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

PFA

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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
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

Entity	Share in 2014	Confirmed 2014
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.¹
- 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.
- 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.

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

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.*