



## TENTH ITEM ON THE AGENDA

**Report of the Programme, Financial  
and Administrative Committee****First report: Financial and general questions****Contents**

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1. The Programme, Financial and Administrative Committee of the Governing Body met on 22 March 2000, chaired by Mr. J.-J. Elmiger, Chairperson of the Governing Body. Mr. M. Blondel (Worker spokesperson) was the Reporter.

## **Programme and Budget for 1998-99** (First item on the agenda)

### **Regular budget account and Working Capital Fund as at 31 December 1999** (including transfers between budget items)

2. The Committee had before it a paper<sup>1</sup> containing information on the 1998-99 regular budget account and the position of the Working Capital Fund as at 31 December 1999.
3. Mr. Blondel, speaking on behalf of the Workers' group, noted that the document presented the financial results for 1998-99 and the Working Capital Fund and Income Adjustment Account and that the budgetary surplus for 1996-97 appeared as income for the period 1998-99. He observed that the budgetary income for 1998 and 1999 showed a deficit of \$928,024, given that the budgetary surplus for 1996-97 was 1,354,916 Swiss francs lower than expected. Tables 2 and 3 contained details concerning expenditure adjustments, additional expenditure and transfers between budget items made by the Office. In conclusion, he said that the Workers' group supported the proposal in paragraph 7, while noting that there was a sizeable appropriation for information technology and communications.
4. Mr. Marshall, speaking on behalf of the Employer members, commended the Director-General for producing such positive results at the end of a generally difficult financial period. He endorsed Mr. Blondel's remarks concerning the payment of contributions by member States and expressed full support for the point for decision.
5. *The Committee recommends to the Governing Body that, in accordance with article 16 of the Financial Regulations, it approve the transfers between budget items listed in the appendix to this report.*

## **Programme and budget for 2000-01** (Second item on the agenda)

### **Collection of contributions from 1 January 2000 to date**

6. The Committee had before it a paper<sup>2</sup> providing details of current year contributions received up to 29 February 2000.

<sup>1</sup> GB.277/PFA/1.

<sup>2</sup> GB.277/PFA/2/1.

7. The representative of the Director-General (the Treasurer and Financial Comptroller) reported that, since the preparation of the Office paper, contributions had been received from the following member States:

	Swiss francs
Eritrea	3 389
Gabon	48 777
Greece	1 338 903
Jamaica	21 269
Latvia	40 478
Lithuania	20 294
Namibia	24 838
New Zealand	775 341
Pakistan	216 733
Qatar	113 737
San Marino	6 979
Slovenia	213 307
Spain	9 081 473
Sri Lanka	42 726
Syrian Arab Republic	169 238
Tunisia	100 809
Total	12 218 291

Total contributions for 2000 received to date amounted to 57 million Swiss francs, and the following additional member States had now paid their contributions in full for the current year: Eritrea, Jamaica, Latvia, Namibia, New Zealand, Qatar, San Marino, Slovenia, Spain and Sri Lanka.

8. Mr. Blondel drew the Committee's attention to the problem of the member States referred to in article 13, paragraph 4, of the Constitution, i.e. those whose arrears in the payment of their financial contribution equals or exceeds the amount of the contributions due from them for the preceding two full years. Decisions had been taken by the governments to facilitate the payment of minimal contributions. The minimal contribution was only symbolical since it was close to 0.01 per cent of the ILO's budget. It meant that a country such as the Central African Republic, which in 1998 had not paid its contribution of 0.01, could pay it in 1999 when its contribution had been revised down to 0.01 per cent, or 3,386 Swiss francs.
9. Although he was in favour of this solution, he pointed out that it was important that this symbolic contribution should actually be honoured. He urged the countries in arrears in the payment of their contributions to enter into negotiations on how they might pay the amounts due. This would be a way of thanking the other countries that had made the effort to lower their contribution to a minimal figure.

10. Mr. Blondel remarked that 12.2 million Swiss francs plus 44.6 million Swiss francs amounted to only a little more than 56 million Swiss francs, or roughly 15 per cent of the contributions for the year 2000, whereas the corresponding figure was 25 per cent at the same period in 1999. Reverting to paragraph 8 on the loss of the right to vote, he recalled that in previous years the Committee had been pleased to note that the number of instances had dropped from 48 in 1997 to 42 in 1998 and 39 in 1999. Yet now there were 44 member States in this situation. The question was how to prevent a large number of countries from losing their right to vote. The credibility of the Organization was at stake. He invited the countries in this situation to make an effort to ensure that they did not lose their right to vote.
11. The Treasurer confirmed that almost 16 per cent of current year contributions had been received so far, compared with 37 per cent at the same time last year. The main difference was earlier payments in 1999 by some of the major contributors.
12. Mr. Marshall expressed the Employers' appreciation for the Office paper. The substantial drop in the percentage of contributions received so far this year was a matter for concern, although the immediate cash-flow implications were less serious because of the arrears of contributions received. Committee members should realize, however, that the ILO was now following a strategic budgeting regime with clear business plans and unless additional spending was authorized a biennial surplus of some US\$95 million would result on present figures.
13. The Committee took note of the Office paper.

### **Treatment of 1998-99 cash surplus**

14. The Committee had before it a paper<sup>3</sup> containing proposals in respect of the 1998-99 biennial cash surplus.
15. Opening the discussion on the proposals in respect of the 1998-99 cash surplus, Mr. Blondel noted the Office's desire to set up a fund "to finance the procurement and development of ... information technology systems". He recalled that in November 1998 he had welcomed this idea on behalf of the Workers' group because the purchases seemed to be necessary for the Organization. He was pleased to see that there was a consensus within the Committee on this question. The fund would be established with a capital of around US\$25 million, of which US\$20 million would be earmarked for the upgrading of the financial systems. The Workers' group was aware that this proposal was contrary to the rule, which was still the redistribution of budgetary surpluses. The Workers asked for an exception to be made to the rule. As the Office paper stated, the Conference had authorized the use of these surpluses previously in 1990-91 and in 1992-93. He welcomed the initiative of the Office, which he supported because it concerned the very future of the Organization.
16. Regarding the upgrading of the financial systems, the speaker invited the Committee to recognize the shortcomings of the existing system. The project put forward by the Office comprised an implementation plan, a timetable and a budget showing the cost in terms of staff and consultants. He congratulated the Office on its work and on the proposal that it had put forward. He wondered, however, how this fund could be maintained in subsequent

<sup>3</sup> GB.277/PFA/2/2.

years, since the Office could not make the implementation of this system, which would take more than 40 months, conditional on a future budgetary surplus. He therefore asked the Director-General to make arrangements for the Committee to be kept constantly informed of developments (particularly as regards costs) of the achievement of the goals set and of the timetable. The Worker members would like to receive a paper containing this information on a regular basis. Finally, the speaker confirmed the agreement of the Workers' group to paragraph 24(a) and (b). He thanked the governments again and hoped that he had managed to reassure them that the intention was not to create a precedent, since budgetary surpluses should normally revert to the governments.

- 17.** Mr. Marshall, speaking on behalf of the Employer members, supported the proposal that an Information Technology Systems Fund of US\$25 million be established, utilizing a portion of the 1998-99 surplus, and that the balance of some 3.46 million Swiss francs be treated in the traditional way in respect of member States. Although he agreed with the principle and with the point for decision in paragraph 24, two important factors needed to be considered. The first related to the issue of accountability. IT projects were renowned for being extremely problematic and the Governing Body had a responsibility to ensure that the ILO avoided the common pitfalls associated with such projects. This meant it was critically important that the Director-General's management structures, referred to in the document, were firm in respect of the accountability mechanisms so that both he and the Governing Body maintained reasonable governance in respect of the overall direction of the project and how it was evolving over what would be a lengthy period of time. Once the Conference had given its approval, progress through the various phases of the project should be monitored through the submission of detailed reports to the Governing Body in terms of the frameworks involved, the formalized costing mechanisms and the payback periods that could be expected in respect of the implementation of the Office's investment. The Governing Body would then be in a position to approve progression to the next phase of the project, thus ensuring clear accountability between the project manager and the Director-General, and between the Director-General and the Governing Body. The establishment of a small subgroup to monitor and report back to the Committee was another possibility to be considered.
- 18.** The Office was proposing a major project and the risks involved justified more direct governance and accountability without undermining the role of the Committee or the Governing Body. As regards the Steering Committee, the Employers considered that there should be no confusion between the roles of the Finance Director and the project manager. It might be better to give the project manager the ultimate responsibility for chairing that committee, with advice and support from the Finance Director and IT specialists, so that he could be held accountable for project results.
- 19.** The additional and ancillary projects referred to in paragraph 20 were also important, and specific proposals should be made by the Office on how they would fit into overall activities and how they were to be prioritized.
- 20.** The representative of the Government of the United Kingdom, on behalf of the IMEC members, stated that any proposal to spend the surplus should meet two basic criteria: first, there should be no unbudgeted programme expenditure; secondly, the principle of returning money to member States should be maintained. The proposal before the Committee for the use of the surplus met those two criteria and IMEC members were sympathetic to the suggestion that the ILO's financial and budgetary systems needed to be upgraded. The group therefore supported the proposal, subject to confirmation that it represented a one-off payment and that there would be no presumption that further payments would be made to the IT fund. The running of the fund should not create unacceptable support costs for the Organization, and a long-term plan for IT development

should be drawn up as part of normal prudent management. Capital expenditure on IT projects should be dealt with through the existing regular budget. IMEC members agreed with the representative of the Employers' group on the need for clear lines of accountability and credible governance. The Employers' group had suggested that one way of doing this might be the establishment of a subgroup to monitor the implementation of the IT fund, but the IMEC group was not in favour of this proposal because members of the Governing Body were not qualified to audit complex IT projects. Instead, regular reports and evaluations of the fund by qualified experts should be submitted to the Governing Body at regular intervals.

