



TENTH ITEM ON THE AGENDA

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

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1. The Programme, Financial and Administrative Committee of the Governing Body met on 7 November 2000, chaired by Mr. C.L.N. Amorim, Chairperson of the Governing Body. Mr. D. Willers (Government, Germany) was the Reporter.

Programme and Budget for 2000-01: Regular budget account and Working Capital Fund (First item on the agenda)

2. The Committee had before it a paper¹ containing information on the 2000-01 regular budget account and the position of the Working Capital Fund as at 31 October 2000.
3. The representative of the Director-General (the Treasurer and Financial Comptroller) reported that since the preparation of the Office paper a contribution of 79,317 Swiss francs had been received from Ecuador, representing full payment of its 1998 arrears and a part-payment towards its 1999 arrears.
4. On behalf of the Director-General the Treasurer also expressed appreciation to a number of member States which were well in advance with their contributions. Based on present budgetary levels, Angola was already paid up to 2006, Burkina Faso to 2004, Cape Verde to 2002, Grenada to 2004, Guyana to 2002, Latvia to 2003, Nicaragua to 2002 and Uganda to 2003. Another member State deserving special mention was the Russian Federation. In 1992 its arrears owing to the ILO totalled about 28 million Swiss francs. Regular payments since then had steadily reduced the level of arrears to the present figure of about 83,000 Swiss francs, and the Director-General expressed his appreciation of the efforts that the Russian Federation had made in spite of its difficult economic circumstances.
5. Mr. Blondel, speaking on behalf of the Worker members, congratulated Mr. Willers on his appointment as Reporter of the Committee and assured him of the confidence his group had in him. From his own experience in the role he knew the demands it made, and he was pleased that the Government group had chosen someone who was known for his competence and objectivity. As regards the contributions received, he was pleased that at 31 October 2000 about half of ILO member States had paid their contributions for 2000. In November 1999 the Organization's financial situation had been more or less the same. He noted with great interest that a score of member States had already paid their contributions for 2001 and subsequent years. Noting that the countries that had made advance payments were mostly developing countries, he hoped that better endowed countries would hasten to follow suit. As regards paragraph 6, he deplored the fact that so many countries had lost the right to vote and hoped that arrangements could be made to alleviate their situation. He welcomed the efforts made by the Russian Federation to reimburse its arrears of contributions, which showed its determination to fulfil its obligations in the international arena. Its attitude could only encourage the ILO to strengthen its relations with the country, and to provide it with the advice and assistance that it needed to evolve towards democracy in the usual sense of the term.
6. Mr. Marshall, on behalf of the Employer members, supported Mr. Blondel's request that the Office should make greater efforts to issue committee documents earlier, especially those which the groups would wish to discuss in detail. Turning to the document before the Committee, he urged member States to make every effort to pay their contributions on

¹ GB.279/PFA/1.

time. He complimented those which had paid in advance and suggested that those having difficulties should apply for a special arrangement for the settlement of arrears in order not to lose the right to vote.

7. The Committee took note of the Office paper.

Financial questions relating to the International Institute for Labour Studies: Authorization to accept contributions and gifts (Second item on the agenda)

8. The Committee had before it a paper² describing the contributions and gifts received by the Institute.
9. The Chairperson stated that this paper was for the information of the Committee at this stage, and would be discussed in detail once a paper was available from the Board of the Institute containing its recommendations on this subject.
10. Mr. Blondel expressed the Workers' appreciation to the employers' confederations of Denmark, Finland, Norway and Sweden for their contribution to the Institute to finance an internship for an employers' candidate.
11. The representative of the Government of South Africa endorsed the remarks of the previous speaker and expressed the hope that other member States would be equally generous in their support of the Institute. The number of places available in 2001 for internship courses at the Institute unfortunately fell short of what was needed in view of the demand from member States. In the African region, for example, there were many countries that had not participated in the Institute's activities over the last 20 years. There was an urgent need for the Institute's programmes to be expanded, and this should be borne in mind in future budgetary periods.
12. The Committee took note of the Office paper.

