



## NINTH 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 12 and 13 March 2002, chaired by Mr. J.-J. Elmiger (Government representative, Switzerland). Mr. B. Botha (Employer spokesperson) was the Reporter.

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

### **Regular budget and Working Capital Fund as at 31 December 2001**

2. The Committee had before it a paper<sup>1</sup> containing information on the 2000-01 regular budget account and the position of the Working Capital Fund as at 31 December 2001.
3. Mr. Botha, speaking on behalf of the Employer members, expressed appreciation for the Office paper and then drew attention to Appendix II, which contained details of the Income Adjustment Account for the year ended 31 December 2001. It would be useful to have some information from the Office on interest earned on temporary cash surplus and other interest.
4. Mr. Blondel, taking the floor on behalf of the Workers' group, said that the document before the Committee was for information purposes and it confirmed the prudent management of the Organization's budget. There had been no transfers between the various budget lines, which showed that the budget had been well planned and that its implementation corresponded to collectively agreed commitments and intentions. Like the Employers, the Workers also wished to have more details on the "other interest" contained in the table in Appendix II to the Office paper. The non-payment of contributions by 28 member States was truly a cause for concern. Many were among the least developed countries whose economic situation was constantly deteriorating. The Workers wished to know whether those member States had been approached individually, because they feared that some countries might become "dead wood" within the Organization, virtually entirely cut off from it, as regards both contributions and activities. On the other hand, wealthy countries could be asked whether their conduct did not reflect a certain unwillingness to pay their contributions.
5. The representative of the Director-General (the Treasurer and Financial Comptroller) explained that interest on temporary surpluses referred to interest earned when contribution receipts not immediately required for expenditure were placed on short-term deposits with banks. The Financial Regulations provided that 60 per cent of this interest was to be credited to the incentive scheme for early payment of contributions with the remaining 40 per cent classified as miscellaneous income. "Other interest" referred to earnings on undistributed balances payable to member States.
6. Mr. Blondel made a very valid point on the number of member States that had lost the right to vote. In fact the picture was even more critical than stated in the Office paper, which showed the situation at 31 December, because on 1 January several more member States were then more than two full years in arrears with their contributions, although from past experience many would pay just before the Conference in June in order to recover the right to vote. Under the Financial Regulations the Director-General was required to inform

<sup>1</sup> GB.283/PFA/1.

each member State when it was about to lose the right to vote, and member States in this position were reminded of the fact just before year-end. In recent Office discussions on this matter it had been decided that regional directors should liaise more closely with these member States concerning the status of their contributions.

7. The representative of the Government of France recalled that at the last session of the Governing Body the Office had been requested to distribute Committee documents earlier. It was most gratifying to see that this had been done and the Office was to be commended for its efforts.
8. *The Committee took note of the Office paper.*

## **Programme and budget for 2002-03** (Second item on the agenda)

### **Collection of contributions from 1 January 2002 to date**

9. The Committee had before it a paper<sup>2</sup> and an addendum<sup>3</sup> giving details of contributions received from 1 January to 8 March 2002.
10. The Treasurer said that since 8 March payments had been received from two member States: 185,163 Swiss francs from Switzerland, which meant that it was now fully paid up for 2002, and 11,617 Swiss francs from the Central African Republic, of which 11,381 Swiss francs was a payment against arrears and the remainder of 236 Swiss francs was a payment against the current year's contribution.
11. Mr. Blondel, while welcoming the contributions paid since the document had been prepared, noted that 37 member States had now lost the right to vote because they were over two years in arrears with their contributions. While for some countries it was a matter of true financial difficulty, others were more comfortably placed and the question could be raised whether those countries were not deliberately distancing themselves from the ILO. Concerning arrears of contributions, which was unfortunately an almost recurrent question, the situation had deteriorated as compared to the equivalent date the previous year and the arrears of contributions now amounted to 126.7 million Swiss francs.
12. Mr. Botha said that the Employers supported the statement by the representative of France at the end of the last agenda item concerning the early distribution of Committee documents. They expressed appreciation also to member States whose 2002 contributions were already paid and encouraged the others to do likewise. The number of countries that had lost the right to vote was a matter of deep concern. Closer liaison between regional directors and their member States could help to solve the problem, and where they were well represented the social partners might also be able to play a role. At the moment almost 20 per cent of ILO Members had lost the right to vote and all members of the Governing Body should look at ways to improve the situation.