- 21.** The representative of the Government of the Russian Federation considered it important to reaffirm the principle of returning cash surpluses to member States. As an exception to that principle he was prepared to consider the possibility of using part of the cash surplus for 1998-99 to finance investment in the upgrading of computer systems in the ILO. As far as the volume of that investment was concerned, there seemed to be no justification for expenditure to exceed the proposed US\$20 million. The remaining part of the surplus should therefore be credited back to member States. Nor was he convinced of the necessity to create a separate fund to finance information technology systems. On the contrary, in line with previous ILO experience it would be more logical merely to take a decision that the surplus should be left with the Organization for the execution of the proposed plan for the upgrading of the ILO's financial systems.
- 22.** He was not convinced that the upgrading of financial computer systems should be financed through an individual fund. On the basis of experience in previous years it would be better to take a decision to the effect that these funds would remain in the Organization for the implementation of the four-year project. He agreed with the proposals made by the Employers' group regarding further reporting on the project.
- 23.** The representative of the Government of the United States said that information technology and the management of information would continue to be one of the growing challenges of the twenty-first century, and agreed with the need to ensure that the ILO's systems were able to meet those challenges while ensuring responsiveness and transparency, especially in the areas of budget presentation and programme evaluation. Although the general position was that surplus funds should be returned to member States, in view of the overriding merits of the Office's proposal she was prepared to join a consensus to use up to US\$25 million of the 1998-99 surplus for the creation of a technology fund. Whether or not additional payments would be made to the fund would have to be the subject of future Governing Body discussions.
- 24.** The representative of the Government of Algeria, on behalf of the African Government group, supported the Office's proposal on the use of the 1998-99 cash surplus, but requested information concerning the origin of the cash surplus, especially since programmes in some regions were known to be financially constrained and requests for additional resources had been refused on the basis of insufficient funds. It should also be made clear that the proposal was to be considered as an exceptional measure and should not be repeated as a matter of course. The Office should also ensure that all necessary precautions and controls were exercised in relation to the proposed IT project.
- 25.** The representative of the Government of Japan stated that the Japanese standpoint was reflected in the IMEC statement. The importance of information technology systems was fully appreciated, but it was also important to maintain the principle in the Financial Regulations that a cash surplus should be returned to member States. The Office's proposal should therefore be considered as a one-off arrangement which should not be repeated, and

the Committee should watch closely how the resources were spent, since costs for such projects had a tendency to escalate.

- 26.** The representative of the Government of France endorsed the statement by the IMEC group and considered that the proposal to set up an IT fund was important for the Office. However, paragraph 20, referred to by the Employers' group, did not contain sufficient information. Progress reports on the project should be submitted direct to the Governing Body, not to a subcommittee, and should clearly show detailed information regarding costs. As requested by the African Government group, the Office should also provide information on the origin of the cash surplus.
- 27.** The representative of the Government of Canada fully supported the IMEC statement. This was the third time that communications and information technology systems had been financed from surplus funds, and it was necessary to draw up a long-term plan within the regular budget framework for the continued upgrading and development of information technology systems. As mentioned by the Employers' group, it was also essential that the proposed project be carried out within an accountability framework that allowed clear and systematic reporting of progress and results to the Governing Body through the Committee. The elements set out in paragraph 20 were essential, and should be developed as an integral part of the main financial and accounting systems of the Organization. She expressed support for the point for decision.
- 28.** The representative of the Government of Germany also supported in principle the statement made by the IMEC group. The principle of article 18.2 of the Financial Regulations was not called into question in any way, but reference to the two occasions when there had been derogations to this regulation in the past may have given the impression that this was now almost routine. It should be very clear in the record of the meeting that the present proposal was very much an exception.
- 29.** The information in the Office paper seemed to indicate that the project would make use of existing ILO staff as well as external collaborators. It would be interesting to know what arrangements would be made for ILO staff members involved if the project was not approved. Although it was clear that reports to the Governing Body concerning expenditure on such a project were essential, it would not be appropriate to set up a special committee to monitor progress.
- 30.** The representative of the Government of Mexico requested further information on the use of previous cash surpluses for information technology. She supported the point for decision on an exceptional basis.
- 31.** The representative of the Director-General (the Treasurer and Financial Comptroller), in reply to the question by the representative of the African group concerning the origin of the cash surplus, stated that the surplus was made up of two main parts. Roughly half of the surplus was due to overprovision for cost increases and inflation in the 1998-99 budget. This had been stated by the Director-General when he formulated his proposals for the budget for the 2000-01 biennium and was precisely why he had not asked for any additional provisions for cost increases for the present biennium. The other half of the surplus was due to circumstances totally beyond the control of the Director-General, as contributions received had exceeded the total of the 1998-99 budget. In accordance with the Financial Regulations the Director-General was only allowed to spend up to the amount approved in the budget, regardless of the excess income received. In 1998-99 the Office had received income in excess of the budget amounting to some US\$13 million because a number of member States had made efforts to pay off their arrears. Of course,

these amounts were partly offset by short payments by other member States, but the net effect was that the Office had received cash in excess of the income budget.

- 32.** The provisions of article 21.2 of the Financial Regulations should not be overlooked when considering the provisions of article 18.2. When a biennial budget was approved by the Conference, the Director-General was authorized to implement the full programme for that biennium whether income had been collected or not. Income shortfalls would be covered by withdrawals from the Working Capital Fund or through internal borrowings, which would then be reimbursed by raising additional assessments on member States. There was, however, a general consensus between the Director-General and the Governing Body that the Office act in a fiscally responsible manner; consequently, if it was evident that the full amount of the budget was unlikely to be collected, programmes would be reduced so that no additional assessments would be needed on member States to make up for the shortfall. In recent biennia, in anticipation of income shortfalls, programme cuts had amounted to US\$17.3 million in 1986-87, US\$12.6 million in 1988-89, US\$30 million in 1992-93 and US\$21.7 million in 1996-97, all made in full consultation with the Governing Body. When countries eventually did pay their arrears of contributions the question then arose as to whether member States should benefit from a resulting surplus if they had not been asked to cover deficits. It was for each member State to review its position on this issue.
- 33.** On the question of the proposed IT project, there seemed to be some misunderstanding regarding the additional items referred to in paragraph 20 of the document. These requirements, some of which might be linked to the main financial systems upgrade project, were not an integral part of it. It was highly unlikely that the team assembled to upgrade the accounting systems would also be the right one to develop the additional items referred to in paragraph 20. The Office's intention was to identify specialist firms that could deliver the best products for such specialized applications, but links, such as the sharing of information from various databases, would be a vital part of the overall IT strategy.
- 34.** The possible problems and pitfalls associated with large IT projects referred to by the Employers were very real, and the Director-General was acutely aware of these dangers. Strong measures were needed to ensure that they were avoided, and it was in the Office's interest for the project to be successful. The Committee would be kept informed during every phase of the project by way of regular reports and consultations.
- 35.** The IMEC group had requested that projects of this type should be financed by the regular budget. This had in fact been the method of financing such projects in the past when governments were subject to fewer restrictions and had less difficulty in meeting budget increases. In those days each budget could be considered on its own merits because the restriction of zero real growth did not exist, whereas the present situation required ad hoc proposals to be made to finance the Office's needs. It would, of course, be much better not to have to create an IT fund, and instead have the commitment of governments so that proposals when approved could be financed through a one-time increase in the budget, but this was not the case at present.
- 36.** With regard to the question concerning the use of ILO officials on the proposed project, the Committee could be assured that they were not presently underemployed and the Office's intention was to assign them to the project team, which would also include other specialists. This would involve a full-time reassignment so that they would not be expected to perform two jobs at the same time. The Office would, of course, ensure that the project budget was not overspent and would make every effort to minimize expenditure, since any savings would be available for the other items listed in paragraph 20 of the document.

