



THIRTEENTH ITEM ON THE AGENDA

Matters relating to the Joint Inspection Unit**(a) Review of the ILO's collaboration with the United Nations Joint Inspection Unit**

1. This paper responds to the requests made at the March 2003 session of the Governing Body¹ for a review of the ILO's relationship with the Joint Inspection Unit (JIU) of the United Nations.
2. The JIU is a standing subsidiary organ of the General Assembly of the United Nations, and of those organizations which have accepted its statute. Its stated objective is to enhance the efficiency of the administrative and financial functioning of the United Nations system. The statute of the JIU calls for its inspectors to "provide an independent view through inspection and evaluation aimed at improving management and methods and at achieving greater coordination between organizations", and indicates that they "may propose reforms or make recommendations they deem necessary to the competent organs of the organizations". Membership by agencies in the JIU is elective; withdrawal requires giving the Secretary-General two years' notice. All United Nations programmes and funds and specialized agencies (except for the International Fund for Agricultural Development), plus the International Atomic Energy Agency, are members of the JIU. The World Bank Group and the International Monetary Fund are not members. The ILO has participated in the JIU since 1 January 1968.
3. The JIU is composed of a maximum of 11 inspectors at the D.2 level, appointed for five-year terms. In 2002, the JIU staff consisted of an Executive Secretary (D.2), 11 inspectors, seven research officers (two P.5, three P.4 and two P.3), an information technology officer (P.3), four research assistants (one G.7 and three G.6), and seven other General Service staff. For 2004-05, the total budget is some US\$8 million. The Unit issues reports, notes and confidential letters. Reports, published at an average of eight per year over the past four years, are addressed to the one or more agencies concerned or to all the organizations when the subject is of interest to the UN system as a whole, for consideration by the organizations' competent legislative organs. In addition, the JIU submits an annual report to the General Assembly and to the competent organs of the participating organizations.

¹ GB.286/12/3, Reports of the Programme, Financial and Administrative Committee. Third report: Programme and Budget proposals for 2004-05, paras. 111, 112 and 125.

The JIU statute states that the Unit's subjects for inspection are based on its "observations, experience and assessment of priorities" as well as requests from participating organizations. It obtains its information from the agencies by circulating questionnaires, conducting interviews and meetings, and requesting documentation.

4. In developing this paper the Office met with the Chairperson and several inspectors of the JIU to discuss the issues raised and to seek their input. Their comments will be supplied in a separate document.

JIU reports and recommendations

5. The table below summarizes the UN system-wide JIU reports and recommendations issued during the past four years.

Year	No. of JIU reports issued	No. of system-wide reports, applicable to ILO	No. of recommendations in applicable reports	No. of recommendations applicable to ILO
1999	7	3	28	14
2000	9	3	22	15
2001	6	2	12	6
2002	12	9	84	45
Total	34	17	146	80

6. Of the 80 recommendations applicable to the ILO, 22 propose action requiring decisions from the Governing Body. The other 58 recommendations are addressed to "Executive Heads".
7. Recommendations of JIU system-wide reports apply to very diverse organizations. Since all other members are intergovernmental, the recommendations of the JIU tend to pay little attention to the characteristics of the ILO, in particular its unique tripartite structure. Some of the recommendations reported to the PFAC at this session² illustrate this lack of attention.
8. The JIU's recommendations tend to be insufficiently clear, relevant or concrete to be of direct use by the ILO. They often embody principles that are already applied by the ILO. Since the heterogeneous form and content of JIU recommendations are not easily summarized, the Governing Body is invited to refer to the document on JIU reports submitted to this session.³ In practice, JIU reports tend to be more valuable for the system-wide information they contain than for their recommendations.

² GB.288/PFA/13/3, Matters relating to the Joint Inspection Unit. The Office's commentary under each recommendation identifies a number of cases.

³ GB.288/PFA/13/3.