<sup>2</sup> GB.283/PFA/2/1.

<sup>3</sup> GB.283/PFA/2/1(Add.).

13. The representative of the Government of Japan said that the ILO was expected to play an active role in the world of work and he supported the calls for member States to pay their contributions promptly and in full. Nevertheless, it was true that arrears of contributions had increased in recent years, which could mean either that economic conditions in many countries were deteriorating or that they expected less from the ILO. To maintain member States' confidence the ILO should observe the spirit as well as the letter of the Financial Regulations and concentrate on making the most effective use of budgetary resources.
14. The Treasurer, in response to comments concerning loss of the right to vote, said that the United Nations General Assembly had already taken action in recognition of the difficulties faced by the poorest member States in paying their contributions. Three years ago it reduced the minimum contribution payable from 0.01 per cent to 0.001 per cent and this tenfold reduction for those member States translated in financial terms to an ILO contribution for 2002 of just 3,841 Swiss francs.
15. Mr. Blondel thanked the Treasurer for his explanations and stressed that it was not the money represented by the contributions that concerned the Workers, but rather the possibility that, given the extremely limited contributions of some countries, they were in fact looking to break away in some way from the ILO. For that reason it was necessary to go beyond a simple reminder of the Regulations and approach those countries individually to encourage them to play a greater part in the activities of the Organization.
16. *The Committee took note of the Office papers.*

### **Treatment of 2000-01 surplus**

17. The Committee had before it a paper<sup>4</sup> describing measures proposed for the disposition of the 2000-01 cash surplus.
18. The Committee's discussion on this subject was preceded by a statement from the Director-General, the text of which is attached as Appendix I to this report.
19. Mr. Blondel, before turning to the subject in question, congratulated the Office on having sent the documents to the members of the Governing Body so early. Work had been greatly facilitated as a result. Concerning the matter of the treatment of the surplus, he recalled that it arose from the payment of arrears of contributions and was not a true budgetary surplus. He congratulated the Office on its prudent management, and the fact that it had not taken out any loans, which would have generated supplementary charges, but this meant some activities had been neglected. The Director-General proposed reallocating 90 per cent of this cash surplus to the activities that had suffered as a result and the Workers fully agreed that all the arrears of contributions should be allocated in this way. That approach was also in keeping with the notion of the Strategic Policy Framework and the strategic budget adopted by the Governing Body. Other proposals outside this framework would amount to abandoning the strategic budget adopted up until 2005 and to which the Workers remain committed and fulfilling the ambitions of that budget would mean reallocating the funds now available. The events of 11 September had also resulted in new needs, demonstrating, for example, that the Office had to improve its crisis response. The security of officials was a further problem to be addressed. To conclude, Mr. Blondel underlined the fact that, while agreeing with the spirit of the conclusions

<sup>4</sup> GB.283/PFA/2/2.

submitted in the document, the full budgetary surplus should be reallocated to the Office's activities.