37. Mr. Marshall, speaking on behalf of the Employer members, confirmed that as far as his previous comments regarding governance were concerned, the IMEC proposal for an external progress reporting mechanism deserved the fullest support.
38. Mr. Blondel thanked Mr. Ahmad for his detailed reply to the concerns voiced by the Committee and to the questions he had been asked. Mr. Ahmad had promised the Committee to explain things clearly and above all not to conceal any difficulties that might arise. The speaker felt that Mr. Ahmad's statement answered Mr. Marshall's concern that some system of governance, or a working party along the lines of the Building Subcommittee, should be set up. His own group had reservations about the idea of a system of governance, because the Workers wanted the operation to be monitored collectively in the Committee, where Mr. Ahmad and the Director-General would be able to explain what was going on and give details about the follow-up, according to the timetable decided upon. The Workers would not interfere in the technical matters because that was not their responsibility, but they would ask questions and try to keep an eye on things at all times. Since the fund was to be of limited duration, the Workers would not want its monitoring to be encumbered by some sort of governance system that might undermine relations between the senior officials of the Organization and the PFAC or Governing Body. That was why the Workers did not agree with Mr. Marshall's suggestion.
39. The representative of the Government of Canada said it was important to avoid misunderstandings and stressed that the first level of governance should be the Committee, which should be given regular rather than periodic reports during the various stages of the project's implementation.
40. The Director-General thanked the Committee for its full support for what was an extremely important project that represented a key issue for the future of the Organization. The sooner the ILO brought itself up to date, particularly in terms of its internal management, with fast-evolving technology, the better it would be for the whole of the Organization.
41. Some concerns had been raised concerning the derogation from the Financial Regulations. He assured the Committee that there was no question of any changes being made to the regulations and that the provisions of article 18.2 were still very much the rule. References to previous derogations had been included in the paper purely for information.
42. With regard to management responsibility, this was probably one of the most important issues that he had had to deal with since coming to the ILO. Changes within the management structure had been absolutely essential, and although such changes required time to become a reality, they deserved the highest priority. The project proposed in the paper under discussion would not be an easy one, but he assured the Committee that both he and other members of management responsible for the project would do their utmost to ensure its success. He also strongly believed that his personal involvement in the management of major issues was essential, even though this had to be carefully balanced against his other responsibilities.
43. The relationship between the Office and the Governing Body was one of partnership. This involved working together, exchanging views and information, as well as discussing important issues in a completely open and transparent manner. The project under discussion should therefore be carried out in this way with regular reporting to the PFAC. Support and ideas from members of the Committee who were experienced in the issues involved would be most welcome.

44. The paper under discussion made reference to additional items, which were listed in paragraph 20. These had not been described in detail, but full details would be made available to the Committee at a later stage.
45. References were made within the Committee regarding support costs. It was essential that ILO officials were aware of and indeed directly involved with the project, but it was also important to ensure that costs relating to these officials were strictly monitored and controlled. In fact, for the next few years every meeting of the PFAC would include progress reports for this project on its agenda. It was only by working together that the success of the project could be ensured.

46. *The Committee recommends that –*

- (a) *the Governing Body propose to the 88th Session (June 2000) of the International Labour Conference that, as an exceptional one-time measure and in derogation of article 18.2 of the Financial Regulations, the 1998-99 cash surplus of 41,711,581 Swiss francs (equivalent to US\$27,262,471 at the 2000-01 budget rate of exchange of 1.53 Swiss francs to the US dollar) be used in part to finance the establishment of an information technology systems fund, and that it adopt a resolution in the following terms:*

***The General Conference of the International Labour Organization,***

***Noting that for the 1998-99 biennium an excess of regular budget income over regular budget expenditure has resulted in a cash surplus of 41,711,581 Swiss francs (equivalent to US\$27,262,471 at the 2000-01 budget rate of exchange of 1.53 Swiss francs to the US dollar);***

***Decides, as an exceptional one-time measure and in derogation of article 18.2 of the Financial Regulations, to finance the establishment of an information technology systems fund in an amount of 38,250,000 Swiss francs (US\$25 million) from the cash surplus;***

***Notes that, taking into account the above appropriation, the amount available under article 18.2 of the Financial Regulations for reducing the assessed contributions of member States will be 3,461,581 Swiss francs.***

- (b) *subject to the decision of the International Labour Conference on the treatment of the 1998-99 cash surplus, the Governing Body:*
- (i) *approve the establishment in a special account of an information technology systems fund with an initial capital of 38,250,000 Swiss francs;*
- (ii) *approve the upgrading of the ILO's financial systems, which would be financed to the extent of US\$20 million from the information technology systems fund.*

## **Progress report on strategic budgeting**

(Third item on the agenda)

47. The Committee had before it a paper<sup>4</sup> containing a progress report on the introduction of strategic budgeting in the ILO.
48. Mr. Marshall, speaking on behalf of the Employer members, thanked the Office for the report and was pleased with the results achieved so far, particularly in the setting of targets and indicators. Strategic budgeting was a new concept and meant a change of culture for the Office. There might well be some delays, but once targets and indicators were established there would probably be a need to discuss not only the way in which reports were structured but also how implementation would be reported to the Committee to enable it to measure implementation against the targets and indicators previously set.
49. The Employers supported the Office's view that what was required was a five-year strategic policy framework aimed at fulfilling the ILO's strategic objectives, rather than a rigid five-year plan. For the November meeting, the Employers' group therefore looked forward to receiving the strategic policy framework, the future evaluation strategy, the final lists of indicators and targets and outline proposals for the next programme and budget. It was understood that there would be some informal consultations with Committee members in June, and that further discussions could be held before the next Committee meeting.
50. Mr. Blondel said that the Workers' group had noted the paper on strategic budgeting in the Office and, like Mr. Marshall, the fact that the work was to be completed in March and the results submitted in November 2000. Several meetings on the subject had been held at headquarters and in the regions. Though they appreciated the work that had been done, the Workers hoped that the cost and effort involved in these meetings would be worthwhile and that the Office would not engage in unnecessary consultations. Finally, he noted that the definition of the targets and indicators took place at the same time as the establishment of the workplans of the department, whereas the preparation of the strategic framework for the period 2002-05 was already under way. Referring to paragraph 13 of the paper, the speaker asked the Office to explain how it intended to consult constituents between June and September on the choice of strategic issues or the manner of addressing them.
51. The representative of the Government of Canada, speaking on behalf of the IMEC group, thanked the Office for the paper and welcomed the progress made in further developing tools and processes for adopting strategic budgeting principles. IMEC wished to highlight a number of general features in the document of particular interest.
52. They appreciated the way in which targets and indicators were being developed for strategic programme and local objectives so that activities would be closely linked to the four strategic objectives. This was essential for programme managers to monitor performance and for the Governing Body to assess reported results. The extensive consultation and joint planning between headquarters and field structures were vital to develop a common understanding and shared commitment to the objectives and to achieving results. It also ensured accountability by defining roles and responsibilities for units at headquarters and in the field. The Office was to be commended on the way in which it had undertaken this exercise and involved staff at all levels.

<sup>4</sup> GB.277/PFA/3.