The ILO's handling of JIU reports and the JIU follow-up system

9. The ILO's process for handling JIU reports, originally presented to the Committee in March 2000,⁴ requires much coordination. The Bureau of Programming and Management (PROGRAM) acts as focal point for cooperation with the JIU and draws on contributions from other units at headquarters and in the field. The JIU seeks information via questionnaires, interviews, meetings and requests for documentation. The JIU then draws up a draft report, which is circulated for additional comments. After the JIU issues the final version, the United Nations Chief Executives Board for Coordination (CEB; formerly the Administrative Committee on Coordination) solicits further feedback on the report and issues a paper containing the comments of all the UN agencies. This CEB document, along with the comments of the Director-General, is presented to the Governing Body for information.
10. United Nations General Assembly resolution 54/16 of 29 October 1999 approved the System of Follow-Up on Reports of the Joint Inspection Unit as presented in A/52/34/Annex. The document, entitled: "Towards a more effective system of follow-up on reports of the Joint Inspection Unit" outlines the follow-up procedures expected from all JIU participating organizations, to include legislative organs taking active and serious consideration of the relevant JIU reports as well as on each recommendation. The JIU considers that its value added would be greatly enhanced by a rigorous follow-up system. Major discussions related to the JIU's follow-up system on its reports were held in the Governing Body in November 1998⁵ and March 2000.⁶ The decision of the November 1998 Governing Body was that, due to financial, administrative and legal considerations, the ILO would not take a position on the JIU proposal on follow-up on its reports. In March 2000, the Governing Body indicated "no objection" to the JIU's follow-up system, as long as it did not "entail undue expense" and it "fit within the ILO's own system of monitoring and reporting on its activities".
11. The Office has carefully examined the question of whether, as a result of JIU recommendations, there have been cases of significant strengthening of its procedures or cost savings. While actions have often been in line with broad JIU recommendations, no case has been found of a specific change in practice that has resulted from a JIU recommendation. On the contrary, failure to follow JIU recommendations has often resulted from a concern for costs, as in the case of the frequent recommendations to establish coordination offices or focal points on topics the JIU has considered. The paper presented at this session of the Committee⁷ might well serve as a test case for the Governing Body to take a decision if it would want to approve, reject or modify each recommendation and assign monitoring of implementation to various units in the Office.
12. The JIU has recently concluded agreements on follow-up systems with United Nations bodies. These systems attempt to streamline procedures by adding a step of identification of recommendations which are relevant to the agency concerned. This is no doubt a useful practice, though it carried its own complexities. However, it remains far from the criteria

⁴ Appendix II to GB.277/PFA/7/2.

⁵ GB.273/PFA/8/1 and GB.273/7/1.

⁶ GB.277/PFA/7/2 and GB.277/10/1.

⁷ *ibid.*

set out by the Governing Body as indicated in paragraph 11, as it would still require Governing Body discussion of and decisions on all relevant recommendations, as well as a separate follow-up and reporting system, which would have financial implications.

Costs of participation

13. The direct cost of ILO involvement with the JIU can be analysed in terms of direct and indirect charges. Direct contribution by the ILO towards the total operating budget of the JIU (US\$8,155,100) amounted to US\$285,796 in 2002-03. The ILO's percentage contribution to the JIU has decreased from some 3.97 per cent in 2000-01 to some 3.4 per cent in 2002-03 as a result of the decline of the ILO budget in relation to the UN system as a whole.
14. Indirect costs comprise officials' time spent responding to JIU queries, questionnaires and reports, including activities related to submitting comments to the CEB on JIU reports, and other ad hoc requests. Based on a survey on the amount of time spent by officials in responding to JIU requests, total staff costs amounted to approximately US\$265,000 in the last biennium. In addition, printing and translation costs related to preparing documents for the Governing Body amount to some US\$30,000. The paper on JIU reports in this PFAC has greatly surpassed the length proposed for Governing Body documents in the Programme and Budget for 2004-05 for a one-fourth reduction in Governing Body papers,⁸ as endorsed by members of the Governing Body.⁹ In addition, the JIU urges the ILO to distribute copies of its reports; this would further inflate the printing costs listed here.
15. The JIU proposes that a follow-up system be adopted involving the monitoring of progress on all accepted JIU recommendations. In addition to possible financial implications of the recommendations, the Office would need to monitor progress and report on results for each case, outside the normal ILO performance reporting mechanisms. Since the Office's work at present consists only of commenting on reports and replying to requests for information, this would necessitate significant additional resources, perhaps US\$500,000 or more each biennium.