- 20.** Mr. Botha, on behalf of the Employer members, thanked the Director-General for his statement, which explained in further detail the points made in the Office paper, a document which was transparent, articulated the current situation clearly, and reflected a high level of managerial discipline by the Office. The surplus resulted from arrears of contributions which had arrived almost at the end of the biennium; it was not a true budgetary surplus because the Programme and Budget for 2000-01 had been fully spent. The Office was authorized to borrow from the Working Capital Fund and other sources to pay for expenditure before contributions came in, but it had never done so just as a matter of course. If shortfalls were expected to be more than temporary the Office had always proposed reductions in spending levels but, as the paper pointed out, this prudent financial management had been at the cost of reductions in programmes and investments in infrastructure.
- 21.** The Employers were impressed to see the ILO being run in such a businesslike way, tailoring its activities to its resources. They agreed with the Workers' view that this surplus should more properly be regarded as arrears paid and that the full 100 per cent rather than 90 per cent should be retained for programmes. The paper pointed to other occasions in recent history when all or part of similar surpluses had been retained for important projects through authorization by the Conference. The Director-General's suggestion for a build-up approach was understandable but there was strong justification for retaining the full amount. The Employers supported the approach proposed in paragraphs 5, 6 and 7 of the Office paper and the events of 11 September clearly demanded new approaches and increased resources for ILO activities. Some of the proposals concerned activities already in the pipeline but the new demands on the Office were all affected by these events.
- 22.** The Employers were reassured to see that the proposals were for one-time investments without future continuing obligations, that funds would be held in separate accounts, that the Director-General would be required to approve expenditure from these accounts and that there would be regular progress reporting to the Governing Body. All of this, together with the outcomes-based approach and the programming of expenditure over successive financial periods, was sound managerial practice.
- 23.** The Director-General's explanation of how projects were selected was logical but Mr. Blondel was right to say that new thinking was needed when circumstances changed, and the Employers now had a number of concerns. As a rule strategic budgeting dealt with the big picture, with less emphasis on detailed information. However, there had been no real consultation on the proposals in the Office paper and for that reason many questions arose, even though some of the proposals were more detailed than in the original programme and budget. There was no information on how these projects were chosen, and it was disappointing to see nothing on employment activities nor on ACT/EMP support for employers' organizations, particularly in developing countries. A higher priority should have been given to decent work programmes and the role of the informal sector and to the needs of employers' organizations. It seemed that many projects were administrative instead of being directed to the needs of constituents and some needed greater justification: for example, resources for the World Commission on the Social Dimension of Globalization had been increased from about US\$800,000 to US\$2.8 million with almost no detail. Others deserved solid support: for example, programmes on response to crises and emergencies, security and safety of staff, and especially external communications, where there was an urgent need to replace antiquated practices with a more modern approach.

24. More should have been done to address the needs of the regions, but this should be preceded by informal consultations with constituent groups and particularly the Employers' secretariat, which had contributed so much to the success of discussions on the Declaration and to continuing discussions on standards. With these reservations, the Employers were happy to support the point for decision.
25. The representative of the Government of Canada emphasized his country's support for and commitment to the International Labour Organization and stated that such commitment included ensuring that the contributions of all member States were used in the most effective and efficient manner. Member States had an obligation to pay assessed contributions in full, on time, and without conditions, in accordance with the provisions of the Constitution and the Financial Regulations. The delay in payment by some member States was unfortunate and injected an element of uncertainty into the Organization's financial planning exercise.
26. On the question of any surplus over and above the approved programme budget level, the ILO's Financial Regulations clearly stipulated that any such surplus was to be returned to member States. This policy was consistent throughout the UN system. Recent biennia had seen cash surpluses used for various purposes instead of being refunded to member States and Canada was concerned about that trend and the possible consequences for other international organizations.
27. There had been a significant increase in the ILO's budget for 2002-03, and there was therefore a clear obligation for member States and the social partners to give careful consideration to the proposed treatment of the cash surplus in the light of the agreed principles which were at stake, and to the precedent that would be created. The Director-General's argument that past practice in dealing with surpluses justified acceptance of the broad list of proposed expenditure was questionable since, on the last occasion, the Conference had agreed to the retention of part of the 1998-99 surplus as an exceptional one-time measure, so it was difficult to support the Director-General's proposals contained in the paper before the Committee. If a consensus emerged in favour of the retention of part of the surplus, then a much more detailed and carefully prioritized list of how it should be used should be prepared for consideration at the 2002 International Labour Conference.
28. The representative of the Government of Brazil, speaking on behalf of the Latin American and Caribbean group, supported the Director-General's proposals for the use of the 2000-01 surplus. As the document submitted by the Office clearly demonstrated, there were numerous needs concerning programme development, technical cooperation and the strengthening of institutional capacity in the Organization. These needs corresponded to specific requests made by the ILO's constituents and, more particularly, by developing countries. It was important to emphasize that surplus resources had originally been earmarked for programmes and activities that had either been reduced or completely eliminated.
29. The Director-General's proposals represented an acceptable basis for discussion concerning the use of the surplus although more detailed information should be provided at a later stage. The Office's response to crises and emergencies and the strengthening of activities in the regions required more resources and it was right that a part of the surplus should be dedicated to the Global Employment Programme. The Office should nevertheless consider introducing amendments to the Financial Regulations with a view to avoiding frequent derogations whenever surpluses occurred.
30. The representative of the Government of Portugal said that the issue under consideration was extremely complex. Article 18 of the Financial Regulations had been specifically

