ILO would be able to commence paying an annual contribution. The Director-General informed the UNDG Chair that the subject would be submitted for discussion at the 320th Session of the ILO Governing Body in March 2014.

## A centralized cost-sharing modality of the Resident Coordinator system

**6.** The UNDG is putting in place a centralized funding modality in support of the Resident Coordinator system at the global, regional and country levels. The funding modality requires system-wide cost-sharing among all UNDG member organizations.

**7.** The global funding requirement is estimated at $121 million annually, to be adjusted for inflation in future years. This is equivalent to 0.8 per cent of development-related UN operational activities. As the manager of the Resident Coordinator system, the United Nations Development Programme (UNDP) will provide a contribution amounting to $88 million annually toward the costs of the Resident Coordinator system at the global, regional and country levels. The remaining $33 million are to be cost-shared by all UNDG member organizations, including the UNDP.

**8.** The cost-sharing formula consists of three components, including an annual base fee (of $175,000–$350,000 depending on level of expenditure), variable amounts based on organization staff size and expenditure level, and a component to reflect system load as measured by participation in the United Nations Development Assistance Frameworks (UNDAFs).

**9.** The UNDG has taken the necessary measures to implement the centralized funding modality starting in January 2014 and a financial management system is being put in place. The centrally managed mechanism will replace current ad hoc arrangements and requests for funds. An annual consolidated financial report will be issued.

## State of contributions as at November 2013

**10.** Of the 19 UNDG member entities expected to contribute to the cost-sharing modality, seven entities have already confirmed their intent to provide the full amount foreseen in the UNDG cost-sharing formula in 2014, seven entities have confirmed that they will start contributing with a reduced amount, and four entities have yet to confirm their contributions. The contribution of the UN Secretariat, which comprises 19 UNDG member and observer entities, will be subject to the approval of the UN General Assembly during its consideration of the 2016–17 programme budget. The World Bank, which holds observer status in the UNDG, has indicated that it will not participate in the cost-sharing modality.

**11.** Humanitarian organizations which already contribute to coordination mechanisms pay a discounted rate, whereby humanitarian expenditure and staff numbers are excluded from the calculation of agency size. In recognition of its unique coordination role at the country level, the Joint United Nations Programme on HIV/AIDS (UNAIDS) receives a flat-rate discount of 20 per cent. Table 1 details the expected and confirmed contributions from each contributing member.

**Table 1. State of contributions** (status as of 31 January 2014)

| Entity | Share in 2014 | Confirmed 2014 |
|---|---|---|
| UNAIDS | 957 214 | 957 214 |
| UNFPA | 1 980 787 | 1 980 787 |
| UNDP | 4 652 486 | 4 652 486 |
| UNICEF | 3 510 621 | 3 510 621 |
| UNOPS | 574 030 | 574 030 |
| UN Women | 1 038 522 | 1 038 522 |
| WFP | 1 257 540 | 1 257 540 |

| Entity | Share in 2014 | Confirmed 2014 |
|---|---|---|
| UNHCR | 1 096 866 | 1 075 995 |
| WHO | 2 650 432 | 2 600 000 |
| FAO | 2 107 587 | 2 000 000 |
| IFAD | 1 072 195 | 276 000 |
| UNESCO | 1 929 667 | 500 000 |
| UNIDO | 1 084 878 | 175 000 |
| WMO | 294 619 | 50 000 |
| ILO | 1 874 679 | – |
| ITU | 468 483 | – |
| UNWTO | 263 504 | – |
| UN | 5 630 190 | – |
| World Bank | 1 260 069 | – |
| **Totals** | **33 704 369** | **20 648 195** |

Source: UNDG.

## Scope of cost-sharing modality

**12.** The centralized modality will finance ten core coordination and administrative functions performed at the country level by Resident Coordinators. These ten areas are:

(1) strategic analysis and planning;

(2) oversight of the UN country programming cycle;

(3) representation of, and support of, UN Secretariat and UN agencies/non-resident agencies (NRAs);

(4) support to national coordination systems and processes;

(5) development and management of shared operational support services;

(6) crisis management preparedness and response;

(7) external communication and advocacy;

(8) human rights and development;

(9) joint resource mobilization and fund management; and

(10) general UNCT oversight and coordination.

