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FOURTH ITEM ON THE AGENDA

UN system coordination and common services: Financial implications for the ILO

Purpose of the document

The Governing Body is invited to consider the implications for the ILO of participation in UN system operational development activities and provide guidance to the Office (see draft decision in paragraph 25).

Relevant strategic objective: All strategic objectives, and governance, support and management objectives.

Policy implications: ILO cooperation with One UN, United Nations Development Assistance Frameworks and Resident Coordinators.

Legal implications: Relations with the United Nations and Resident Coordinators.

Financial implications: ILO financial contributions to the UN Resident Coordinator system.

Follow-up action required: Subject to the guidance provided by the Governing Body.

Author unit: Bureau of Programming and Management (PROGRAM); Financial Services (FINANCE); Partnerships and Development Cooperation Department (PARDEV).

Related documents: None.

Introduction

1. The Governing Body has been regularly apprised of developments in the United Nations (UN) pertaining to system-wide coherence including UN programming through the United Nations Development Assistance Framework (UNDAF) and the Delivering as One (DaO) approach.¹ ILO cooperation with the UN in the context of operational development brings a number of benefits, including access to extra-budgetary funding channelled through the UN; it also carries costs. This paper outlines both dimensions and seeks the guidance of the Governing Body on an ILO approach to the financial implications of cooperation with the UN.
2. The UN periodically assesses its operational activities for development to determine their effectiveness, efficiency, coherence and impact. The Triennial Comprehensive Policy Review (TCPR) and the Quadrennial Comprehensive Policy Review (QCPR) were completed in 2007 and 2012 respectively, and their conclusions and recommendations are binding on UN entities that report to the General Assembly. For specialized agencies like the ILO, past reviews and the recently concluded QCPR provide guidance.
3. The QCPR Resolution adopted by the United Nations General Assembly (UNGA) in December 2012 reiterates calls to funds, programmes and specialized agencies of the UN development system to provide further “financial, technical and organizational support for the resident coordinator system”.² Currently 130 Resident Coordinators lead UN Country Teams (UNCTs) in as many countries and are responsible for some US\$23 billion (2010 data) of UN operational activities for development (equivalent to 16 per cent of total official development aid).
4. Noting the financial constraints confronting the Resident Coordinator system, the UNGA requests the Secretary-General, “in consultation with the members of the United Nations development system ..., to submit for the consideration of the Council and the General Assembly in 2013, concrete proposals on modalities for the funding of the Resident Coordinator system in order to ensure that Resident Coordinators have the necessary stable and predictable resources to fulfil their mandate effectively, without compromising resources allocated to programmatic activities, with due regard to the principle of fairness, which should reflect the direct involvement of each agency, based on the proportion of services used; ...” (paragraph 128).
5. The main components of coordination for enhancing system-wide coherence are the Resident Coordinator system (including headquarters and regional dimensions); UNDAF; and common services in countries.
6. Financial, technical and organizational support for the Resident Coordinator system entails current and likely future financial implications for the ILO. To date any contributions from the ILO to the activities of the Resident Coordinator have been made on an ad hoc basis by country offices. There are no provisions in the programme and budget of the ILO for such payments.

¹ GB.298/4/2 and GB.300/4 in 2007; GB.303/6 in 2008; GB.307/4 in 2010; and GB.312/HL/1 in 2011.

² <http://www.un.org/en/ga/67/resolutions.shtml> and http://www.un.org/esa/coordination/pdf/ga_resolution_a-res-67-226.pdf.

Benefits of UN system coordination for the ILO

7. The 2005 World Summit gave new impetus to calls for strengthening the effectiveness of the UN's development operations. In 2007 the DaO approach to programming was initiated, based on principles of "One Programme", "One Office", "One Leader", and "One Budget/One UN Fund". The principle of "One Voice" was introduced later. Resident Coordinators, UNCTs, UNDAFs and/or One Programmes are means to strengthening system-wide coherence.
8. The ILO mobilizes funding from the UN through two channels – Multi-Partner Trust Funds (MPTFs), and funds received from other UN funds, programmes and agencies for joint programmes. During the period 2008 to 2012, total funding mobilized by the ILO through these two channels amounted to \$180.9 million or an average of \$36 million per year (table 1). This represents 15.1 per cent of the total extra-budgetary funding received by the ILO during this period (excluding the Regular Budget Supplementary Account). The ILO charges a programme support cost of between 7 and 10 per cent to cover simplified administrative costs equivalent to an average annual amount of some \$2.5 million.