formulated to deal with situations where the approved budget had not been entirely spent. The surplus under discussion had not been caused by underspending however, but by the late receipt of arrears of contributions. That situation had arisen on a number of occasions in the past and, in recent years, a derogation from article 18 had been authorized by the Conference.

31. Should such a derogation not be authorized the repayment of contributions to member States would constitute a reward to those member States which had paid their contributions late. There was also the possibility that in future the Office would reconsider its prudent approach to dealing with late contributions and income shortfalls. Under the circumstances the Government of Portugal supported the Director-General's proposal for the derogation of article 18 of the Financial Regulations.
32. With regard to the proposed uses of the surplus, and in view of the considerable amounts involved, he thought that the document included pertinent and even stimulating proposals but they should fall within the Office's strategic approach and its commitment to decent work and globalization issues. Nevertheless he considered that the Director-General's introductory statement in large part responded to his concerns.
33. The representative of the Government of the Islamic Republic of Iran thanked the Director-General for having provided the Committee with a comprehensive and informative introduction which had clarified a number of ambiguities. He was confident that the surplus would be used effectively by the Office and supported the proposals contained in the paper under discussion. He hoped however that due attention would be given to the priorities and needs of developing countries, and that further details concerning the use of the surplus would be made available.
34. The representative of the Government of Malaysia welcomed the paper on the use of the surplus. The Office's prudent policy concerning income shortfalls was commendable and he hoped that it would continue in future. Although the paper provided information on how the Office proposed to use the surplus, further detailed information on the programmes and activities involved would be appreciated, especially on those programmes which would have a positive impact on developing countries. Greater emphasis should also be given to regional activities, as was mentioned by the Employers' group, but he was pleased to support the proposals as they stood.
35. The representative of the Government of Algeria, speaking on behalf of the African group, thanked the Office for the information provided. He supported the proposed use of the surplus in derogation of the Financial Regulations and stated that the programmes that should be given priority were those which had been cut back as a result of income shortfalls and the Office's prudent reaction to those shortfalls. The retention of the surplus and its use in accordance with the strategic objectives of the ILO were therefore fully supported.
36. The representative of the Government of Namibia supported the statement made by the representative of the African group and agreed that the surplus should not be returned to member States. Had the surplus been due to underspending there would have been a stronger case for returning such a surplus to the Members, but a better use would be to strengthen the employment sector, regional structures and occupational safety and health, which were all priority areas. He would prefer the retention of 100 per cent of the surplus rather than just 90 per cent, but it would be useful to have more information on why a further \$5 million was required for the Information Technology Systems Fund.
37. The representative of the Government of the United States stated that his Government had always strongly supported the ILO's sensible and disciplined budgetary practices and that

those practices had promoted the well-being and effectiveness of the Organization and had facilitated its continued financial and political support. The United States appreciated that a number of questions it had were addressed in the Director-General's opening statement.