International Training Centre of the ILO, Turin (Third item on the agenda)

13. The Committee had before it a paper³ describing the documents submitted to the 62nd Session of the Board of the Centre, together with the report⁴ of the session.
14. Mr. Anand, an Employer member, said that the two-day meeting of the Board of the Centre was very successful, not only because of the formal work that was completed but also because of the informal consultations that had taken place on a wide range of issues. Nevertheless, he expressed regret that there were so few participants from South Asia at

² GB.279/PFA/2/1.

³ GB.279/PFA/3/1.

⁴ GB.279/PFA/3/2.

the Turin Centre's courses. More efforts should be made to increase the number of places that could be allocated to technical experts of due quality and experience from Asia.

15. Mr. Blondel deplored the fact that the bulk of the financing of the Turin Centre came from voluntary contributions, made by the ILO, the Governments of Italy, France, Switzerland and the Piedmont region. In order to ensure that the Centre was a permanent facility, was it not possible to include part of its financing in the regular budget of the Organization? He was concerned at the uncovered liabilities, and asked the Director of the Centre to ensure that debts did not become a regular feature. On behalf of the Workers he asked whether the contributions from the European Social Fund could not be used, at least partly, for initiatives to help other continents. In his view ILO officials should also benefit from the training provided by the Turin Centre. He asked that the efforts to open the Centre up to trade union officials be continued and expanded. Finally, he cautioned against the over-commercialization of the Centre: while it was good for the Centre to develop its relations with the outside world, it should be careful not to turn into a largely commercial consultancy.
16. Mr. Rampak (Worker member) expressed appreciation for the fact that two days had been allocated for the Board meeting. The extra time had enabled Board members to discuss all items of business fully and at length, in contrast to previous meetings, and the value was to be seen in the report itself. The Workers had made detailed submissions to the Board on the Director's report on the activities of the Centre in 1999-2000 and outlook for 2001, on the implementation of the programme and budget for the current financial year (2000) and the programme and budget proposals for the 2001 financial year. Education and training were crucial activities if the ILO was to fulfil its mandate, and the Workers hoped that their proposals would be given the most serious consideration. It was perhaps unfortunate that training programmes omitted mention of cooperative issues and the informal sector, both of which were discussed recently in the Governing Body and the Conference. Both were high priorities in the world of work and should be included in the next Turin Centre development plan. On the extension of the agreement concerning the United Nations Staff College project, the Workers' view had been clearly stated at the Board meeting. He urged the Office to communicate to Governing Body members as soon as possible the results of the General Assembly discussion on this subject.
17. Mr. Marshall, speaking on behalf of the Employer members, was pleased to note that the new employers' activities coordinator would be taking up the post shortly. He expressed thanks to the Office, ACT/EMP and the Turin Centre for their efforts and acknowledged that this would be a self-funding post after the completion of the first year. The Employers also acknowledged Mr. Blondel's comment concerning funding. However, partial funding was a useful discipline for two reasons, first because it encouraged income-generating activities, and secondly because it encouraged the efficient use of resources. A healthy mix of funding and entrepreneurial activity was worth seeking.
18. The representative of the Government of India expressed appreciation for the quality of the documents made available to the Board and also for the excellent programmes being carried out at the Centre. She agreed with the suggestion by a previous speaker that the Centre should examine ways in which the number of participants from the Asia and Pacific region might be increased.
19. The representative of the Director-General (Mr. Trémeaud, Director of the International Training Centre of the ILO, Turin) noted the statements concerning uncovered liabilities, and reassured the Committee that every effort was made to recover the amounts due as quickly as possible. In this connection the Centre could rely on advice from the External Auditors. In some cases it was difficult to obtain swift settlement of invoices, especially for activities conducted in the field with the support of ILO offices, offices of the United

Nations, or in partnership with public institutions whose management systems were in some cases slow and complicated. In reply to Mr. Blondel's question on the possible allocation of resources from the European Social Fund to activities for non-EU member countries, he stated that such resources could not be used in this way. Such collaboration with the EU was of capital importance and showed that the Centre could be useful to advanced countries, and the Centre used this experience to improve its methodology in projects for developing countries. Through the invitations to tender issued by the European Union the Centre also endeavoured to win a number of contracts concerning developing countries. A number of projects were regularly assigned to it involving activities to benefit developing countries.