Table 1. Funding from UN system entities and share of total ILO extra-budgetary funding, 2008–12 (US\$ and %)

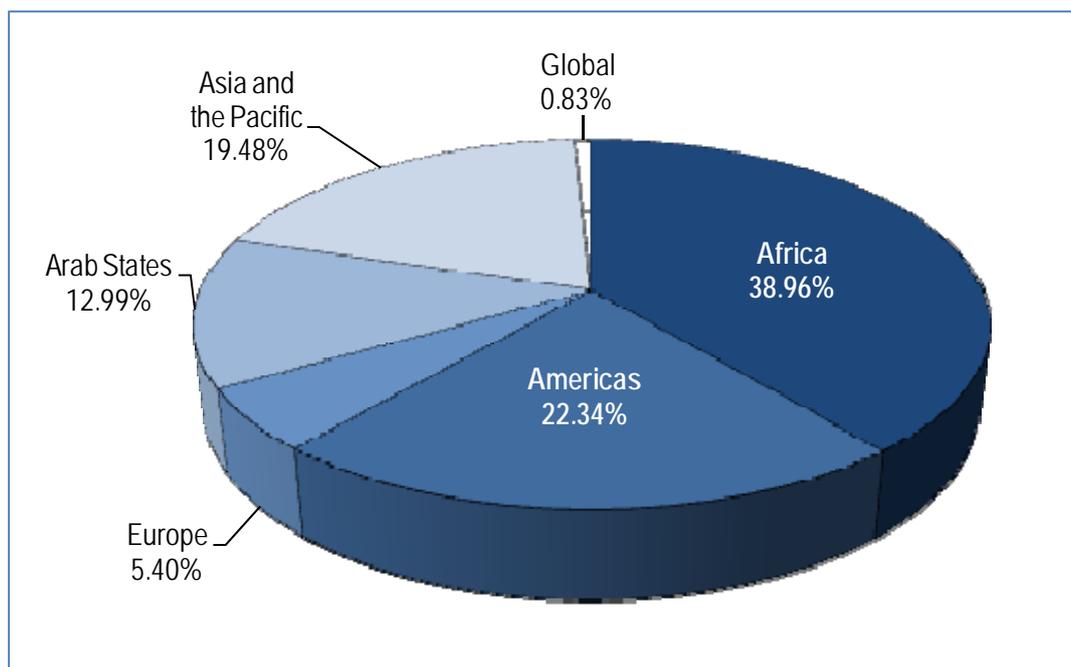
	2008	2009	2010	2011	2012**
All UN system entities*	27 126 142	57 049 286	31 275 778	41 036 637	25 226 676
Share (%)	9.0	26.7	12.3	20.3	9.0
Total ILO XBTC***	302 452 796	213 494 086	253 886 292	202 134 638	270 049 694

* All UN agencies, funds and programmes' contributions to the ILO (including UN MPTFs); ** Preliminary 2012 data; *** Total extra-budgetary contributions to the ILO.

9. Resources channelled through the UN have enabled the ILO to be either a lead or participating agency in UN joint programmes. The ILO was lead agency in 12 of these countries, including where it is a non-resident agency: Albania, Central African Republic, China, Comoros, Iraq, Kiribati, Kyrgyzstan, Pakistan, Peru, Philippines, United Republic of Tanzania and Viet Nam.³
10. Resident Coordinators play a critical role in mobilizing resources on behalf of UNCTs, managing the allocation of those resources and reporting on their use. Since 2007 MPTFs have become a significant source of funding for the ILO's technical cooperation programmes in certain countries and in given thematic areas. All regions have benefited from MPTFs (see figure 1), the largest recipient being Africa.

³ A detailed analysis of the Decent Work Agenda and UNDAFs is available at: http://www.ilo.org/wcmsp5/groups/public/---dgreports/---exrel/documents/genericdocument/wcms_202095.pdf.

