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Investing in rural people

## Final report on IFAD's hosting of the Global Mechanism of the United Nations Convention to Combat Desertification

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For: Approval

## Recommendation for approval

The Executive Board is invited to approve the submission of this final report for information to the thirty-ninth session of the Governing Council.

## Final report on IFAD's hosting of the Global Mechanism of the United Nations Convention to Combat Desertification

### I. Background

1. This document constitutes the final report on IFAD's hosting of the Global Mechanism of the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa (UNCCD).
2. As required by Governing Council resolution 108/XXI (1998), the Executive Board is kept informed about the administrative arrangements for housing the Global Mechanism (GM) of the United Nations Convention to Combat Desertification and also about the GM's activities.
3. The Conference of the Parties (COP), which is the UNCCD's supreme governing body, decided that the GM should be hosted by an existing organization, and IFAD was selected as the host agency in 1997 at the first COP session. This decision was accepted by the Governing Council under resolution 108/XXI (1998), and a memorandum of understanding (MoU) between the COP and IFAD, setting out the modalities and administrative operations of the GM, was entered into on 26 November 1999.
4. In addition, at its ninth special session on 3 May 2012, the Executive Board adopted a resolution on the amendment to the above MoU. Pursuant to this resolution, the Executive Board committed to report on such modalities and operations to the Governing Council.
5. IFAD housed the GM from 1999 until recently and performed tasks in respect of the administration of the GM on behalf of the COP. Subsequently the COP, at its tenth session in October 2011, adopted decision 6/COP.10, which stipulated that the accountability and legal representation of the GM would be transferred from IFAD to the UNCCD secretariat, and mandated the Executive Secretary of the UNCCD to ensure that all accounts and staff managed by the GM were placed under one single administrative regime administered by the United Nations Office at Geneva, and managed under the financial rules and regulations of the United Nations. The decision also envisaged the possible end of IFAD's role as the host of the GM and the beginning of a process to identify a new housing arrangement for the GM.
6. In April 2012, IFAD and UNCCD negotiated a revision to the MoU to reflect the decisions adopted by the COP in decision 6/COP.10. Accordingly, IFAD was no longer authorized to undertake any actions with respect to the financial or human resources management of the GM except at the request and on behalf of the Executive Secretary of the UNCCD, or those to whom s/he has delegated such authority.
7. At its eleventh session in September 2013 (COP.11), the COP decided to relocate the Global Mechanism from IFAD in Rome to the UNCCD secretariat in Bonn, where it would be co-located with the UNCCD secretariat. It also decided to establish a liaison office within the Food and Agricultural Organization of the United Nations headquarters in Rome (FAO) with appropriate staff.

## II. Staffing matters

8. In April 2014, in accordance with the COP.11 decisions mentioned in paragraph 7 above, the GM vacated its offices at IFAD. IFAD was advised that most of the Professional staff would be relocated to Bonn. A liaison office was established at FAO headquarters, staffed by the UNCCD. Finally, several General Service staff of the GM were offered contracts with IFAD, and the UNCCD secretariat advised IFAD that others would continue their employment with the UNCCD.

## III. Financial matters

9. In accordance with the 6/COP.10 decision and the revised MoU, IFAD and the UNCCD secretariat worked on a plan for the handover of the GM accounts. On 22 October 2013, IFAD transferred to the UNCCD bank account US\$1,414,000, representing the balance of funds in the GM bank accounts less the amount placed in an escrow account as mentioned in paragraph 10 below.
10. IFAD has, in various written communications to the UNCCD, expressed serious concern over the potential financial liabilities for IFAD. Therefore, in handing over the GM accounts, IFAD wished to obtain the assurance that all financial liabilities faced by the Fund because of the GM, including potential financial liabilities linked to appeals from GM staff, would be covered. IFAD's best estimate of the potential liability arising from such appeals was US\$4,575,000. Therefore IFAD set aside this amount in an escrow account to be used in the eventuality that some or all of these liabilities crystallized. IFAD informed the UNCCD that this was a temporary measure.
11. On 6 March 2014, upon receiving confirmation of the payment of an invoice, IFAD transferred US\$645,553 from the escrow account to the UNCCD.

## IV. Legal matters

12. IFAD received notification of three complaints filed with ILOAT by three GM staff members against IFAD and one complaint filed by a former GM staff member. In addition, the ILOAT forwarded to IFAD 10 applications filed by GM staff to intervene and link their cases to the three complaints filed by GM staff. Subsequently, due to the joint efforts of IFAD and UNCCD, seven requests for withdrawal were filed with the ILOAT.
13. On February 2015, the ILOAT confirmed IFAD's decision not to renew the contracts of the complainants and interveners, but because that decision could have been notified earlier, it allocated an amount as damages and legal costs amounting to approximately EUR 40,000. With respect to the one remaining case concerning the complaint filed by the former Managing Director of the GM, the Tribunal sent the case back to IFAD to undergo internal dispute resolution proceedings.
14. On 10 June 2015, following a negotiated settlement, the former Managing Director of the GM was paid four months of salary and benefits. Subsequently, the remaining balance in the escrow account was transferred to the UNCCD.
15. Initially IFAD had estimated its potential liabilities at almost US\$4.5 million, however, taking into consideration the favourable outcome of the ILOAT decisions and the settlement of the outstanding litigation, IFAD was able to return US\$3.8 million to UNCCD. This is a very positive outcome for both IFAD and the UNCCD.

## V. Conclusions

16. With the ILOAT decisions and the transfer of the balance held in escrow, the matter can now be considered closed.
17. Management takes this opportunity to thank the UNCCD for the close collaboration in the finalization of all pending issues in relation to the hosting of the GM in IFAD.