38. The current surplus represented payments made by members States, reflecting their commitment to the work of the ILO, and the major part of the surplus related to money which the United States had been unable to pay on time. Nonetheless, the payment did represent a continued commitment to the work of the ILO and it reflected his country's satisfaction with the Organization's prudent management policy. As was pointed out by the Workers' and Employers' groups, as well as other speakers, the Financial Regulations contained an element of ambiguity regarding surpluses generated through underspending versus surpluses generated through late payments of contributions, and the United States was prepared to support a derogation from article 18.2 of the Financial Regulations in this particular case. It also expected to join a consensus in favour of seeing most of this surplus remain with the ILO. Some of the projects proposed by the Office were more compelling than others, but as several speakers had correctly noted, all of them required considerably more detail and explanation.
39. The representative of the Government of Germany recalled that the procedure for the treatment of an excess of income over expenditure was set out clearly in article 18.2 of the Financial Regulations. This was not the first time that a surplus had arisen and in three previous instances the Governing Body had recommended to the Conference that, in derogation from article 18.2, part of the surplus be used to finance projects approved by the Governing Body. In place of a derogation from the relevant provision of the Financial Regulations each time it was necessary, it would be more logical to try, as was suggested by the representative of Brazil, to obtain a majority in favour of a permanent amendment. Moreover, it would have been helpful had the document contained reasons on how the surplus arose.
40. He was sympathetic to comments by previous speakers questioning whether article 18.2 should really be applied to the current surplus. Contributions that the Office relied on had been unjustly withheld and it would have been useful to have additional information on programmes affected as a result of this action. Presumably some had been cancelled altogether and others only partially carried out, and an understanding of the consequences would have allowed the Committee to approach this problem in a more flexible manner.
41. Paragraphs 8-21 listed potential projects but omitted a clear indication of the criteria by which they were selected, which might include for example projects not foreseen in the regular budget or which responded to an urgent and unpredictable situation, but in any case projects should not commit additional resources in later budgetary periods. None of the projects listed appeared to meet these criteria. It was not clear whether the \$3.2 million referring to the Maritime Session of the International Labour Conference was the full amount for holding the session or intended only to cover additional costs. It would never be acceptable if Maritime Sessions could only be financed through such surpluses, but if the amount was intended to finance additional requirements more detailed information would be required. For the proposal in paragraph 10 referring to the World Commission on the Social Dimension of Globalization, he agreed with the comments made by Mr. Botha that it was difficult to understand how the estimated budget for the Conference increased from approximately \$800,000 in November 2001 to \$2.8 million now, and much more information was required. The project in paragraph 12 on the response to crisis and emergencies was justified in principle but more detail was needed on exactly how the allocation of \$6.5 million would be spent. He had reservations concerning the proposal in paragraph 13, but although the project relating to security and safety of staff deserved support more information was needed before a final decision. One other project that could

have been added to the list was the IMO proposal to amend Convention No. 108. The ILO should study this proposal.