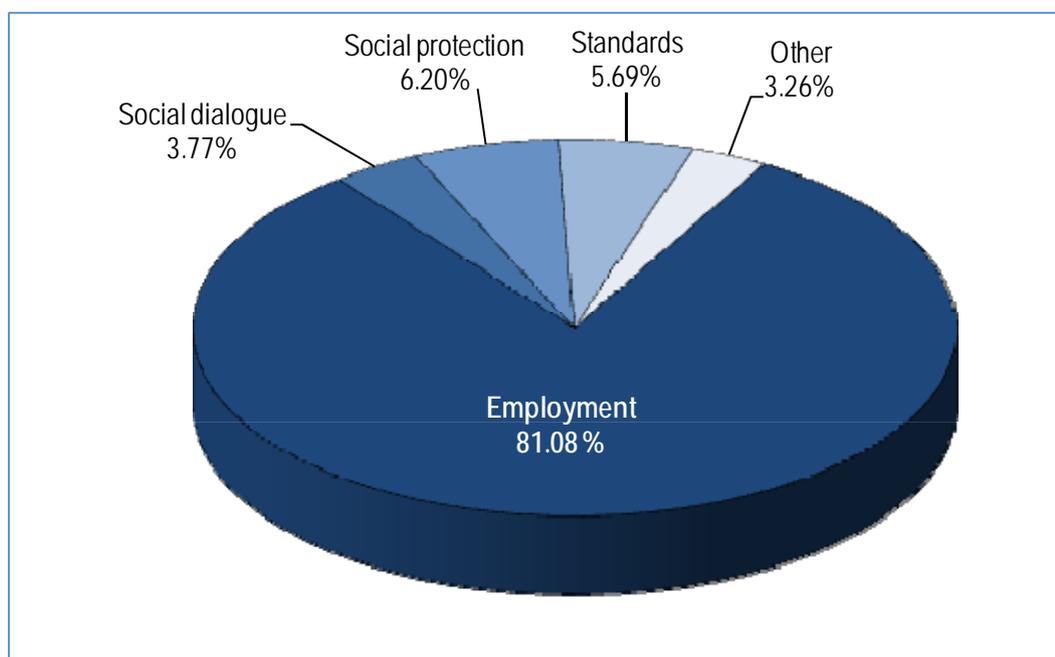
Figure 1. Regional distribution of funds from UN MPTFs to the ILO (2008–12)



Source: ILO and MPTF Gateway (sample of 44 countries).

11. Employment is a priority in many UNDAFs and One Programmes, receiving the bulk of MPTF funding. Other ILO strategic objectives (social protection, labour standards and social dialogue) have also received allocations, but to a lesser extent, and often as cross-cutting themes in a number of joint programmes (figure 2).

Figure 2. Distribution of funds from UN MPTFs, by strategic objective, to the ILO (2008–12)



Source: ILO and MPTF Gateway (sample of 44 countries).

12. Table 2 provides a breakdown of cumulated resources channelled via the UN MTPF for activities implemented by the ILO between 2008 and 2012. Countries are grouped into three categories: (i) DaO countries (either One Pilots or self-starters); (ii) countries in transition from relief to development; and (iii) countries benefiting from MDG funds.

Table 2. UN MPTF resources approved for the ILO, by categories of countries, 2008–12 (in US\$ million)

	Million (US\$)
Eight DaO One Pilots	29.1
Eight DaO self-starters	6.0
14 countries in post-conflict and post-crisis	25.7
14 countries benefiting from MDG funds	20.2
Total	81.0

Source: ILO, 2012.

13. Most countries have an UNDAF and/or One Programme; and most also have a Decent Work Country Programme, with the two typically overlapping only partly content-wise. Joint ILO–UN programmes do not address all the areas contained in a Decent Work Country Programme. In some countries access to UN funds is conditional on participation in UNCTs which is itself conditional on financial payments towards the costs of the Resident Coordinator office. In some others in-country fund-raising for activities that may fall outside of the One UN programme is discouraged by UNCTs. At present, practice varies from country to country depending on initiatives of Resident Coordinators.