53. IMEC noted the intentions in paragraph 10 to ensure that regular budget technical cooperation projects were linked to operational objectives. In addition to ensuring more focus and coherence in technical cooperation activities, the monitoring and evaluation of the programme could be undertaken and reported on in a comprehensive manner consistent with the reporting requirements for the programme and budget. In turn, lessons learnt and experience in technical cooperation could assist in identifying areas where other ILO means of action could support objectives such as research, publications and advisory services.
54. For these reasons voluntary funds, as well as regular budget funds, should be required to pass the same test, including projects undertaken in the InFocus programmes. Further development was needed of an integrated programming and budgeting approach where the combined resources of regular and voluntary funds were clearly identified in support of strategic and programme objectives.
55. IMEC was particularly interested in the strategic policy framework and looked forward to the “zero draft” in June. This was a new feature for ILO programme budgeting, and as well as welcoming the intended consultations with constituents as it developed, IMEC was ready to participate fully in the exercise. It was difficult to envisage what the final product would be, but the general approach of identifying cross-cutting strategic issues seemed reasonable, as it was vital to the success of ILO programmes – and IMEC agreed with the three examples proposed in paragraph 12 – and to an assessment of the external environment and the ILO’s capacity to deal with its new challenges. IMEC saw the strategic policy framework as a key instrument to clarify the linkages between the four strategic objectives, to identify the critical assumptions underlying programme development, to set out clear priorities for the programme and budget, and to establish coherence and cross-references between ILO means of action, including technical cooperation, research, publications, normative activities, outreach and communications.
56. IMEC noted again the need to support these items with an information system strategy. This strategy should be based on the elements outlined in document GB.277/PFA/2/2, which had just been discussed, and designed to make information available to end users in member States as well as to ILO staff.
57. IMEC looked forward to seeing in November the various products noted in paragraph 14, which would result from the substantial work in progress on strategic budgeting. It was important to get these elements correct as they would be the agreed medium-term framework. There should therefore be sufficient time set aside in November for a substantive discussion on these items. In conclusion, IMEC commended the Office on its efforts to date and expressed appreciation for the work it had already accomplished in this difficult and complex area. It looked forward to continuing participation in the consultative processes, led by the Director-General and his staff, as the ILO moved forward to further development of these instruments.
58. The representative of the Government of Malaysia expressed appreciation for the Office paper and recalled that the strategic budgeting approach had been strongly approved when adopted by the Conference in June 1999. The whole concept was new to the ILO, and this no doubt explained the rather slow progress to date, particularly in respect of the activities described in paragraph 5 of the Office paper. The restructuring process would gain momentum in due course, and he hoped to see a more comprehensive report on this matter at the November 2000 session of the Governing Body. The formulation of performance indicators should include an assessment of the impact of jobs carried out at ground level in order to be fully effective.

- 59.** The representative of the Government of Japan supported the statement made by the IMEC group and stressed that the development of local objectives, indicators and targets could only be achieved through full participation by the regional offices. Paragraph 13 of the Office paper mentioned that a “zero draft” of the strategic policy framework would be discussed with ILO constituents before the November session of the Governing Body, but the discussions might be even more productive if they also covered the future evaluation strategy and a final list of indicators and targets.
- 60.** The representative of the Government of Croatia was disappointed that the Office paper contained so little concrete information. Paragraph 13 described a process of consultation with ILO constituents, to take place between June and September of this year, but she shared the Workers’ concern as to how this would be achieved. Looking further ahead, paragraph 14 set out a number of topics to be covered in a paper at the November session of the Governing Body, and she hoped it would contain more useful information than the present one.
- 61.** The representative of the Government of Algeria, speaking on behalf of the African Government group, was pleased with the results so far with the strategic budgeting approach, and supported the close linkage between targets, standards and the four strategic objectives of the ILO. However, they were concerned at the shift in emphasis between strategic planning and a strategic policy framework evident in the Office paper, and would appreciate some information on the reasons behind it. They strongly supported the concept of strategic budgeting, but were worried that the process might be eroded by changes in methodology.
- 62.** The representative of the Government of Slovakia also expressed support for the statement by the IMEC spokesperson. Preparatory work had recently begun on an agreement for cooperation between Slovakia and the ILO and progress so far was most encouraging.
- 63.** A representative of the Director-General (the Director of the Bureau of Programming and Management) stated in reply to the question concerning the cost of meetings at headquarters and in the regions, that except for one meeting in Bangkok to discuss issues of work programming, indicators and targets, all meetings were held in Geneva. More consultations would be necessary on the implications of strategic budgeting, but it was hoped that this might be done more cheaply through the use of videoconferencing.
- 64.** As regards the nature of the consultations to take place between June and September, the Office wanted to continue the tradition of informal consultations. For the strategic policy framework there were three main groups, namely: the Governing Body, responsible for the funding and governance of the ILO; the beneficiaries of ILO services; and the staff of the Organization. In practical terms, the Office would be in touch with Employers’ and Workers’ representatives and with the regional government coordinators over the next few months to arrange for consultations on the strategic policy framework.
- 65.** In reply to another query, he confirmed that the same process of consultation would take place with regard to the evaluation strategy and the formulation of indicators and targets, but not until after discussions on the strategic budgeting framework were complete. In reply to a comment criticizing the content of the Office paper, he explained that, at the last session of the Governing Body, the Office had undertaken to complete this work and submit a paper to the November 2000 session of the Governing Body. The present paper was merely a progress report: it was never intended that any of this work would be complete at this point. Moreover, the comments made by members of the Governing Body on the paper would be very useful to the Office. Lastly, in reply to a query about the difference between a strategic plan and a strategic policy framework, he reassured the

Committee that the intention was to avoid giving any impression that there would be predictions of the future or of detailed long-term planning activities.

66. The Committee took note of the Office paper.

### **Follow-up action on the report of the Chief Internal Auditor for the year ended 31 December 1998**

(Fourth item on the agenda)

67. The Committee had before it a paper<sup>5</sup> containing details of the action taken by the Office in response to the report of the Chief Internal Auditor for the year ended 31 December 1998.
68. Mr. Blondel stated that the Workers' group had noted the steps taken by the Office to follow up the recommendations of the Chief Internal Auditor. They were in favour of revising and updating the rules and procedures for contracting and the international procurement of equipment and supplies. They did have some observations to make regarding IPEC, however. They hoped that steps would be taken to resolve the problem of the status of the local coordinators employed by IPEC, and trusted that the situation would be clarified and that arrangements would be made to put an end to the ambiguity of their contractual situation. There was great media interest in child labour from television channels that wanted to know exactly what the ILO was doing and under what conditions. The Office had to be in a position to explain IPEC's work so that people could understand it. He therefore asked, as the Chief Internal Auditor had suggested, that this matter be given particular attention.
69. Mr. Marshall said that the Employers appreciated the information on what the Office had done in response to recommendations by the Chief Internal Auditor. As noted in paragraph 5 of the Office paper, it would not be appropriate to undertake at present the substantial work required to give effect to the Chief Internal Auditor's recommendations in view of the proposals for a new human resources strategy for the ILO. This work would no doubt be taken up once the new strategy was in place. It was also reassuring to see that the Chief Internal Auditor's recommendations concerning IPEC programmes had been followed through, and that the External Auditor's recommendations concerning IPEC programme management were being implemented at the moment. It would be useful if these measures could be summarized in a short document for this Committee at some stage in future.
70. The representative of the Government of the Russian Federation reaffirmed his opinion, expressed at the previous session of the Governing Body, on the usefulness for member States of the Organization to be informed of the work of the Internal Auditor. He was still convinced that to have even more detailed information would contribute to increasing transparency, enhancing financial controls, and reinforcing the role of the Governing Body in decision-making on financial issues. He reiterated his opinion on the need to make available to member States, at their request, Internal Auditor's reports to the Director-General. Accordingly, he requested that his Government be provided with the report on the work of the Personnel Department referred to in paragraphs 4, 5 and 6 of the Office paper, which was of particular relevance to the present meeting. He also referred to

<sup>5</sup> GB.277/PFA/4.

an inaccuracy in paragraph 5 of the document, which stated in particular that the 276th Session of the Governing Body had taken note of the so-called ILO Human Resources Strategy. In fact, as could be seen from the November report of the Committee, it had never made any such recommendation to the Governing Body. He requested that the text of all relevant papers submitted to the present session be amended accordingly.

71. The Committee took note of the Office paper.

## **Report of the Chief Internal Auditor for the year ended 31 December 1999** (Fifth item on the agenda)

72. The Committee had before it a paper<sup>6</sup> containing the report of the Chief Internal Auditor for the year ended 31 December 1999.
73. Mr. Blondel said that he had read the report of the Chief Internal Auditor with great interest. The fact that the Auditor was obliged to go into so much detail to highlight difficulties showed that the situation was not too bad. Under paragraph 44, for example, he was reassured to see that the Auditor had not been called upon to carry out any major investigations of fraud or malpractice, though he had the impression that the Auditor was going into more and more detail. He was curious about the issue of travel advances and the accounts of staff members preparing to leave the Organization. Regarding the travel advances at headquarters and in the field, he was unable to understand how there could be any dispute over the recovery of advances where it involved persons who received a monthly salary. He asked Mr. Ahmad to tell the Committee how many officials were in this situation, though he assumed that there could not be many instances arising simply from the fact that the payment code and the advance code had not been reconciled.
74. He was worried about the way the Beirut Office was being managed. According to the Auditor, the ILO officials in the Beirut Office seemed unaware of the fact that they had administrative and accounting obligations. Being an ILO official was not just a question of being the Organization's ambassador; it also meant running the administration and the accounts of the Organization properly. The Chief Internal Auditor's preoccupations must be taken seriously if disasters were to be avoided. Whether this meant providing proper training or doing a regular audit, the Office could not take the risk of allowing a situation to develop which sooner or later might end up with the Organization being discredited.
75. Mr. Marshall, speaking on behalf of the Employers, thanked the Chief Internal Auditor for his report. From the information in paragraphs 4 to 10 concerning headquarters and in paragraphs 20 to 23 concerning the field, it seemed that the problems concerned the processing of information rather than recoveries for fraud or negligence, and the proposals put forward in paragraph 8 were eminently sensible. The question of insurance was much more serious. Adequate cover was clearly necessary, and the Office might find it useful to take a more commercial approach to risk management and invite tenders for insurance coverage every five to seven years.
76. The representative of the Government of the United States noted from paragraph 44 of the report that during 1999 no investigations had been carried out on matters of fraud or malpractice, and the conclusion was that no problems of this nature existed. It was

<sup>6</sup> GB.277/PFA/5/1.

possible, however, that incidents went unreported because confidentiality could not be assured, and perhaps more attention should be focused on ensuring that officials reporting problems were not hindered by fear of reprisals. She looked forward to an even more improved system for monitoring action and compliance with the Chief Internal Auditor's recommendations.

