



Governing Body

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

PFA

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SIXTH ITEM ON THE AGENDA

Disposition of the funds and assets that remain in the accounts of the International Institute for Labour Studies

Purpose of the document

In this paper the Governing Body is invited to approve the establishment of a new Research Fund to support the research strategy and activities of the Organization with objectives comparable to those of the International Institute for Labour Studies (IILS) and to take related measures with regard to the modalities for the disposition of the funds and assets of the IILS (see draft decision in paragraph 17).

Relevant strategic objective: Not applicable.

Policy implications: None.

Legal implications: None.

Financial implications: None.

Follow-up action required: Accounting transactions to implement decisions if approved by the Governing Body.

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

Related documents: GB.320/INS/14/2; GB.319/PV/Draft; GB.251/PFA/7/12, para. 7; GB.251/PFA/9/27, para. 76; GB.251/PV(Rev.), p. VII/1; GB.295/16/7; GB.295/PV, p. 56; GB.144/2/1; GB.144/2/18; and GB.144/205.

1. At its 319th Session (October 2013), the Governing Body decided to dissolve the International Institute for Labour Studies (IILS) and merge its staff and resources into the central Research Department, taking the steps necessary to direct the use of its funds and assets, and to decide at its 320th Session on the disposition of funds and assets that remain in the accounts of the IILS.¹ This paper reports on the funds and assets remaining in the accounts of the IILS as at 31 December 2013 and presents modalities for their disposition which respect the terms of any related obligations.²
2. When the IILS was created by the Governing Body in March 1960, it was intended that its activities be financed outside the regular budget of the ILO through the establishment of an Endowment Fund.³ Contributions to the Endowment Fund totalling US\$3.3 million were received from governments and other entities immediately following its establishment, almost exclusively during the 1960s.⁴ In addition, over the 53 years of its existence, investment gains, honoraria received and other sundry contributions have increased the level of the Endowment Fund to some \$10.7 million. The Endowment Fund and other reserves of the IILS were invested in managed funds under the supervision of the ILO Investments Committee. Pending the establishment of a sufficient resource base in the Endowment Fund, the Governing Body approved transitional arrangements comprising appropriations from the regular budget to allow the commencement of preparatory activities by the IILS. However, the Endowment Fund never attained a level of resources that would enable IILS activities to be fully funded from investment earnings and regular budget appropriations have continued to be required.

Funds and assets free of conditions

Operational reserves

3. As described above, funding has been transferred to the IILS from the regular budget each biennium, which together with income from the sale of IILS publications and a share of investment gains has been used to finance IILS activities. Accumulated balances of unused operational funding, a large portion of which were programmed to be used in the IILS 2014–15 plan of work, totalled \$2,942,986⁵ as at 31 December 2013.

¹ GB.319/PV/Draft, para. 281. In accordance with the Governing Body's decision, a separate document (GB.320/INS/14/2) concerning the implementation of the transition to the central Research Department is also before the Governing Body.

² The Programme and Budget for 2014–15 includes an amount of some US\$6.4 million which, in accordance with the decision of the Governing Body, has been made available to the new Research Department.

³ GB.144/2/1, GB.144/2/18 and GB.144/205(a).

⁴ As reported and summarized in the audited accounts for the year ended 31 December 1969 with subsequent contributions reported individually in the audited accounts for the biennia ending 31 December 1971 and 31 December 1973.

⁵ All 31 December 2013 amounts provided in this document remain subject to any final closure and audit adjustments.

Endowment Fund

4. The balance in the Endowment Fund at 31 December 2013 comprising contributions and investment gains was \$10,766,204.

Reserve Fund

5. The Board of the ILS established a Reserve Fund from interest accruing to the Endowment Fund during the year ended 31 December 1962. The Reserve Fund was to be used to finance activities approved in the ILS budget, when projected funding proved insufficient. As such it constituted a form of working capital fund. The balance available in the Reserve Fund at 31 December 2013 was \$864,268.

Nobel Peace Prize Fund

6. Following the award of the Nobel Peace Prize to the ILO in 1969, the Governing Body decided in 1991 to finance social policy lectures from income earned by the Nobel Peace Prize Fund.⁶ The organization and management of these lectures was undertaken by the ILS. In November 2005 and March 2006, the Governing Body took note of modifications to this arrangement that included financing the costs of a decent work research prize from income earned by the Nobel Peace Prize Fund.⁷ The balance available in this fund as at 31 December 2013 was \$1,120,223.