Current and possible future costs for the ILO resulting from cooperation with the United Nations

14. The ILO incurs costs in supporting the resident coordination system and UNCTs. These are of two orders: ILO contributions to common services, chiefly security services, common facilities (health clinics), joint events (UN day) or shared services (UN Cares or expert services). These expenses are estimated at \$1.6 million annually, paid from ILO office budgets. The ILO currently has no dedicated budget line to finance such requests.
15. Other costs are incurred in relation to involvement in the work of the UNCTs (strategic planning, national coordination, negotiation of contractual arrangements and frameworks for implementation and oversight, communication) and in regional and subregional thematic groups and coordination mechanisms. These are essentially paid for in staff time, both professional and administrative. Such costs are estimated (through an ILO survey) to be equivalent to \$8.2 million annually and essentially borne by the ILO in the regions.
16. Costs are also incurred in providing administrative and financial support in the delivery of activities funded through the UNDAF and DaO approaches. These costs are estimated at some \$3.3 million per annum which can be compared directly to the programme support income generated of some \$2.5 million per year on average.
17. In all regions ILO offices have been approached with ad hoc requests to finance Resident Coordinator and UNCT expenses. Amounts vary widely although they usually bear some relation either to staff headcount or to expenditure levels. Resources allocated by donors

for UN coordination are declining, hence there are mounting demands on members of the UNCTs to contribute to the cost of operating the Resident Coordinator system.

18. In line with the QCPR Resolution quoted in paragraph 4 above concerning possible future modalities for the funding of the Resident Coordinator system, one independent study prepared for the UN estimates the cost of operating the Resident Coordinator system at \$152 million per year, of which \$64 million are presently unfunded, the balance being provided by UNDP. The largest share of this estimate covers country expenses (72 per cent), with the balance covering regional and headquarters coordination expenses. In order to finance the unfunded component the study proposes a dual modality: a flat annual fee per agency, and a proportionate fee based on development expenditure and staff headcount. The estimated annual charge to the ILO would be \$2.5 million if that modality were retained in the proposals to be developed.
19. The ILO Programme and Budget for 2012–13 includes an allocation of \$1.7 million for contributions to various common system bodies and inter-agency committees, including the Joint Inspection Unit, Chief Executives Board for Coordination, Common Procurement Action Group, International Civil Service Commission, United Nations System Staff College, and Salary Survey Activities. These payments are identified as such in the approved programme and budget and correspond to established practices and agreements.
20. As a matter of principle, payments made by the ILO to common UN services should be identified as such and approved in the programme and budget. Additionally these costs should bear some reasonable relation, globally and by country, to the extra-budgetary resources made available to the ILO via the UN. Greater transparency, including on the distribution of programme support costs in the case of joint implementation of programmes, would be desirable.

Conclusion

21. The UNGA December 2012 QCPR Resolution contains a number of decisions and recommendations to strengthen "... the role and capacity of the United Nations development system to assist countries in achieving their development goals ..." (paragraph 13). As a member of the UN system, the ILO is committed to making an effective contribution, within its mandate, to meeting those aims.
22. Through its participation in UN development activities, the ILO has been able to leverage extra-budgetary resources via the UN averaging some \$36 million per year during 2008–12. Programme support income of \$2.5 million is received annually on average to partially cover administrative expenses estimated at \$3.3 million per annum. Costs to the ILO for common services in countries are estimated at \$1.6 million annually, whereas costs of working with the UN at the country level, in staff time, are estimated at \$8.2 million. Additional costs may be incurred towards co-financing the Resident Coordinator system as may be decided by the UNGA in the future.
23. By engaging strategically with UN inter-agency coordination, the ILO is in a position to promote its principles, standards and policy orientations among UN agencies as well as national governments and social partners. This is the case when the ILO partakes in common UN thematic groups, implements with other agencies UNDAF programmes that pertain to areas of the Decent Work Agenda, or when other agencies apply ILO approaches and policies. It is strategic for the ILO to fully avail of all these channels to ensure a wholesome contribution to UN post-2015 development agenda preparations.

24. The ILO should continue promoting its strategic objectives and policy contributions through UN programming frameworks (UNDAFs, One Programmes, Joint Programmes and thematic policy groups), fully cooperating with UNCTs and other coordination mechanisms as a means of reinforcing its own programming mechanisms and channels. Costs incurred by the ILO through participation in UN development cooperation should remain at reasonable levels in relation to policy, programming and financial benefits for the ILO.

Draft decision

25. *The Governing Body may wish to provide its guidance to the ILO on the cooperation with the UN in operational development activities as summarized in paragraph 24, particularly as regards the financial implications of coordination, and confirm that future arrangements for the financing of UN Resident Coordinators and UNCTs, relative to their possible implications for the ILO, should be referred to the Governing Body for decision.*