Oversight and the JIU

16. Article 5 of the JIU statute lists the functions of the Unit, which include: investigating matters of efficiency and the proper use of funds; providing an independent view through inspection and evaluation to improve management and methods for achieving greater coordination between organizations; assuring activities are carried out in the most economical manner; advising organizations on methods for internal evaluation; making evaluations of programmes and activities; and making recommendations to the competent organs of the organizations. The ILO has its own oversight mechanisms through which it can derive most of these same benefits in a manner suited to its own operations. These include:
 - The *External Auditor*, who is completely independent of the ILO, inspects and audits the efficiency of financial procedures, the accounting system, internal financial

⁸ GB.286/PFA/9, para. 13.

⁹ GB.286/12/3(Corr.), paras. 17, 20, 26 and 27.

controls, and administration and management of the Organization in general. The current external auditors, from the National Audit Office of the United Kingdom, devote staff time of five work years per biennium to the ILO. The cost to the ILO in 2004-05 will be US\$670,770.

- The *Office of Internal Audit and Oversight (IAO)*, which fulfils an independent oversight function, established under article 30(d) of the Financial Regulations. Through audit, inspection and investigation processes, the IAO determines the adequacy and effectiveness of the system of internal control, financial management and use of assets. The Chief Internal Auditor, supported by three internal auditors, issues an annual report to the Governing Body. Direct costs in 2004-05 will be US\$1,237,836.
- The *Bureau of Programming and Management* undertakes evaluations within the framework approved by the Governing Body.¹⁰ These cover InFocus and other core programmes, technical cooperation projects, and decent work country programmes.
- The *Governing Body* performs external oversight functions, particularly through the Programme, Financial and Administrative Committee and the Committee on Technical Cooperation. In addition to its normal oversight capabilities, major evaluations are submitted to the Governing Body.
- The *United Nations System Chief Executives Board for Coordination (CEB)* brings together the executive heads of all organizations to further coordination and cooperation on substantive and management issues facing the UN system. The CEB comprises 27 member organizations to include all UN funds and programmes as well as the specialized agencies, WTO and the Bretton Woods institutions. The CEB is assisted by a secretariat as well as by the High-Level Committee on Programmes (HLCP) and the High-Level Committee on Management (HLCM) which perform studies in areas such as those covered in the June 2003 HLCM meeting: security and safety of staff, spousal employment, procurement, the changing relationship between regular and voluntary funding, information communications technology, and a review of pay and benefits.

Conclusions

17. The ILO fully supports collaboration within the UN system. The Director-General participates actively in the CEB. The ILO has recently become a member of the United Nations Development Group (UNDG) in order to have a voice system-wide in development priorities. ILO field units are encouraged to work with the United Nations Development Assistance Framework (UNDAF) and with other UN agencies. The ILO enthusiastically participates in the Poverty Reduction Strategy Papers (PRSP) process and activities in support of the Millennium Declaration. There are many other examples, including a current study of common purchasing outside the ambit of the JIU.
18. However, as this paper has made clear, the oversight systems of the ILO are adequate without the JIU. There is no evidence that the benefits of JIU membership exceed the costs. The JIU has not adequately taken the ILO's tripartite nature into account in its reports and recommendations. The Governing Body has not shown an interest in devoting

¹⁰ GB.285/PFA/10.

the time necessary to discuss JIU reports and make decisions on the basis of JIU recommendations.