20. As regards the financing of the Centre, while voluntary contributions accounted for some 30 per cent of the budget, 70 per cent came from the activities it implemented or managed. For the Centre one day to be financed to a greater extent by regular contributions from member States would be a positive development. Over the past few years efforts had been made to develop the Centre's capacities in the ILO's fields of competence. For this purpose its structure had been adapted to the ILO's strategic objectives and InFocus programmes. It was regrettable that, for all the reasons including the reduction in technical cooperation activities financed by UNDP, the share of the Turin Centre's budget financed by the ILO had fallen over the past decade, from 36 per cent in 1992 to 16 per cent in 2000. Hence, he was willing to respond positively to any suggestions that would enable the Centre to work more closely with the ILO and to develop the idea of a joint programme for this purpose.
21. The Director-General was convinced of the potential offered by closer integration of the Centre with the activities of the ILO, both at headquarters and in the field. A number of initiatives had been taken for this purpose. The first had consisted in asking the Director of the Turin Centre to join the ILO's senior management team. This Centre was hence represented at the decision-making level. The Centre had planned its activities for the next five years on the basis of the ILO's strategic objectives and InFocus programmes. Joint programming had become attainable within the strategic framework proposed for 2002-05, which the Committee would discuss under the sixth item on its agenda. In the context of a zero-growth budget, any choice meant that something had to be given up, hence the importance of long-term strategic planning.
22. Welcoming Mr. Blondel's proposal, the Director-General also considered that the Turin Centre should be used more for training ILO staff, who would find themselves receiving training in a campus environment, which would improve team spirit within the Office. Closer integration of career prospects was also needed between the Turin Centre and the ILO. He also welcomed the active support that the Centre received not only from the Government of Italy, but also from the Piedmont region and the City of Turin. This was of capital importance for the Centre's future and stability.
23. In reply to the concern expressed by Mr. Blondel at the risk of over-commercializing the Centre's activities, the Director-General considered that it was good for the financing of the Centre to be partly provided by the marketing of its products. This was a cohesive factor that strengthened team spirit among the staff. However, such activities should never replace the primary function of the Centre as an international institution and advisory body. He was convinced of the benefits that the ILO could derive from better integrating the Centre's activities in its own activities as a whole, and undertook to facilitate the process for doing so with the active cooperation of the Director of the Turin Centre.
24. The Committee took note of the two Office papers.

Review of the Financial Regulations governing cash surpluses and deficits

(Fourth item on the agenda)

25. The Committee had before it a paper⁵ proposing amendments to the Financial Regulations concerning cash surpluses and deficits.
26. Mr. Blondel noted that the experimental system introduced for the three biennia 1994-95, 1996-97 and 1998-99 had been intended to offset the effects of fluctuations in budgetary income. Amounts had been deducted from the Working Capital Fund to cover the regular budget deficits, and member States had then been credited with the excess of income over expenditure when the arrears giving rise to the deficits were paid. The system had the advantage of sparing member States the additional assessments that would have been required to cover the deficits, in accordance with article 21.2 of the Financial Regulations. The Committee was invited to take a decision on whether to make the necessary changes to the Financial Regulations to place the system on a permanent footing. Its introduction was more of interest to governments. The Worker members were ready to approve the institutionalization of the system if it met with the approval of governments.
27. Mr. Marshall, for the Employers, recalled that the 1995 Conference had decided on a temporary derogation from the Financial Regulations for a trial period covering the 1994-95, 1996-97 and 1998-99 biennia. The effect of the derogation essentially was to enable any sums withdrawn from the Working Capital Fund to finance budgetary expenditure not reimbursed by the end of the same biennium to be reimbursed from arrears of contributions received in subsequent biennia. The trial appeared to have worked well and the Employers would support the point for decision but wondered whether the External Auditor had expressed any views on the matter.
28. The representative of the Government of the United Kingdom, speaking on behalf of the IMEC members, welcomed the proposed changes to the Financial Regulations, which were intended to make permanent the amendments adopted on a trial basis for the period 1994-99. The logic behind the amendment was understandable. The previous system, which allowed for additional assessments to be made in the event of a deficit, meant that member States which had fully met their obligations to the Organization had to subsidize, albeit on a temporary basis, less responsible States; it also meant that there were no incentives for the Office to put pressure on member States that had not paid their contributions. They therefore expressed support for the point for decision in the Office paper and congratulated the Director-General on his willingness to make the necessary adjustments in the patterns of expenditure in the ILO when confronted with deficits during the trial period. They reserved the right to examine other aspects of the Financial Regulations, in particular the provisions relating to external borrowing. After introducing strategic budgeting and completely overhauling their budgeting processes, a number of other organizations had found it useful to undertake a complete review of their financial regulations. The ILO should also consider the merits of such an exercise.
29. The representative of the Government of the United States supported the statement by the IMEC group. He endorsed the amendments proposed to the Financial Regulations in order to streamline the replenishment process for the Working Capital Fund, and commended the Office for its flexibility in dealing with the financial uncertainties of recent years. He also urged the Office to undertake a complete review of the Financial Regulations to ensure that