77. The Treasurer said that as Financial Comptroller of the ILO he believed the work done by the Internal Audit branch to be extremely useful. As stated in the Office paper, the Director-General also attached great importance to the work of the Chief Internal Auditor, whose recommendations were always carefully evaluated. Major incidents were thankfully quite rare, but there was no room for complacency and the Office was always vigilant.
78. On the question of staff advances, it was true that coding errors could occur, but other internal controls ensured that the final balance owing was correct. In reply to a query by Mr. Blondel, an investigation had been carried out for the last six years and confirmed that no officials had left the ILO owing money because advance accounts had been overlooked. There were, however, three incidents where there had been a problem for other reasons. In two cases officials owing money to the ILO had left before their contracts expired. Even after setting off amounts owed to the officials, small balances remained which were unrecoverable and had to be written off. In the third case, a repatriation grant was paid twice to a retiring official who reimbursed the ILO immediately the matter was drawn to her attention. Clearly the question of unrecovered staff advances was not a major problem, but in view of the Chief Internal Auditor's recommendation the monitoring of these accounts would be tightened.
79. One of the first acts of the Director-General on taking office in 1999 had been to ask the External Auditor to carry out a management review of IPEC. A task force had subsequently been set up to implement the recommendations in the resulting report, and the External Auditor would comment on this subject in greater detail when he presented his report on the Financial Accounts for 1998-99 to the PFAC during the Conference.
80. Mr. Blondel had also commented on the status of national project coordinators. It was true that some were not ILO officials, and this posed problems of accountability and management of Office resources. The Director of the Human Resources Department was aware of the problem, and at a forthcoming session of the Governing Body would put forward proposals to establish a new category of National Professional Officer in the ILO. This category of official already existed in other organizations in the UN system, but amendments to the Staff Regulations would be required before it could be introduced in the ILO.
81. In the light of comments in paragraph 14 concerning insurance for the headquarters building and its contents, the Treasurer had consulted the ILO insurers and had received written confirmation that the building was insured for its full value of 325.49 million Swiss francs. It was true that this value was not indexed to the Geneva construction price index, which had since fallen. Had the cover been indexed, the present insured value would be 308 million Swiss francs, a reduction of about 17.5 million Swiss francs for a saving of about 6,000 Swiss francs in premiums, but it was preferable to have the extra cover since it was relatively inexpensive. The comment in paragraph 14 concerning depreciation was a little misleading because the ILO insurer had confirmed in writing that the building was insured for its full value of 325.49 million Swiss francs and there was no question of depreciating this amount.
82. In reply to the comment by the United States Government concerning officials' possible reluctance to report fraud or suspected fraud, the Treasurer assured the Committee that

there was no question of reprisals against officials for doing so. On the contrary, there was a strong likelihood of reprisal if they did not. ILO Financial Rule 13.10 was quite clear on the matter: “any case of fraud, presumption of fraud or attempted fraud must be reported to the Director-General through the Treasurer and Financial Comptroller”. Officials aware of irregularities were therefore obliged to make a report and would be held accountable if they did not.

83. The Chief Internal Auditor, replying to comments by several speakers, pointed out that many administrative functions had been decentralized to the field in recent years and his recommendations were aimed at ensuring the efficient use of resources in order to avoid spending time and money on communications between the field and headquarters. Many of these problems had existed for some time and had also been the subject of remarks in the reports of the External Auditor.
84. As stated in paragraph 44 of the report, the Internal Audit section had not been called upon to carry out any major investigations on matters of fraud or malpractice. Prevention was of course better than cure, and the major role of the Internal Audit section was to ensure that sound internal controls were in place and working properly. All the recommendations in the report were made with this objective in mind, but any suggestions from members of the Committee concerning the work of the section would be most welcome.
85. The Committee took note of the Office paper.

### **Delegation of authority under article 18 of the Standing Orders of the International Labour Conference** (Sixth item on the agenda)

86. The Committee had before it a paper<sup>7</sup> on the delegation of authority to the Officers of the Governing Body for the duration of the 2000 Conference.
87. Mr. Marshall said that the Employers supported both points for decision in the Office paper.
88. Mr. Blondel said that the Workers also supported the points for decision.
89. The Committee decided to delegate to its Officers (the Chairperson and spokespersons for the Employer and Worker members of the Committee), for the period of the 88th Session (June 2000) of the Conference, the authority to carry out its responsibilities under article 18 of the Standing Orders of the Conference in relation to proposals involving expenditure in the 67th financial period ending 31 December 2001.
90. *The Committee recommends that the Governing Body make a similar delegation of authority to its Officers under article 18 of the Standing Orders of the Conference.*

<sup>7</sup> GB.277/PFA/6.

## Other financial and general questions (Seventh item on the agenda)

### Reports of the Joint Inspection Unit of the United Nations

#### (a) *Review of management and administration in the International Labour Office*

91. The Committee had before it a paper<sup>8</sup> containing a review by the JIU of management and administration in the ILO together with the Office's response to the JIU recommendations.
92. A representative of the United Nations Joint Inspection Unit said that the detailed comments by the Director-General and the point made about the existing situation with regard to the numerous issues raised in the JIU report would help to illustrate further the efforts under way to build a more efficient, relevant, transparent and effective ILO. This was a goal which the inspectors had constantly in mind in preparing their report as a contribution to the extensive reform exercise being undertaken by ILO constituents and by the Director-General, and for which additional measures were needed to be completed satisfactorily.
93. Why had the JIU decided in 1996 to include in its programme of work a report on the management and administration of the ILO, contained in the document now before the Committee? In taking that decision the JIU had simply fulfilled its mandate as outlined in the JIU Statute. Chapter III of that document, entitled "Functions, powers and responsibilities", spelt out in article 5 the guidelines for its activities. Paragraph 5 of that article stated "the inspectors may propose reforms or make recommendations they deem necessary to the competent organs of the organizations". This should dispel any possible doubt about the mandate of the JIU in formulating its proposals. In addition to the ILO, other United Nations bodies and specialized agencies had been the subject of similar reviews.
94. The report now before the Committee was timely because it fell between the past administration and the new one. It could therefore take into account not only the criticism expressed in the past, but also the requirements of change and renewal at the centre of the preoccupations of the new management.
95. It was against this background that progressively closer contacts had been established with the Office for the preparation of the report. They were developed through several stages, and a high level of cooperation was established. Discussions were held with departments and staff representatives, and a meeting held with members of the Transition Team set up following the election of the new Director-General had resulted in a useful exchange of ideas.
96. This complex information process had been coupled with contacts with representatives of all constituents of the ILO and a careful examination of their statements in the legislative bodies. The draft of the report, according to JIU procedure, was submitted to the Office for comment and these were taken into account together with more discussions before the final

<sup>8</sup> GB.277/PFA/7/1.

version of the report was completed. The result was embodied in the JIU report before the Committee and accompanied by the comments of the Director-General.