19. The current session of the General Assembly is considering the future of the JIU. The issues being addressed include the composition and appointment of the inspectors (either to reduce the number of inspectors or the length of their terms, or increase the number of support staff); functions, powers and responsibilities (including maintaining pressure on UN organizations to take specific action on all JIU recommendations); mode of operation (development of a strategic framework); and administrative, budgetary and financial arrangements (strengthening the role of the Chairperson of the Unit).
20. A reformed JIU could overcome some of its shortcomings, including lack of focus, unwieldy recommendations, and a bureaucratic follow-up system. The JIU could commit itself to improve its treatment of the ILO's tripartite structure. It may find a strategic niche in which it has a genuine comparative advantage.
21. At the time of completion of the draft of this paper (15 October), discussions on the JIU were under way through informal consultations of the Fifth Committee of the General Assembly. Several governments have criticized the JIU in terms of the quality of reports, the time required to prepare them, the criteria and modalities for selecting inspectors and research staff, the cost of the Unit and other matters. The tentative conclusion that seems to emerge from the discussions is that there is a need for reform, and that the reform is preferable to closing the JIU. A number of governments suggested that the views of agencies should be sought.
22. In a previous Governing Body debate wherein the ILO considered withdrawing from the JIU, the Employer and Worker members and a number of Governments were originally in favour.¹¹ However, certain member States insisted that the ILO should not weaken its oversight mechanisms, and the proposal was not adopted.¹²
23. Based on the above, the Governing Body would seem to have three possible courses of action. The first possibility would be to reaffirm its commitment to the JIU and in consequence to reserve additional time for discussion and decisions on JIU recommendations. In addition, it would be necessary to identify additional resources for follow-up. This possibility would be inconsistent with the problems raised in this paper, and would in effect delegate responsibility for the ILO's relationship with the JIU to the General Assembly. It is not recommended.
24. The second course of action would be to delay consideration of the ILO's relationship to the JIU until after the General Assembly takes action on reform of the JIU. This could be combined with guidance to the JIU on the reforms that the Governing Body considers appropriate. This is a reasonable option, but it would in effect guarantee a long period of association with the JIU, since any future decision to withdraw would be followed by two years of notice.
25. The third course of action would be to decide to give notice of withdrawal from the JIU, which would start the two-year notice period. This decision could be reversed at any time during the two years. The Governing Body could further review the ILO's relation with the JIU towards the end of the notice period on the basis of a year or more of experience with

¹¹ GB.264/PFA/9, para. 44.

¹² GB.264/8/3, paras. 89-102.

reform. The Office could be instructed to work with the JIU to develop proposals for satisfactory work methods, and to document potential costs and benefits. This course of action would clearly indicate the Governing Body's dissatisfaction with the current situation while leaving open the possibility of reconsideration of its views on the basis of future experience. It would reinforce any guidance that the Governing Body may provide on its expectations of JIU reform. The Office recommends this course of action.

26. Concerning the Governing Body's possible guidance on the reform of the JIU, the Director-General considers that it could be useful to start with questions about the core functions of the JIU, their cost and their value added:

- Should the role of the JIU be based on "inspection"? What could the JIU add to the ILO's existing oversight machinery, which combines external and internal audit, evaluation, performance reporting and direct Governing Body oversight through its committee system?
- Should the function of the JIU be to make recommendations to the Governing Body on governance issues? Is it well placed to take into account the unique characteristics of the ILO? Are the costs of a follow-up system justified?
- Should the JIU concentrate on an information function? Would the Governing Body like to receive, perhaps once a year, system-wide information on key topics? Could the Governing Body draw its own conclusions from such information, or should it organize its discussions around JIU recommendations?

27. *The Committee may wish to provide guidance on the role and function of the JIU and to recommend to the Governing Body that it instruct the Director-General:*

- *to transmit notice of ILO withdrawal from the JIU;*
- *to ensure that the Office carefully monitors the JIU reform process and that it collaborates with the JIU to develop proposals for satisfactory methods of work;*
- *to submit a new paper reviewing the ILO's relationship with the JIU prior to the end of the two-year notice period.*

Geneva, 24 October 2003.

Point for decision: Paragraph 27.