INTERNATIONAL LABOUR OFFICE

Governing Body

337th Session, Geneva, 24 October–7 November 2019

GB.337/PFA/1/2

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

PFA

Date: 2 October 2019
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FIRST ITEM ON THE AGENDA

Programme and Budget for 2020–21:

Financial implications of the judgment of the Administrative Tribunal of the ILO concerning the decisions of the International Civil Service Commission (ICSC) regarding the revised post adjustment index for Geneva

Purpose of the document

This document presents the estimated unfunded financial implications for 2020–21 resulting from the modification of post adjustment rates in Geneva and proposes sources of financing for decision by the Governing Body (see the draft decision in paragraph 9).

Relevant strategic objective: Not applicable.

Main relevant outcome/cross-cutting policy driver: Not applicable.

Policy implications: None.

Legal implications: None.

Financial implications: No provision made in the Programme and Budget for 2020–21 to cover estimated cost of US$8.8 million.

Follow-up action required: Proposed consideration of possible use of any surplus or net premium from the 76th financial period at the March 2020 Governing Body session.

Author unit: Office of the Treasurer and Financial Comptroller (TR/CF).

Related documents: GB.337/PFA/INF/2.

1. On 3 July 2019, the Administrative Tribunal of the ILO delivered its judgment No. 4134 in respect of the implementation of the revised post adjustment multipliers (PAMs) in Geneva. As communicated to the Governing Body in document GB.337/PFA/INF/2, the judgment set aside the reduced PAMs that had been applied since April 2018 and ordered the Director-General to recalculate the amount of staff salaries as from April 2018 with a post adjustment multiplier not based on the revised post adjustment index resulting from the 2016 cost-of-living survey.

2. Pursuant to article VI, paragraph 1, of the Statute of the Administrative Tribunal, the judgments of the Tribunal are final and without appeal. Accordingly, judgment No. 4134 is, in legal terms, res judicata; meaning a case in which there has been a final judgment and that litigation on the same issues between the same parties is precluded. Consequently, as established by the Tribunal's case law, judgments are immediately operative and must be implemented fully, promptly and correctly. Moreover, according to well-established practice, the judgments of the Tribunal are expected to be implemented within 30 days from the date of their public delivery.

3. Governing Body members will be aware from the discussions in March 2019 on the Director-General's Programme and Budget proposals for 2020–21 that the budget estimates assumed that remuneration for Geneva-based officials would be based on the reduced PAMs resulting from the 2016 cost-of-living survey. No provision was included in the estimates for a reversal of the lower PAMs. The lower staff costs resulting from the reduced PAM offset other cost increase estimates and led to a considerably lower overall provision in the programme and budget proposals as finally adopted by the International Labour Conference. [1]

4. The Office has now estimated the budgetary impact of the Tribunal's judgment on the regular budget for the financial period 2020–21 at some US$8.8 million. As noted above, had this decision been known prior to the adoption of the budget, it could have been provided for in the appropriations by the Conference. The absence of any provision for this expenditure next biennium requires that arrangements be made for its financing.

5. Article 21 of the Financial Regulations sets out a mechanism under which this unforeseen expenditure could be financed. In summary, the article provides that, subject to Governing Body authorization, any eventual shortfall in the budget could be temporarily covered from the Working Capital Fund. If the sums withdrawn from the Working Capital Fund could not be reimbursed within the same financial period through savings from other activities, reduced programmes of work or the receipt of arrears of contributions, an additional amount to cover the shortfall and replenish the Working Capital Fund would be included in the 2023 assessment.

6. It is proposed that the Director-General implement measures to manage the unanticipated cost through, inter alia, temporarily freezing recruitment on vacant positions, reducing staff travel, reducing discretionary expenditure on staff development and other categories of expenditure that may be identified, on the understanding that while every effort would be made to minimize the impact, such measures would inevitably lead to some reduction in the capacity of the Office to deliver on its programmatic objectives. Should such measures prove insufficient, the use of the provision for unforeseen expenditure, in Part II of the budget could be authorized. Should it not prove possible to cover these costs from these two sources, the Director-General would propose alternative methods of financing at a later stage in the biennium.

[1] The expenditure budget adopted by the International Labour Conference at its 108th Session included a provision for cost increases of US$7.7 million or 0.97 per cent.

7. The potential impact of the above approach on the Office's programme of work could be mitigated through a decision of the Governing Body to recommend to the Conference, as has occurred previously, an exceptional derogation of the Financial Regulations to allow the use of any net premium [2] arising from the current financial period, 2018–19, either in its entirety or after deducting the share that would be distributed to the Incentive Fund, to offset this unforeseen expenditure next biennium. The Governing Body could also recommend a similar derogation with respect to any surplus resulting from the current financial period. [3] It would only be in March 2020, following the closure of the financial period, that a specific proposal on either of these derogations would be possible.

8. The Director-General considers that measures as outlined in paragraph 6 supplemented by the retention of any gains from the Net Premium or surpluses at the end of the current biennium should enable any temporary drawdown from the Working Capital Fund to be absorbed and would avoid the need for a further assessment on member States.

Draft decision

9. ***The Governing Body decided:***

(a) ***to request the Director-General to implement, to the extent possible, measures to achieve under Part I of the budget sufficient savings to cover the unbudgeted cost of implementing the revised post adjustment multiplier during 2020–21, estimated at US$8.8 million, failing that, through the use of the provision for unforeseen expenditure, in Part II. Should this not prove possible, the Director-General would propose alternative methods of financing at a later stage in the biennium; and***

(b) ***to examine at its 338th Session (March 2020) the use of any available surpluses and net premium balances to offset the unbudgeted staff costs resulting from the ILO Administrative Tribunal's judgment No. 4134.***

[2] Financial Regulations, article 11, paras 5–7.

[3] Financial Regulations, article 18.