Encumbered funds and assets

Legacies and gifts

7. A former Director-General, Mr Edward Phelan, and his spouse made separate bequests of funds to the ILS⁸ in their wills. Mr Phelan's bequest was specifically to be used by the ILS to finance scholarships in his name. As at 31 December 2013, \$856,325 remains available from this legacy and the Director-General will continue to execute the terms of the bequest, notably through the Research Department. Mrs Phelan's bequest, the balance of which was \$466,310 as at 31 December 2013, imposed no specific conditions on the use of the funds by the ILS.
8. A gift to the ILS from a former Legal Adviser, Mr Francis Maupain, was provided with the aim of encouraging external research on cutting-edge issues involving the ILO and had a balance of \$204,255 as at 31 December 2013. It has been agreed to modify the conditions of that gift to accommodate the change from the ILS to the Research Department while respecting the original aim.
9. Other smaller gifts to the ILS were provided without specific conditions.

⁶ GB.251/PFA/7/12, para. 7; GB.251/PFA/9/27, para. 76; and GB.251/PV(Rev.), p. VII/1.

⁷ GB.295/16/7 and GB.295/PV, p. 56.

⁸ As a legal matter, the funds were bequeathed to the ILO since the ILS never had a separate legal personality.

Other obligations

10. The Research Department will assume responsibility for the remaining contractual obligations which the ILS was to discharge. They relate to two technical cooperation projects⁹ and a contractual obligation to receive an extended visit from a visiting scholar.¹⁰

Total value of funds and assets free of conditions

11. Therefore, other than the Phelan and Maupain funds described above which operate under certain restrictions, the unencumbered reserves of the ILS comprise:

	US\$ (thousands)
IILS operational reserves	2 943
IILS Endowment Fund	10 766
IILS Reserve Fund	864
Nobel Peace Prize Fund	1 120
Mrs Phelan's bequest	466
Total	16 159

Modalities for disposition of remaining assets and funds

12. It is proposed that the Governing Body approve the establishment of a new Research Fund to support the research strategy and activities of the Organization with objectives comparable to those of the IILS.
13. Resources available in the Fund would be used to supplement appropriations from the regular budget to deliver activities associated with the research strategy for the Organization which will be established as part of the biennial programme and budget. Resources from the Fund would be allocated to the Research Department by the Director-General to cover a range of activities which generally require a relatively longer planning horizon (typically going beyond the biennium). These would include: the continuation of the annual internship programme previously offered by the IILS; preparation of research papers and other activities related to long-term projects such as the Director-General's centenary initiative on "the future of work"; the funding of occasional social policy lectures; the launch and maintenance of a research review group; and capacity-building activities and conferences that boost the links between research findings and policy-making. The above activities would supersede previous uses of the diverse

⁹ One project, supported by the Governments of Canada and Switzerland, will end in February–March 2015; the second project, supported by the European Commission, will end on 31 October 2014.

¹⁰ This relates to a research cooperation arrangement with the Institute of International Labour and Social Security (IILSS) of the Ministry of Human Resources and Social Security (MOHRSS), China, which is in effect until 5 November 2014.

funds administered by the ILS, including the arrangement for use of the Nobel Peace Prize Fund noted in paragraph 6.

14. The Research Fund would be established through the transfer of \$16.159 million as summarized in paragraph 11. The Fund would be authorized to receive grants, legacies, gifts and other contributions consistent with its terms of use. The resources of the Fund would be invested as an integral part of the ILO's general investment portfolio, although its share of investment earnings would be separately identified and retained in the Fund. The Fund and its resources would continue across biennia to ensure ongoing support to Office research activities.
15. Reporting on the resources available in the Fund and their use, as well as on the funds containing Mr Phelan's legacy and Mr Maupain's gift, would be provided through the established mechanisms of the audited financial statements and the programme implementation report.
16. In March 1963 the Governing Body authorized the Director-General to accept on behalf of the ILS, at his discretion, fees offered to, or received by, members of the International Labour Office staff, and decided that such gifts should be paid to the credit of the Endowment Fund of the ILS.¹¹ It is proposed that this authorization be amended to refer to the Research Fund rather than the Endowment Fund.

Draft decision

17. *The Governing Body:*

- (a) decides to establish a Research Fund to support the research strategy and activities of the Organization, under the terms and conditions outlined in this document;*
- (b) requests the Director-General to transfer the sum of US\$16.159 million from the direct reserves of the International Institute for Labour Studies (IILS) reported in paragraph 11 of this document;*
- (c) authorizes the Director-General to accept, at his discretion, fees offered to, or received by, members of the International Labour Office staff, and to deposit such gifts to the credit of the Research Fund; and*
- (d) notes with satisfaction that the Phelan legacy and Maupain gift will continue to be held in separate accounts and reported on periodically and that their terms and the remaining IILS contractual obligations will be discharged by the ILO.*

¹¹ GB.154/205.