⁵ GB.279/PFA/4.

they were consistent with current practice, but warned that any provision regarding external borrowing would be viewed with the gravest concern.

30. The representative of the Government of Germany also expressed support for the statement delivered on behalf of the IMEC group, and shared the concerns about external borrowing voiced by the previous speaker.
31. The Treasurer, in reply to the query by Mr. Marshall on whether the External Auditor had been asked for an opinion concerning proposed changes to the Financial Regulations, confirmed that such a request had been made and the External Auditor's views were contained in a letter dated January 1995 to the Director-General. The main points made by the Auditor were, first, to examine whether the level of the Working Capital Fund, fixed at 35 million Swiss francs, would be sufficient to meet potential deficits; second, if the ILO did adopt the system for a trial period, it would be advisable to monitor whether there were any discernible adverse effects on the inflow of contributions; this was the reason for the concluding comment in paragraph 11 of the Office paper; and third, whether article 18 of the Financial Regulations concerning the reimbursement of surpluses to governments should be modified if they were not to be charged for deficits.
32. The operation of the new scheme was tested to the full at the end of the 1994-95 biennium. At 31 December 1995 the ILO had a deficit of US\$44 million because a payment from the major contributor was not received until early January 1996. This amount was financed in full by a withdrawal from the Working Capital Fund and internal borrowing. Under the Financial Regulations as they stood before the temporary derogation was proposed, member States would have been billed for that deficit in 1997, which would have produced a surplus in the 1996-97 biennium refundable to member States in 1999. The temporary derogation approved by the Conference allowed the payment received in early January 1996 to be used to reimburse the internal borrowing and the withdrawal from the Working Capital Fund. The fact that much administrative inconvenience was avoided was convincing evidence of the merits of the scheme.
33. In reply to comments by two speakers, the Treasurer confirmed that the ILO was authorized to borrow externally. In the entire history of the ILO this facility had been used only once, for a period of about ten days to meet the payroll in February 1978, following the withdrawal three months previously of the largest contributor from ILO membership. However, in view of the circumstances at the time and as a result of representations from the Office, the borrowing was achieved at no cost to the ILO because the banks agreed to make the advances interest-free. Apart from this one occasion the Office had never used this external borrowing facility, but it would be better to retain it since the nominal level of the Working Capital Fund was at present fixed at 35 million Swiss francs.
34. All things considered, the proposed amendments were an improvement to the Financial Regulations. But it was impossible to legislate for every eventuality, and there would undoubtedly still be occasions in the future when the Governing Body would be called upon to consider exceptions to articles 18 or 21 of the Financial Regulations in particular circumstances.
35. *The Committee recommends to the Governing Body that it propose to the International Labour Conference, for adoption at its 89th Session (June 2001), the draft resolution contained in the appendix to this report.*

Information Technology Systems Fund (Fifth item on the agenda)