- 97.** The JIU was pleased to acknowledge that the new Director-General had introduced substantial changes in the management of the Organization, and these changes were in line with the recommendations contained in the JIU report. A bold start had been made, but it was a beginning, and additional measures were envisaged and needed to be taken in order to make the reform, which was an ongoing process, fully successful.
- 98.** Because of time constraints, he would not comment in detail on the 13 recommendations in the report. According to the Director-General's comments, the vast majority either were being or would be implemented in the context of the reform process. Particular mention could be made of recommendation No. 2 (improvement of format and contents of the report on programme implementation); recommendation No. 3 (recognition of the necessity to substantially revise MERS and to ensure linkage between workplans and strategic and operational targets); recommendation No. 4 (the Director-General agreed to the suggested revision of the terms of reference of the Internal Audit unit); recommendation No. 6 (replacement of the ageing financial and accounting tools using a comparative analysis of similar systems employed in other United Nations organizations); recommendation No. 7 (engagement to proceed in the development of a fully fledged human resources management strategy); recommendation No. 9 (review of the field structure); and recommendations Nos. 12 and 13 (improvement of the existing staff training facilities). Recommendation No. 8 concerning evaluation of the implementation of the Active Partnership Policy had been supported by the Officers of the Committee on Technical Cooperation, which had adopted its report the previous day.
- 99.** This showed that the JIU suggestions and recommendations made in the course of preparation and contained in the final report were amply and substantially reflected in the measures that, according to the Director-General, had been either enacted or would be implemented in later stages of the reform process.
- 100.** If the report was approved, and the JIU strongly urged the Governing Body to do so, the ensuing follow-up on the recommendations therein could offer a further instrument for keeping the situation under scrutiny by the Governing Body and supporting the serious efforts of the Director-General in his action in response to the widely felt necessity for change.
- 101.** The JIU considered it had accomplished its role and offered its modest contribution to the progress of the ILO which, under the dynamic leadership of Mr. Somavia, had entered into a reform process for the benefit of its constituents and the entire international community.
- 102.** Mr. Blondel was glad to have heard the views of the Joint Inspection Unit on the Director-General's comments on its report, especially as they were expressed in measured tones. When he contacted the members of the JIU on his arrival in Geneva, he noted that there was no disagreement between them and the Director-General regarding the shortcomings in the functioning of the Organization. He had declined an invitation to adopt a resolution on the role of the JIU, as he had the impression it was proposing some kind of partnership with the Director-General whereby its monitoring function would evolve into some sort of co-management of the Organization. This of course was quite unacceptable for the Workers for whom the only helmsman was Mr. Somavia. More exactly, the Workers' group fully acknowledged the JIU's mandate within the terms of article 25 of its Statute, but not more than its mandate. The Unit's function was monitoring, not supervision or management; its own Statute stipulated that the inspectors must not interfere in the operations of the services they inspect.

- 103.** He had read the report with interest and had noted both the recommendations it contained and the comments of the Director-General to which he fully subscribed, adding that there was not a single recommendation of the JIU that the Office had not taken into account.
- 104.** Some parts of the documents submitted to the Committee in November 1998, and specifically on the subject of information technology, were to be found again in this year's documents. That was plagiarism, and it was regrettable to see a text that had been written by one person appear under the signature of another. It was particularly unfortunate because it was a matter that the Workers' group was very concerned about, and in fact it had been raised that very morning when they had discussed the question of information. He remembered having asked the Office to prepare the paper on the problems of information technology. The JIU should show a little more ingenuity and originality, if only to justify its existence. The JIU cost the ILO US\$405,000, which was 4 per cent of the Organization's budget. That being so, there had to be genuine collaboration between the Unit and the Director-General, but not co-management or partnership. Given that the Director-General had stated that he was in favour of good collaboration with the JIU, the relations between them had to be established in the best possible climate, with the agreement and full support of the Committee. For that to happen, the members of the JIU would have to stop lobbying, which was not the Unit's role.
- 105.** He respected the JIU's work, which was useful. It was only right that the Committee should give it the importance it deserved, but no more; the Committee was an established body that did not need to be supervised.
- 106.** Mr. Marshall associated the Employers with the remarks made on behalf of the Workers. Over the years an excellent relationship had been developed between the Governing Body and the management of the ILO, with very clear understandings on both sides of where responsibilities lay. In an organization such as the ILO there was a role for auditors, both internal and external, as well as a special role for the JIU. But to avoid misunderstandings these roles had to be clearly spelt out. The JIU had special knowledge from its experience with other organizations which could be valuable to the ILO, but it was an advisory body only and could not replace existing management and executive bodies. The Employers were not over-concerned about where the ideas came from. They welcomed the paper, which contained a lot of useful information for consideration, and the Committee should be careful to ensure that none of it was overlooked.
- 107.** The Employers were satisfied with the responses to the recommendations, but as regards recommendation No. 4(c), they believed that no matter how well managed, malpractice was bound to occur in an organization the size of the ILO. Experience showed that the cost of employing a professional investigator was repaid extremely quickly. On the other hand, even if there were no immediate cause for alarm, the ILO should have such expertise available in the Office to reassure constituents that it could act when necessary.
- 108.** The Employers expressed appreciation for JIU recommendation No. 8, but noted that the Committee on Technical Cooperation had reached its own conclusions on the matter. In respect of recommendation No. 10, country objectives should not be the sole reference for developing programme and budget proposals for technical departments. The main guide should be strategic budgetary objectives, although in practice there would be much common ground between the two. Country objectives should also be reviewed much more frequently to ensure that they remained relevant to the needs of individual countries. The Employers expressed strong support for recommendation No. 13 concerning the Turin Centre and for the Office's response to it.

- 109.** Mr. Blondel took the floor again to say that these ideas had been set out in a paper in November 1998 that had been endorsed by the Workers' group. He therefore confirmed that the JIU report had drawn on that paper.
- 110.** The representative of the Government of the Russian Federation appreciated the interesting and useful report of the JIU and the constructive responses from the Director-General. He agreed with the views of the Director-General concerning recommendations Nos. 1, 4(c), 8 and 13. He endorsed the statement by the JIU in recommendation No. 7 because it was clear that proposals by the Office on staffing matters could not be regarded as a comprehensive strategy and would not lead to an improvement in the geographical composition of the staff or to the selection of the best qualified experts. He could not support either the JIU or the Office on recommendation No. 12 because the ILO should devote resources not to retraining staff but to recruiting experts already well qualified. On all the other recommendations he expressed support for the agreement reached between the JIU and the Office. The close cooperation between the two contributed much to the value of the JIU report, one of the few devoted specifically to the ILO. He requested that the report be made available in Russian.
- 111.** The representative of the Government of Canada believed in principle that discussions on management and administration in the Governing Body should derive from proposals either from the Office or from members of the Governing Body, not from a document by an external body. However, she took note of the recommendations in the JIU report and the responses by the Office, but as stated in paragraph 42 of the document, work on many of these issues was under way under the strategic budgeting approach adopted by the Director-General since the transition period and based on Governing Body decisions prior to the JIU study. It was reassuring to have confirmation from the JIU that it agreed in general with the action taken by the Office.
- 112.** The representative of the Government of Italy observed that the JIU was an independent body and for that reason alone its report was a particularly useful and worthwhile contribution to the work of the Governing Body. Much of the report referred to the period before the appointment of the present Director-General, so the Committee's endorsement of the Office's responses should be seen as a solid vote of confidence in the reforms introduced by the new Director-General.
- 113.** The representative of the Government of Trinidad and Tobago referred to recommendations Nos. 7(b) and (c) concerning the geographical composition of the ILO staff. The JIU had reported that redressing the situation of geographical imbalance in the ILO staff was a problem requiring urgent action. The Committee should be informed as soon as possible of the measures the ILO proposed to take, and future reports on this matter should show the representation of member States either below, within or above the desirable range for non-linguistic and non-specialist positions, as recommended by the JIU.
- 114.** In view of the possible external impact of the process of reform and re-engineering being undertaken by the ILO, the Office should play a more active role as impartial researcher and analyst throughout the whole exercise. The activities should be fully documented because it would be useful not only for the future of the ILO but also for any of its constituents carrying out similar restructuring work. It would also prove a valuable addition to the body of research regarding restructuring and change management in large organizations, both public and private.
- 115.** The representative of the Government of Algeria, on behalf of the African group, expressed appreciation to the JIU for its report. As mentioned earlier, some sections of the report were concerned with the past rather than the present, but this in no way diminished

the value of the JIU recommendations. They expressed general support for the Office's responses to the JIU recommendations, but sought some clarification on recommendation No. 8 concerning the Active Partnership Policy. The Office had stated that the APP was a policy, not a programme or workplan, and as such the MERS was not an appropriate evaluation tool, but it would be useful at some point to have the JIU's views on this matter. They also expressed support for recommendation No. 13 concerning the Turin Centre, and urged the Office to re-examine the costs associated with this proposal.