**13.** At the regional level, the cost-sharing modality supports the functions of the Regional UNDG Teams articulated in the UNDG Management and Accountability System and General Assembly resolution 67/226 on the QCPR of operational activities for development of the United Nations system. It also funds the costs of the UN Development Operations Coordination Office (DOCO) in New York, which serves as the secretariat of the UNDG.

**14.** The central cost-sharing modality of the Resident Coordinator system replaces all ad hoc arrangements that may have existed until now. There should be no additional contributions requested of the ILO by the UN Resident Coordinators in any country for the aforementioned ten coordination functions.

**15.** Not included in this modality are the financing of some common services that may exist in some countries (health services and travel services are examples) and are the subject of separate arrangements, as well as small ad hoc contributions to, for instance, UN Day activities. Contributions to shared UN premises are also outside of the scope of this modality and are also the subject of separate arrangements.

## Financing a possible ILO contribution to the UN Resident Coordinator centralized cost-sharing modality

**16.** The Programme and Budget for 2014–15, adopted by the 102nd Session of the International Labour Conference in June 2013, does not provide for any contribution to the cost-sharing modality of the Resident Coordinator system.

**17.** The ILO 2014 contribution has been set at $1,874,679. The 2015 contribution, taking into account the ICSC-related adjustments, is set at $1,940,293, thereby totalling $3,814,972 for the biennium. It is proposed to finance this additional expense as follows:

(a) $1.01 million from unspent balances of closed projects from the 1992–93 surplus;

(b) $0.820 million remaining from the 2000–01 surplus arising from revaluation gains and interest earnings;

(c) $0.820 million from the 2008–09 surplus from unspent balances from activities in relation to the testing of a new approach to support the implementation of Decent Work Country Programme (DWCP) scans; and

(d) $1.2 million from a proportionate reduction in the regular budget for technical cooperation (RBTC) allocations (for regions and headquarters units) for 2014–15. This is equivalent to a reduction in the RBTC allocations (totalling $38,183,250) of 3.0 per cent. [2]

**18.** As the Programme and Budget for 2014–15 does not provide for such an allocation, and as it would be imprudent at this stage in the biennium to anticipate underspending at this level, it is appropriate to seek, in the first instance, unspent balances from other sources such as prior surpluses.

**19.** The RBTC is targeted at supporting activities for the benefit of constituents. Strong cooperation with the UN Resident Coordinator system is expected to benefit ILO constituents through access to additional resources for project-based activities. In 2013 the UN system became the ILO’s second largest channel of voluntary funding.

[2] Details of the RBTC budget are available in Information Annex 4 of the Programme and Budget proposals for 2014–15 (GB.317/PFA/1).

**20.** Financing the ILO contribution in this way would enable the ILO to respond quickly to the funding request without awaiting the next programme and budget cycle and would minimize the impact on approved programme levels in 2014–15.

**21.** As from 2016, the ILO's proportional share of the administrative and coordination costs of the UN Resident Coordinator system would be incorporated in the programme and budget.

## Draft decision

**22.** ***The Governing Body decides that the financial contribution to the cost-sharing modality of the UN Resident Coordinator system estimated at $3,814,972 for 2014–15 be financed from: unutilized balances of $1.01 million from the 1992–93 surplus; $0.820 million of revaluation gains realized from the 2000–01 surplus; $0.820 million from unspent balances from one completed activity from the 2008–09 surplus; and a balance of some $1.2 million from the RBTC allocations for 2014–15. The Governing Body further instructs the Director-General to include in future programme and budget proposals a continuing ILO financial contribution to the Resident Coordinator system.***

# Appendix II

## Extract – Draft minutes of the Programme, Financial and Administrative Section (GB.320/PFA/PV/Draft)

INTERNATIONAL LABOUR OFFICE

**Governing Body**
320th Session, Geneva, 13–27 March 2014 **GB.320/PFA/PV/Draft**

**Programme, Financial and Administrative Section** **PFA**

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DRAFT MINUTES

# Programme, Financial and Administrative Section

**…**

## Fourth item on the agenda

## United Nations system coordination: Financial implications for the ILO
(GB.320/PFA/4)

**39.** *The Worker spokesperson* recalled that the Workers had always expressed reservations regarding the benefits of ILO participation in UN system operational activities. He requested clarifications from the Office as to how many Resident Coordinators came from the ILO. The group was cognizant of the fact that, as a member organization of the UN system, the ILO had to finance the Resident Coordinator system. In turn, it was expected that by directly contributing to that system, the ILO would be able to get value for money and impress upon them and the United Nations Development Programme (UNDP) the need to improve engagement with unions at country level and respect for ILO values. The Workers agreed with the new proposal for the draft decision.