36. The Committee had before it a paper⁶ containing information on progress to date on the upgrading of the ILO's financial systems.
37. Mr. Blondel recalled that the Workers had been among the first to launch the idea of creating a fund for information systems, with an initial capital of US\$25 million. In such an endeavour it was important to make haste slowly. The Workers hence congratulated the Office on its concern to make inquiries with other organizations that had recently launched projects for the modernization of their information systems. The issue was complex and caution was advisable, but it was good that the Office was examining the best way of proceeding so as to avoid errors, which in this field were expensive. The Workers nevertheless felt that the project was now sufficiently advanced to enter phase 1 and appoint a project director and identify the staff to be assigned to it. He would have liked to know the Director-General's opinion on whether to assign the project to a good administrator, a person of authority who would manage the project budget with maximum efficiency, or to a computer specialist, with the risk that the latter could become absorbed by the technical aspects, to the detriment of the others. A third possibility would involve finding a miraculous individual who combined the qualities of both a good manager and a good computer expert, but the choice of director was for the Director-General alone to make, and he asked when the Director-General intended to take that decision. It was time to move to the practical stage of the project and complete the analytical phase, which could continue indefinitely in view of the innovations being made every day.
38. Mr. Marshall expressed the Employers' appreciation for the Office document. The preliminary work carried out by way of preparation and investigation would be vital to the success of the whole project and to ensure that resources were used efficiently. The next step of the project would be phase 1, which would include the finalization of project governance, the appointment of a project manager, the training of project staff in the use of management tools and techniques, and decisions on the scope and use of consultants. The Employers would look forward to a further information paper at the conclusion of this phase of the project. He confirmed the Employers' understanding that the Information Technology Systems Fund was intended to cover capital expenditure only and that recurring costs should be met from the regular budget. The Employers would look forward to further information as the project progressed.
39. The representative of the Government of Germany recalled that at the March 2000 session of the Governing Body he had expressed concern about using surpluses for the creation of special funds because experience suggested that, once established, they tended to be permanent. The Office paper showed that it was right to express this concern. Paragraph 4 spoke of setting up a project team, but more information was needed on the cost of doing so, the terms of engagement, and at what point the work would cease. Without precise figures the fear was that the Office would take on commitments of unknown magnitude, which in future would mean pressure for surpluses to be paid into this fund rather than returned to member States. This would be a dangerous precedent and should be monitored very closely.
40. The representative of the Government of New Zealand expressed appreciation for the progress report. The ILO was embarking on a major project and it was gratifying to see it adopting such a thorough approach. With an enterprise resource planning (ERP) system

⁶ GB.279/PFA/5.

there was the risk that operational costs would be higher than expected and that it would not achieve the intended degree of operational efficiency. An ERP system would also have quite wide implications for information technology development in the ILO. The Office paper seemed to indicate that it was well aware of these issues and of the risk of replacing an outdated financial system with a new one that created more problems than it solved. He looked forward to further progress reports as the project developed.

41. The representative of the Government of the Netherlands expressed agreement with the proposals described in the Office paper. Although there was much to be said for ERP systems, the Governing Body and the Office should be aware that they typically required huge investments in hardware, software, consultants and also in upgrading and maintenance costs. It would be useful to have more information on the implications of these systems in the ILO. Enterprise resource planning required a major overhaul of existing processes and procedures because they could not be replaced on a one-to-one basis, and for best results the ILO would have to become much more product-oriented in its work. It was almost certain that reorganizations on this scale would take more time than predicted, and suppliers of ERP systems tended to overstate their benefits. The Office would be wise to make proper provision for cost overruns. It would be interesting to have more information from the Office on the implications of ERP systems for human resources management in the ILO.
42. The representative of the Government of Japan shared the concerns expressed by the representatives of New Zealand and the Netherlands and asked for more information on this project to be presented to the next session of the Governing Body.
43. Mr. Blondel was aware of the difficulty involved in replacing one system by another, which gave rise to opposition and conservative attitudes. This applied to the ILO like any other institution. The Organization had several systems that were not compatible, and a solution had to be found. Financing from the regular budget would have been excessive. For this reason the Workers had thought it preferable to create the Fund. Several stages were involved, including the eventual disappearance of the Fund, but the idea was to introduce a facility which, although costly at the outset, would later bring savings. The process was long and difficult, and involved a lengthy analytical phase. It was therefore hoped that the Committee would be kept informed of progress. Equipment thought by some to be outdated might not be so for others, and the Office might consider, instead of disposing of equipment that might still prove useful, making it possible for national trade union organizations, for example, to benefit from it, since they did not have the means of acquiring it.
44. The Treasurer confirmed that the Office had been extremely careful, deliberately so, with the preparatory and analytical work so far. As both Mr. Blondel and Mr. Marshall had observed, this was a critical phase of the project and the Office was keen to reap the benefit of the experience and lessons learned in other organizations. As the Netherlands representative had correctly observed, installing an ERP system would impose a cultural change in the ILO because the Office would have to adapt itself to the systems chosen. It would be a big mistake to attempt to customize software to existing ILO procedures because it would lead to all manner of complications when improved versions of the software became available. The Office was aware of the need for change and the problems to be overcome, but with the interest and support already shown for this project it would be successfully managed.
45. The project team had not yet been recruited so there were no financial implications resulting from delays in carrying out preliminary work on the project. The Treasurer recalled that the paper on this subject considered at the March 2000 session of the Governing Body proposed that a project manager, together with internal and external staff,