42. In summary, he was unable to support decision paragraph 22 in its current form. Since the Governing Body would not meet again prior to the June Conference, and since it would be impossible for the Office to provide additional details on all these projects immediately, one solution might be for the Office to send a more detailed report to Committee members in the next few weeks, for discussion at a supplementary meeting of the PFAC just before the June Conference, although this might impose additional costs as not all representatives of the Employers and Workers in the PFAC automatically attended the Conference. Another possibility was for the Governing Body to be authorized by the Conference to take a final decision at a later date.
43. The representative of the Government of the Netherlands agreed with earlier speakers that the surplus largely resulted from the prudent financial management practised by the Office. Governments wanted international organizations to be prudent in the management of financial resources which meant if contributions were not paid on time, they had to cut operational programmes in order to avoid deficits. Although the Office had the right to spend the full budget, the Director-General had decided not to do so and the Netherlands supported this policy as an example of prudent financial management. The real question here was directed to governments rather than the Office. It was not right to punish the Office and deprive it of funds simply because some contributors paid late, and it was odd that they could sometimes be entitled to a refund for doing so. The fact that a member State paid its contribution on time did not give it the right to a share of contributions paid late by others.
44. It was unfortunate that these amounts were received too late for the regular budget activities for which they were intended, and the funds should now be restricted to one-time activities and accounted for separately. The proposals in the document came from initiatives identified in earlier discussions on financing and already it had been decided to pay for some from savings. Some could have been better presented, in particular the World Commission on the Social Dimension of Globalization where the original cost was much lower than the current estimate, but in general the detail and justification differed little from that required for regular budget activities. She supported the point for decision and the proposal to amend the Financial Regulations so as to avoid a recurrence of this situation in future.
45. The representative of the Government of Italy supported the comments of the representatives of the Netherlands and Portugal. The amount of the surplus represented an opportunity to boost priority programmes and it was a question of choosing the most deserving. The programme on decent work was especially relevant, as were those on crisis and emergency response and regional services. The document was perhaps a little light on detail but, on the understanding that the Office would report regularly on how the funds were used, he would support the point for decision.
46. The representative of the Government of France observed that the Committee was required to decide on two questions, the first concerning a possible derogation from article 18.2 of the Financial Regulations, the second concerning how the cash surplus for 2000-01 should be used. On the first, he supported the remarks of the representatives of the Governments of Portugal, the Netherlands and Italy that since this surplus represented the receipt of arrears of contributions it should be used for priority activities. As for what percentage of the surplus should be used, the proposed reimbursement of 10 per cent to member States was for most of them a derisory sum and he supported the suggestion to use the full 100 per cent on ILO programmes. On the question of what the money should be spent on, he would prefer to see it used on one or two programmes such as the Decent Work Agenda

and the development of social protection programmes. Nevertheless, France supported the proposals in the Office paper but regretted the absence of more detail. He agreed with previous speakers that the use of the funds and the impact of the programmes should be the subject of a detailed report by the Office.

47. The representative of the Government of Japan endorsed the view that the surplus should be returned to the member States in accordance with the Financial Regulations. Member States should not authorize a derogation from the Financial Regulations without amending them. The fact that there had been a derogation of article 18.2 previously did not automatically justify it again, neither did the fact that the Director-General had cut programmes in the past justify the use of a surplus in this way, because the Governing Body was made aware of the situation in each case and had approved reductions in the programme and budget. They wished to stress the fact that the Office also had used a large amount of the surplus, even though it derived from underspending. Equally, while the surplus clearly resulted from the payment of arrears, the Office should not simply propose to use such a large amount of money without giving member States a detailed and thorough account of the situation. The Financial Regulations did not specifically make reference to such cases and repeated derogation from article 18.2 should be avoided.
48. The Office should not a priori propose using 90 per cent of the surplus for 2000-01 without a detailed examination of needs. Constant derogation from the Financial Regulations diminished member States' confidence in them and affected the incentive for governments to support ILO activities. If the Office sincerely believed that its proposals were based on the need to finance exceptional and urgent priorities, then a more detailed and precise account of each project was needed. Furthermore, the Office declared that some of the expenditure would be incurred over a four-year period and it was difficult to understand how a four-year spending plan could be considered urgent. Allocating expenditure on such long-term projects at this stage would render the results-based budget process meaningless because the Governing Body had not yet evaluated the results for 2002-03. The Office needed to concentrate now on a full and complete analysis of current operational activities. Member States had an accountability to their taxpayers and a responsibility to monitor the utilization of resources of the Office and the Governing Body would be failing in its duty if it agreed to another derogation from the Financial Regulations with such incomplete proposals that lacked detail.
49. The Maritime Session of the ILC should be examined in discussions on the 2004-05 budget, in accordance with the regular budget process. The need for additional meetings was questionable and should not be approved before a more detailed explanation. Equally, it was incomprehensible that costs for the World Commission on the Social Dimension of Globalization could increase almost 3.6 times larger since last November and he wondered why the Office had not requested this amount earlier. The proposal on international labour standards, contained in paragraph 11, had no concrete content and it was difficult to see exactly what was planned and thus its urgency as well. The proposal in paragraph 12 on the response to crisis and emergencies might well be a suitable proposal especially given the severe employment situation in the Asian region, but a more accurate and realistic description of objectives was needed. The resources allocated to investments in building and accommodation, paragraph 13, were excessive and therefore not acceptable at this stage. The proposal on security and the safety of staff, paragraph 14, was commendable, but the Office should again provide more detailed information, and the proposed expenditure for the strengthening of institutional capacities in relation to the Strategic Policy Framework should have been planned as part of regular budget activities. In line with the comments made by the representatives of the Governments of Germany, Canada, France and Portugal, he requested that the Office issue revised proposals incorporating the views expressed in this Committee in time for appraisal before the Conference in June. At the moment he was unable to support the point for decision contained in paragraph 22.