- 116.** The representative of the Government of Cuba congratulated the JIU on a balanced report. Most of these recommendations were in line with internal measures already taken by the Director-General. As well as acting on various other JIU recommendations where further work was still necessary, he should give particular emphasis to the continuation of work on the strategic planning process, already judged a success by the Governing Body. In giving effect generally to the recommendations the ILO should bear in mind not only the terms of the JIU Statute but also the terms of resolution 50/233 of the United Nations General Assembly.
- 117.** The representative of the Government of the United Kingdom expressed appreciation to the Director-General for what was a measured, appropriate and indeed sufficient response to the JIU report. Remedial measures were in progress for all recommendations that had not already been met or overtaken by events, except for recommendation No. 8, where the ILO had chosen a different course.
- 118.** The JIU report was a valuable contribution to the work of the ILO, but he expressed strong support for the statement made earlier by the representative of the Government of Canada. It was an important point of principle that discussions on management and administration in the Governing Body should derive from proposals either from the Office or from members of the Governing Body itself. However, on this occasion there appeared to be no conflict because many of the recommendations had presciently been implemented before the JIU recommendations had been written.
- 119.** The representative of the Joint Inspection Unit found it difficult to understand how some members of the Committee had had the impression that there was a formal partnership between the JIU and the ILO. This was not the case. It was true that when the Statute of the JIU was accepted by the ILO, the JIU itself became a subsidiary body of the ILO with certain rights and responsibilities. It was perhaps unfortunate that, when work began on the present report in 1996-97, the then Director-General understood that the JIU wanted to investigate the ILO. The JIU explained that it wanted only to review the administration and management of the Office, at which point the then Director-General had agreed, subject to approval by the Governing Body. This was received in due course.
- 120.** As work proceeded the JIU was given full cooperation and encouragement by all ILO constituents. Many changes were about to take place in the ILO, and the general view was that the JIU report could not be more timely. The JIU was an independent body whose role was not to threaten or insist, but to cooperate and help and advise. It was true that some of the recommendations may have been acted upon before being considered by the Governing Body, but the Committee should clearly understand that this had not been at the insistence of the JIU. Much work remained to be done on other recommendations and the JIU was ready to help in any way it could.
- 121.** A representative of the Director-General (the Director of the Bureau of Programming and Management), in reply to a query concerning the evaluation of the Active Partnership Policy, stated that the Monitoring, Evaluation and Reporting System (MERS) had been used for some years in the ILO but was now itself going through a process of change. It

was a system which helped managers to establish tangible objectives, specify outputs, report on progress in achieving those outputs and evaluate the results against objectives. On the other hand, the Active Partnership Policy was basically a set of values, a way in which the ILO operated with constituents in order to understand their problems and respond to them more effectively. In short, the APP was more a question of values and style, whereas MERS dealt with operational measurement. The two were based on totally different concepts and for that reason MERS was not the right evaluation system to use for the APP.

122. The Committee took note of the Office paper.

**(b) *Follow-up on the reports of the Joint Inspection Unit***

123. The Committee had before it a paper<sup>9</sup> describing ILO follow-up action proposed in respect of reports of the JIU.

124. A representative of the Joint Inspection Unit said that, as his colleague had stated during discussion on the previous item, the JIU was a subsidiary organ of the organizations within the United Nations system which accepted the JIU Statute. According to that Statute, the JIU could issue reports to the relevant bodies of the organizations as well as notes and confidential letters to executive heads of the organizations. The Statute also provided that in doing so “Inspectors may propose reforms or make recommendations they deem necessary to the competent organs of the organizations”. But the JIU did not have decision-making authority: as the Employers’ spokesperson had stated, the JIU was simply another governance tool, but unless its recommendations were properly considered and acted upon where appropriate its work would be of little value.

125. This had been recognized by the United Nations General Assembly when it adopted resolution 50/233, which established the principle that “The impact of the JIU on the cost-effectiveness of activities within the United Nations system is a shared responsibility of member States, the JIU itself and the secretariats of the organizations”. A few years previously the JIU had proposed a tracking system for follow-up on its reports, and as mentioned in the Office paper the JIU proposal had been adopted last autumn in General Assembly resolution 54/16. In the meantime, and as a supplement to the proposed tracking system, the JIU had presented a note to the ILO Director-General on the handling of its reports.

126. With this in mind, there were a few points which could be made concerning the handling of follow-up to JIU reports. Without doubt the most important of these was the question of the relevance of JIU reports, as referred to briefly in paragraph 10 of the Office paper. In deciding on the subject-matter of its work the JIU took into account not only the views of the competent organs and executive heads of the organizations but also those of bodies in the UN system concerned with budgetary control, investigation, coordination and evaluation. The JIU tried to make its reports relevant to the widest possible audience, but this would mean on occasion that a report might not respond to the particular needs of an organization. The question to ask was who decided the relevance of JIU reports and on what basis. By contrast with the work of internal auditors and external auditors, whose work was specific to one organization, it could be difficult to satisfy all organizations with a JIU report of system-wide scope and perspective and which contained general

<sup>9</sup> GB.277/PFA/7/2.

recommendations. However, the various opinions on the relevance of certain JIU reports could be resolved if the ILO and the JIU engaged in dialogue, especially in the preparatory stages of the reports. The result could well be fewer but more specific JIU reports, on which the ILO could take concrete action.

- 127.** It was clear that many preliminary matters should be resolved between the JIU and the ILO before bothering the Governing Body with wider questions concerning follow-up on JIU reports. The WHO Executive Board had recently decided to continue dialogue with the JIU on basically the same issues, and they had since been settled to the satisfaction of both parties. The JIU hoped that the same results could be achieved with other organizations, beginning with the ILO.
- 128.** Mr. Blondel said that, having heard the representative of the Joint Inspection Unit, he understood that what it was looking for was a dialogue between the Director-General and the JIU. The dialogue would be intended to avoid disputes. But what use would the JIU be to the Committee if disputes were avoided, which would be tantamount to concealing shortcomings? Under those circumstances the JIU would no longer be fulfilling its role, and he warned the Director-General against such siren songs. The WHO had been cited as a model where problems were apparently avoided by trying to discuss them and resolve them together. Did this mean that the Director-General would discuss matters no longer with his Governing Body but with the JIU? He was convinced that the JIU wanted to co-manage the ILO, and that was unacceptable.
- 129.** He supported paragraph 13, in which the Director-General agreed with the criteria that the JIU's proposals must meet for the ILO to be able to implement its recommendations, where appropriate. As to the tracking system, the Committee must remain in charge, given the executive role of the Governing Body. The JIU was not above the principle of tripartism, with the deliberating power of the Governing Body. He supported paragraph 16 of the paper submitted by the Director-General.
- 130.** Mr. Marshall said that the Employers were happy to support the point for decision in the Office paper. The critical issue of course was to ensure that follow-up was undertaken, but only where the recommendations were accepted either by the Director-General or by the Governing Body as being relevant to the ILO. These matters were clear enough to the present audience, but to avoid misunderstandings, all reports of the JIU should be available on the Internet for all to review. The Employers encouraged the Office and the JIU to continue their dialogue on the general understanding that the Director-General and Governing Body were the final arbiters of action to be taken by the ILO.
- 131.** The representative of the Government of the Russian Federation expressed support for the proposal to set up a new system of follow-up on JIU recommendations. He also favoured the JIU recommendation on the distribution of its reports, particularly in the case of the ILO, whose tripartite structure was unique in the UN system. Also deserving support was the JIU recommendation concerning discussion of its thematic reports under substantive agenda items of the Governing Body. By extension, many other JIU reports could be dealt with in the same way, but perhaps as a compromise this might be applied only to items requiring a decision by the Governing Body. He expressed support also for the JIU recommendation that the Governing Body should be required to take concrete action in response to its recommendations. It would simplify the work of the Governing Body if the Office and the JIU could establish even closer dialogue on questions which did not require a decision by the ILO. He expressed strong support for the proposal to establish a tracking system to follow up the recommendations of the JIU. In this regard, it would be interesting to know what had happened to the JIU report on common services in Geneva and when the ILO intended to discuss it.