would be recruited for the project. The representative of the Government of Germany had expressed a concern that projects of this type were sometimes not precise enough in their terms of reference, and he had quite rightly asked what would happen to these staff when the project came to an end.

46. The Treasurer assured the Committee that staff would be engaged for a short term for a defined purpose. Once the project was complete their work would come to an end, as had happened in similar ventures undertaken by UNICEF and the World Food Programme. The ILO project would be for a defined period of time. The project staff would be engaged on that understanding and would have no expectation of employment beyond the completion of the project.
47. The Treasurer recalled that the representative of the Government of Germany had also expressed concern that special funds such as the Information Technology Systems Fund set up by the Office tended to become permanent. There was indeed an argument for continuing a fund and financing it from time to time to ensure it had an adequate level to meet potential needs in future. The Conference had approved an amount of US\$25 million for the establishment of the Information Technology Systems Fund, but since this amount was held in Swiss francs it had depreciated to US\$21.5 million because of the continued strengthening of the US dollar. There was no cause for alarm at this stage, but it deserved mention as an added complication for the Office to bear in mind in its discussions with suppliers.
48. A query had also been raised concerning the implications of an ERP system for human resources development in the ILO. The computer systems at present used in the Human Resources Department were essentially administrative systems, unable to deal with more sophisticated human resource functions such as career development, training and recruitment. It would probably be less expensive to include a human resources module on the ERP system sooner rather than later. More work was required before a decision could be taken on how to proceed, but it was likely that a proposal on this matter would be put to the Governing Body in March 2001.
49. The Director-General expressed appreciation to the Committee for its contributions on what was an extremely complex subject. The importance of continuing dialogue was obvious. ERP systems were extremely expensive so it was worth taking extra time to ensure that the right choices were made. The success of such a system would depend to a large extent on the project director, who should be a good manager and administrator as well as technical expert. At the moment the Office was evaluating the different types of ERP systems on the market. There were many different packages and the ILO did not intend to buy customized software, for the reasons already outlined by the Treasurer. The project director would play a key role in the implementation of the project, because in addition to providing managerial and technical skills he or she would also be the main link between the ILO and the software suppliers.
50. The Committee took note of the Office paper.

Other financial questions (Ninth item on the agenda)

Report of the Joint Inspection Unit of the United Nations on its activities for the year ended 31 December 1999⁷