- 50.** The representative of the Government of Croatia endorsed the comments made by previous speakers who supported in general the proposals put forward by the Office. The comments made by the representative of the Government of Germany concerning a Maritime Session of the International Labour Conference were particularly relevant. The Director-General had rightly emphasized the urgent need for programme and technical cooperation activities and the surplus should be used in this way, but more detailed information was required for member States to be able to assess fully the benefits that such projects would deliver. Clearly projects funded by the surplus must be those for which there was little or no funding provided in the regular budget. There was a special need for projects in the field of gender equality and the global programme on More and Better Jobs for Women, because these programmes were funded primarily from extra-budgetary resources at present and could do with more funds. The reinforcement of regional services was equally important but a clearer understanding of how the resources would be allocated by region was needed.
- 51.** The representative of the Government of Saudi Arabia, speaking also on behalf of the United Arab Emirates, thanked the Office for the document and the Director-General for his introductory statement. Although it was important to adhere to the Financial Regulations, the ILO now had a quite exceptional opportunity to launch a number of extremely worthwhile projects provided that a derogation from article 18.2 could be authorized. He expressed full confidence that the Director-General would use the surplus in a manner which benefited the most member States. Even though more information was needed before the matter could be discussed during the Conference, he was prepared to express support now for decision paragraph 22, and in support of the request by the Namibian representative, he urged the Director-General to re-examine the budget allocation for the Information Systems Technology Fund and for services in the regional offices.
- 52.** The representative of the Government of Denmark, speaking as well on behalf of the Governments of Sweden and Norway, observed that although the general rule was for a surplus resulting from underspending to be paid back to member States, the current surplus did not arise in that way. On the contrary, the agreed budget for 2000-01 had been fully utilized and, as several speakers had already mentioned, the surplus in fact represented the payment of significant arrears from member States. Should it be paid back to member States or should the Committee authorize, in derogation from article 18.2 of the Financial Regulations, the Office to use the majority of the surplus to finance selected projects?
- 53.** As the Director-General had proposed, the major part of the surplus should be used for programming activities. The Office had acted in a responsible and prudent manner in those biennia where the arrears occurred and although the Director-General could have borrowed money from the Working Capital Fund or other sources he did not do so. Instead operational activities and programmes and investment in infrastructure had been reduced or delayed, and this good housekeeping deserved to be recognized and rewarded. If the Committee argued that the entire surplus should be paid back to member States there was no incentive for the Director-General to act responsibly and the easiest solution would be for him simply to implement programmes and activities according to the agreed budget, whether or not the money had been received. Member States should be encouraged to pay their arrears but they should not be rewarded by a reimbursement from any surplus generated as a result, because this would only encourage others to delay payments until budget cuts had been made in the hope of receiving a reimbursement under article 18.
- 54.** As a general comment it would have been preferable to see a larger proportion of funds allocated for urgent needs, but of those listed priority should be given to the proposal for a Maritime Session of the International Labour Conference, the proposal on the international labour standards, the proposal on the response to crisis and emergency and the gender equality proposal, although the success of the last-mentioned would depend on a high level