- 132.** The representative of the Government of Japan expressed full support for the point for decision in the Office paper. However, it was regrettable to see in paragraph 10 a statement suggesting that some JIU reports were not relevant to the ILO. This could almost certainly be overcome if there was closer dialogue between the Office and the JIU during the preparation of reports and as follow-up action was taken. The JIU could thus make available its wide experience of the UN system, and the Office would have an opportunity to explain its policies and intentions in more detail. For positive results, much more was needed than the mere exchange of documents.
- 133.** The representative of the Government of Namibia, referring to section D of the Office paper, concerning the establishment of a tracking system, stated that obviously a sensible tracking system was needed, but in paragraph 14 it was proposed that the establishment of such a system should be monitored by the JIU. Clearly, the Governing Body should be kept informed on this issue and this should be provided for in the proposals. A new tracking system might also duplicate existing structures, particularly the reports of the Chairperson and Director-General on the activities of the Governing Body. Care should be taken to avoid unnecessary overlap in these systems.
- 134.** The representative of the Government of Canada appreciated the careful and substantive way in which the Office had responded to the JIU report, which was consistent with the way in which proper follow-up procedures should work. On the other hand, some of the proposals made by the JIU for follow-up on its reports suggested a misunderstanding of its role. The JIU should assist Governing Body members in better fulfilling their role of governance, but not usurp it. She would not therefore in principle support any follow-up procedure that constituted a direct monitoring of the Director-General and the Office – this was the role of the Governing Body and the Director-General would probably agree it did its work quite well.
- 135.** The Office had spent considerable time and effort in responding to the JIU report and proposed follow-up procedures, which included making the first document an official Governing Body report and translating it into other languages. She expressed support for the approach taken by the Office in responding to the proposals for follow-up, except for those in paragraphs 14 and 15 concerning a tracking system. The JIU had no direct role in tracking developments and issues in the ILO – this was the proper function of the Governing Body and internal audit services if necessary. Subject to this reservation she supported the point for decision in paragraph 16 of the Office paper.
- 136.** The representative of the Government of the Netherlands associated herself with the comments of the representative of the Government of Japan concerning the role of the Joint Inspection Unit and shared also the reservations expressed by the representative of the Government of Canada concerning the establishment of a tracking system. Subject to these comments she expressed support for the point for decision.
- 137.** The representative of the Government of Switzerland expressed support for the statements made by the representatives of the Governments of the Netherlands and Japan. He agreed also with the concerns expressed by the representative of the Government of Canada. Subject to the reservation she had expressed, he supported the point for decision.
- 138.** A representative of the Director-General (the Director of the Bureau for Programming and Management), in reply to a query by the representative of the Government of the Russian Federation, said that the JIU report on common services in Geneva would be considered shortly by the UN Administrative Committee on Coordination. That report, together with any comments from the ACC and from the Director-General, would be before the Committee in November 2000. In reply to the query by the representative of the

Government of Namibia, he confirmed that information on the implementation of JIU recommendations would come first to the Committee and later to the JIU; the Office would ensure that duplicate reporting was avoided.

- 139.** *The Committee recommends that the Governing Body agree that the JIU proposals concerning follow-up on its reports be implemented by the Office in the manner indicated in document GB.277/PFA/7/2.*

**Governing Body representation at the Special Session of the General Assembly entitled “World Summit for Social Development and Beyond: Achieving social development for all in a globalizing world”**

- 140.** The Committee had before it a paper<sup>10</sup> proposing financial arrangements for Governing Body representation at the above session of the General Assembly.
- 141.** Mr. Marshall said that the Employers supported the point for decision.
- 142.** On behalf of the Workers’ group, Mr. Blondel also supported the point for decision. He recalled that the Committee on Employment and Social Policy, too, had suggested this initiative. The Committee would have to decide how it was to be financed. He informed the Committee that the spokesperson of the Workers’ group, Lord Brett, would participate in the Special Session.
- 143.** The representative of the Government of Algeria said that the African Government group also supported the point for decision.
- 144.** *The Committee recommends to the Governing Body that, should it decide to appoint a tripartite delegation to accompany the Director-General at the Special Session of the General Assembly, the cost, estimated at a maximum of US\$16,000, be financed from savings under Part I of the budget.*

Geneva, 28 March 2000.

(Signed) M. Blondel,  
Reporter.

*Points for decision:* Paragraph 5;  
Paragraph 46;  
Paragraph 90;  
Paragraph 139.

<sup>10</sup> GB.277/PFA/7/3.



## Appendix

### Transfers between budget items approved by the Chairman of the Governing Body

(US dollars)

#### A. Items to which transfers are proposed

##### Programme

50	<p><i>International labour standards and human rights</i></p> <p>This transfer covers the costs of the Commission of Inquiry for Myanmar and preliminary work undertaken on the Commission of Inquiry for Nigeria as authorized by the Governing Body at its 268th and 271st Sessions in March 1997 and March 1998 respectively. In addition, special promotional and advisory activities were launched relating to the ratification of Conventions, the new Convention on child labour and to ensure more universal ratification of all fundamental Conventions. The cost of activities incurred for promotional work on the ILO Declaration was charged to this item pending the restructuring provided for in the 2000-01 strategic budget.</p>	463,927
60	<p><i>Employment and training</i></p> <p>This transfer covers the expenses of the Cross-Departmental Analysis and Reports Team (CD/ART) and the Task Force on the Social Implications of Globalization, as well as the costs for expanded activities of the global programme on More and Better Jobs for Women.</p>	1,263,889
65	<p><i>Enterprise and cooperative development</i></p> <p>The Enterprise and cooperative development major programme covered the cost of broader participation by ILO constituents in the second ILO Enterprise Forum. Increased support for the action programme on enterprise creation by the unemployed was also provided under this item of the budget.</p>	315,876
90	<p><i>Working conditions and environment</i></p> <p>This transfer covers the strengthening of headquarters support for the operational activities of IPEC as approved by the Governing Body at its 271st Session (March 1998), as well as additional expenditure related to the ratification campaign for the Worst Forms of Child Labour Convention, 1999 (No. 182). Additional expenditure was also incurred to launch the InFocus programme, SafeWork.</p>	583,250
110	<p><i>Social security</i></p> <p>This transfer covers new initiatives developed during the biennium, and is principally intended to support a joint meeting with PAHO (cost shared) on the development of health-care schemes for the informal sector in Latin America; to cover the launch of a longer term programme on the extension of social security to the informal sector (which is part of the Programme and Budget for 2000-01); and expenditure which has made it possible to make an early start on the InFocus programme, Economic and Social Security in the 21st Century.</p>	357,543
125	<p><i>Development policies</i></p> <p>Following the 22nd Ordinary Session of the OAU Labour and Social Affairs Commission meeting in Windhoek, Namibia, in April 1999, the UNDP-funded Jobs for Africa Programme was reinforced by the ILO to extend coverage to more African countries in response to the strong demand from the Commission.</p>	337,517

140	<i>Equality for women</i> Additional activities were undertaken relating to the preparations for the UN General Assembly Special Session on Women 2000: Gender Equality, Development and Peace for the 21st Century. In particular, funds were used to support regional workshops and subregional position papers, the promotion of ILO work and the enhancement of ILO visibility (including the printing of ILO materials on gender-related issues). In addition, a comprehensive programme of gender competence building within the ILO was initiated.	347,885
160	<i>Personnel</i> Due to the continuing delays in the release of PERSIS modules by the United Nations IMIS project, advance analysis and programming was undertaken by the ILO in order to minimize further delays following their receipt. The transfer also covers costs incurred in further customization for the Staff Health Insurance Fund of a Health Insurance Information System developed jointly by the ILO, WHO and UNOG.	523,941
185	<i>Information technology and communications</i> This transfer covers the costs incurred to ensure Year 2000 (Y2K) compliance for all computer and related systems at the ILO, as authorized by the Governing Body at its 271st Session (March 1998).	1,904,922
190	<i>Library and documentation</i> This transfer is requested to cover the additional costs of subscriptions for serials and periodicals due to very significant cost increases, and of consultancies to advise on the creation of digital libraries and the replacement of bibliographic software.	57,688
240	<i>International relations</i> A new Bureau for External Relations and Partnerships was established, having greater responsibilities than the previous Bureau for Inter-Organization Relations which it replaced. Additional funds were required to enable the ILO's role to be enhanced and to allow for substantial participation in major initiatives with the multilateral system (ECOSOC high-level segment, preparatory process for the Special Session of the UN General Assembly on Copenhagen +5 and follow-up on other major global conferences, the Interim and Development Committees of the Bretton Woods institutions, the Third WTO Ministerial Conference in Seattle, and other major events).	338,942
265	<i>Field programmes in Arab States</i> Funds were required for the translation of selected additional ILO publications into Arabic; to cover the establishment of the Amman Liaison Office; and to strengthen the technical cooperation programme in the region.	85,758
280	<i>Field programmes in Europe and Central Asia</i> The Kosovo crisis resulted in the establishment of a Balkan Task Force with a Support Unit in Pristina. Its main purpose was the elaboration of project proposals for fundraising purposes. Following several requests from the ministries of labour and social partners of CIS countries, funds were required to cover the translation into Russian of the fourth edition of the ILO <i>Encyclopaedia of Occupational Safety and Health</i> (CD ROM).	506,944
	Total	<u>7,088,082</u>

**B. Items from which transfers are proposed**

It is proposed that the amount of \$7,088,082 required to cover the expenditure described above be transferred proportionately from those items which show budgetary savings for the biennium.

7,088,082

**Signed and approved,**

**J.-J. Elmiger.**