Reports of the Joint Inspection Unit⁸

51. The Committee had before it a paper concerning JIU activities for the year ended 31 December 1999 and a paper describing four of its system-wide reports.
52. Mr. Blondel said that the Workers had taken note of the two papers.
53. Mr. Marshall said that the Employers also had taken note of both papers. From the contents of the second paper it seemed there was room for greater rationalization of UN common services in Geneva and it would be useful to have more information on this subject as this work progressed.
54. The representative of the Government of the Russian Federation expressed appreciation for the interesting reports of the JIU and for the Director-General's constructive comments. On the question of common services in Geneva he again emphasized the importance, as he had done in previous discussions on this topic, of ensuring that full benefit was obtained from a division of labour between Geneva-based organizations, and he welcomed the Director-General's intention to actively participate in relevant coordination mechanisms and agreed with the previous speaker that it would be useful to have periodic progress reports on this subject. From two other JIU reports – on the ACC and the private sector – he had expected much more. Experience to date showed that inter-agency coordination within the framework of the ACC was not yet sufficiently developed with respect to the programme activities of the organizations. This was a topic of great interest and should have been treated in more depth.
55. A number of UN specialized agencies has approved a follow-up system with respect to JIU recommendations. In the approval process the JIU had additional obligations to the agencies regarding the content and format of its reports, including the obligation to accompany recommendations with an evaluation of their financial implications. It would be interesting to hear from the JIU in due course on whether these obligations would be applied to agencies like the ILO which had not yet approved the follow-up system.
56. At the March 2000 session of the Governing Body a request had been made concerning the translation into Russian of the JIU report on administration and management in the ILO, and he inquired about the effect given to the request. He also proposed that both the Governing Body and the Director-General consider, in advance of the March 2001 session, the feasibility of asking the JIU to prepare a report on some issues of particular interest to the ILO.

⁷ GB.279/PFA/9/1.

⁸ GB.279/PFA/9/2.

57. The Treasurer, in reply to queries concerning the UN system common services in Geneva, confirmed that the Director-General supported the Administrative Committee on Coordination (ACC) comments set out in paragraphs 7 to 9 of the Office paper. This matter had also been considered recently by the Consultative Committee on Administrative Questions (Financial and Budgetary Questions), when it concluded that the proposals by the JIU merited further consideration. The next step would be for the Management Ownership Committee, under the chairmanship of the Director-General of UNOG, to set up a subcommittee to study and make recommendations on activities that could benefit from common services. Not all JIU recommendations deserved the same priority. Some would yield only modest benefits, and the Office would prefer to concentrate its efforts on achieving more substantial savings, for example by coordinating agreements for printing services, stationery supplies and travel.
58. The Director-General said that the JIU had made a number of interesting recommendations concerning common services in the Geneva-based UN organizations, but the notion of greater coordination between these organizations should not be limited to a search for savings. The UN and its specialized agencies taken together employed about 3,500 people and was the single biggest employer in Geneva. There was enormous scope for cooperation in other ways as well, but it remained for each organization to decide for itself what it should do. The JIU proposals should be seen as a positive first step towards collaboration on a much wider front between the organizations of the UN system.
59. A representative of the Director-General (the Director of the Bureau of Programming and Management), in reply to the representative of the Russian Federation, confirmed that translation into Russian of the JIU report on ILO management was about to begin. In reply to the suggestion to use the JIU for research work, it was already JIU practice to ask the organizations for their suggestions on research topics, and it then selected those with the most support. If the Governing Body itself had any suggestions for research activities the Office would ensure they were passed immediately to the JIU for consideration.
60. The Committee took note of the Office papers.

Financial arrangements for the appointment of a Special Representative of the Director-General for Cooperation with Colombia

61. The Committee had before it a paper⁹ proposing financial arrangements for this appointment.
62. Mr. Blondel, for the Worker members, remarked that the nomination of Mr. Rafael Alburquerque, former Minister of Labour of the Dominican Republic, as Special Representative for Cooperation with Colombia followed a decision taken at the last session of the Governing Body, and the cost for the present biennium was estimated at US\$290,000. There was no budgetary provision for this expenditure, and the Director-General was proposing to finance it through savings in Part I of the budget. The Workers expressed their full support for the point for decision, but wondered whether the expenditure might be more appropriately financed from Part II of the budget, the provision for Unforeseen expenditure.

⁹ GB.279/PFA/9/3.