**40.** *The Employer coordinator* said that his group had previously stressed that participation in the Resident Coordinator system made financial sense since it mobilized considerable extra-budgetary funds. Furthermore, full participation in the UN country teams might also give the ILO better national access to the post-2015 agenda process and dialogue. The ILO should therefore stay inside the system. He inquired whether the amount for the ILO might still increase, given that the calculation included a contribution from the World Bank, which the latter was not going to make. The

Employers agreed with the proposed financing of the ILO contribution and supported the draft decision.

**41.** *Speaking on behalf of the Africa group*, a Government representative of Zimbabwe urged the Director-General to call upon his counterparts in other agencies to ensure their cooperation in the implementation of ILO activities. He welcomed the proposal to fund the financial contribution from unutilized resources and surpluses, while hoping that future contributions would be factored into programme and budget proposals. He supported the draft decision as amended.

**42.** *Speaking on behalf of IMEC*, a Government representative of Italy welcomed the Office's paper and the underlying intent to give effect to the QCPR resolution and the subsequent Economic and Social Council resolution. The ILO had benefited from its participation in the system in the previous five years. While the Office was proposing to provide additional funding for the Resident Coordinator system from previous surpluses and unspent balances, she cautioned that such a method was not sustainable in the long term. She sought reassurance that the reduction of the regular budget for technical cooperation (RBTC) allocations for 2014–15 would not affect the ILO's programme activities. Future contributions towards UN coordination should be funded through the regular budget, within existing resources, and a separate budget line for that purpose should be established in the Programme and Budget for 2016–17.

**43.** *A Government representative of Mexico* said that Mexico could support the proposal to use surpluses from previous years to cover the ILO's contribution towards the financing of the Resident Coordinator system in 2014–15 and to include the corresponding allocation in the next draft budget. More specific information on Conference decisions concerning unused resources in 1992–93 and 2000–01 should have been provided.

**44.** *A representative of the Director-General* (Treasurer and Financial Comptroller) clarified that there had been an oversight when drawing up the original draft decision. The change related to procedure, not to substance, and it was for the Conference to amend decisions it had previously made. In 2003, the Financial Regulations had been amended, providing for the Governing Body to take certain decisions on surpluses, but since two of the surpluses predated that amendment, they had to be referred to the Conference. With respect to the World Bank's decision not to contribute, some organizations had indicated limits to what they could pay for 2014 and 2015 and consequently they had underprovided. It was expected that the UNDP or the UN Development Operations Coordination Office would absorb the difference, and the total for the ILO for 2014 and 2015 would be as estimated in the draft decision. In response to the question from the Workers' group, he advised that, in the past, there had been two Resident Coordinators from the ILO and there were none at present.

### *Decision*

**45.** ***The Governing Body:***

***(a) decided that the financial contribution to the cost-sharing modality of the UN Resident Coordinator system, estimated at US$3,814,972 for 2014–15, be financed from:***

*(i) $0.820 million from unspent balances from one completed activity from the 2008–09 surplus;*

*(ii) $1.2 million from the RBTC allocations for 2014–15; and*

*(iii) subject to approval by the International Labour Conference, $1.01 million from the 1992–93 surplus and $0.820 million from revaluation gains realized from the 2000–01 surplus;*

***(b)** instructed the Director-General to include in future programme and budget proposals provision for a continuing ILO financial contribution to the Resident Coordinator system; and*

***(c)** proposed to the 103rd Session (June 2014) of the International Labour Conference that it adopt a resolution in the following terms:*

***The General Conference of the International Labour Organization,***

***Recalling its decisions at its 81st Session (June 1994) to finance an approved list of expenditure items from the 1992–93 cash surplus and its 90th Session (June 2002) to finance activities to be approved by the Governing Body at its 285th Session (November 2002),***

***Decides that an amount of $1.01 million from the 1992–93 surplus, as well as an amount of $0.820 million from revaluation gains relating to the 2000–01 surplus, be used to partially finance the UN Resident Coordinator system during the biennium 2014–15.***

(GB.320/PFA/4, paragraph 22, as amended.)