63. Mr. Marshall expressed the Employers' support for the point for decision. They believed that financing the expenditure from savings in the first instance was the right approach, but if it proved impossible the Director-General would make other recommendations at a later date.
64. The Treasurer, in reply to Mr. Blondel, confirmed that normal practice in the ILO was to utilize the budgetary allocations in Part I of the budget in full before resorting to Part II, the provision of US\$875,000 for Unforeseen expenditure, which could only be used with the prior authorization of the Governing Body. As a matter of practice this provision was only used if the savings available in Part I of the budget were insufficient. He assured Mr. Blondel that the activities of the Special Representative would not be compromised because of procedural difficulties. What was needed now, as a first step, was the approval by the Governing Body to incur this additional expenditure of US\$290,000. The Director-General was confident that this amount could be absorbed within Part I of the budget without affecting existing programmes. Should this not prove possible he would return to the Governing Body at a later date with other proposals.
65. *The Committee recommends to the Governing Body that the cost of the appointment of the Special Representative in 2000-01, estimated at US\$290,000, be financed in the first instance from savings in Part I of the budget on the understanding that, should it subsequently prove impossible, the Director-General would propose alternative methods of financing at a later stage in the biennium.*

Geneva, 14 November 2000.

(Signed) D. Willers,
Reporter.

Points for decision: Paragraph 35;
Paragraph 65.

Addendum

Financial questions relating to the International Institute for Labour Studies

Recommendations of the Board of the Institute: Authorization to accept contributions and gifts

1. The Committee had before it a paper¹ informing it that the Board of the International Institute for Labour Studies recommended that the Governing Body accept with thanks the contribution from the employers' confederations of Denmark, Finland, Norway and Sweden.
2. *The Committee recommends that the Governing Body accept with thanks the contribution.*

Point for decision: Para. 2

¹ GB.279/PFA/2/2.

Appendix

Resolution to be submitted to the 89th Session (2001) of the International Labour Conference

The General Conference of the International Labour Organization,

Recognizing that amendments to the Financial Regulations are required to put into effect the direct use of arrears of contributions received to reimburse the Working Capital Fund or to repay amounts borrowed to finance a cash deficit in a previous financial period;

Decides to make the following amendments to the Financial Regulations:¹

Article 18

1. The excess [or shortfall of income over expenditure] **of income over expenditure (surplus) or the shortfall in income compared with expenditure (deficit)** in any complete financial period shall be calculated by deducting budgetary expenditure from budgetary income with a financial provision being made for delays in the payment of contributions. Such provision shall amount to 100 per cent of the contributions unpaid at the [date of the financial statements at the] end of the financial period.

2. Any such [excess of income over expenditure] **surplus**, expressed in Swiss francs calculated at the budget rate of exchange for that financial period, shall be used to reduce the contributions of Members in the following way: Members which paid their ordinary contributions in the financial period in which this surplus accrued shall have their share of the surplus deducted from their contributions assessed for the second year of the succeeding financial period; other Members shall not be credited with their share until they have paid the contributions due from them for the financial period in which the surplus accrued. When they have done so their share of such surplus shall be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment.

Article 21

1. (No change.)

2. If any sums withdrawn from the Working Capital Fund or borrowed to finance [budgetary] expenditure [pending receipt of contributions or other income and/or expenditure incurred in the financing of contingencies and emergencies under prior authorization of the Governing Body] cannot be reimbursed in the course of the same financial period, **then:**

- (a) **to the extent that the sums were withdrawn or borrowed to finance budgetary expenditure pending the receipt of contributions or other income, they shall be reimbursed from arrears of contributions received in the following financial period or periods;**
- (b) **to the extent that the sums were withdrawn or borrowed to finance expenditure incurred in respect of contingencies or emergencies under prior authorization of the Governing Body, they** [owing to the fact that the total budgetary income for the period falls short of total authorized expenditure incurred during the period, the sums so borrowed or withdrawn] shall be reimbursed to the lender or lenders and to the Fund in the second year of the next following financial period by adding to the contributions assessed on member States for that year an additional assessment in Swiss francs equivalent to the amount so borrowed or withdrawn[:], provided that temporary surpluses [of budgetary income over expenditure occurring at any time] shall be utilized to the extent possible to reduce the amount of outstanding loans or advances.

3. (No change.)

¹ Additions are shown in bold type: deletions are indicated by square brackets.