of political commitment as well. She fully supported what had earlier been expressed by the spokesperson of the Employers' group concerning the proposal on the regional services. As far as the proposal on the World Commission on the Social Dimension of Globalization was concerned, the increase in costs was substantial and a higher proportion should be allocated to field activities. She was prepared to support paragraph 22 on the understanding that all proposals were one-time investments that would not create continuing future obligations.

- 55.** The representative of the Government of the United Kingdom acknowledged that the surplus resulted from the receipt of arrears rather than underspending of the approved budget. Governments should make every effort to pay assessed contributions in full and on time, and the present situation highlighted the significant problems faced by the ILO when they did not. However, article 18.2 of the Financial Regulations set out how surplus funds were to be dealt with and member States that paid their contributions in full and on time should be able to rely on this principle. She welcomed the Director-General's assurance that the way previous surpluses were handled did not necessarily set a precedent in support of these proposals, and also his determination to continue present policy for the management of budgetary shortfalls.
- 56.** Some of the proposals lacked definition, particularly that concerning the Maritime Session of the International Labour Conference which should in any case be put forward for consideration in the 2004-05 programme and budget. The Office should produce revised proposals incorporating the key supporting arguments from the Director-General's presentation and showing a more detailed and prioritized list for consideration by this Committee. Without this information, the recommendation in paragraph 22 should not be accepted.
- 57.** The representative of the Government of India observed that the Office proposed to retain 90 per cent of the surplus to finance the programmes and activities listed in the document. The Financial Regulations of the ILO provided for the return of surplus funds to member States, but exceptions could be authorized and had in fact been authorized by the Conference on three occasions in recent years. India attached great importance to the work of the ILO but it could only be carried out if properly funded. In the past, the Director-General had reacted to income shortfalls by reducing expenditure rather than borrowing from the Working Capital Fund or other sources which meant that additional assessments on member States had been avoided. He agreed with the proposal to retain the surplus to finance projects, although ideally more funds should be found for employment generation and technical cooperation programmes in developing countries.
- 58.** The representative of the Government of the Russian Federation observed that the equivalent of about four years' contributions had been paid by his Government during the biennium 2000-01 and that this had certainly contributed to the current surplus in the ILO. The dissolution of the USSR had left the Russian Federation with a serious economic and financial crisis and large debts to many international organizations, including the ILO. While his Government had not been responsible for the circumstances that led to the debt, it had never attached any conditions to the payment of it and had done its best to meet its constitutional obligations to the ILO in full despite tremendous domestic demands for resources. As a result, the arrears had been fully paid, and this fact showed the continued support for the Director-General and the ILO by the Russian Federation. He expressed gratitude to the Director-General for his appreciation of the efforts of the Russian Federation.
- 59.** The Russian Federation was also keen to participate actively in the search for solutions to the difficult choices facing the ILO today. It had shown flexibility and understanding in accepting the proposals by the Director-General on the last budget and revision of member

States' assessments even though in its own case they had meant an increase of 20 per cent in its contribution payable. It was ready to search for a consensus on the issue of the treatment of the cash surplus as well. The basis for a decision was clearly provided for in article 18.2 of the ILO Financial Regulations, and he supported the comments made earlier by the representatives of Germany, Canada, Japan and the United Kingdom. The Financial Regulations should be applied with no exceptions, particularly when programmes were being fully implemented and contributions for many countries were increasing.

- 60.** With respect to the ILO's retention of part of the surplus, he agreed with the comments made by earlier speakers, notably the Employer representative and the representatives of the Governments of Canada, Japan, France, the United Kingdom, Croatia and India, that it was vital to not only identify priority projects but also to provide an adequate justification for them. For the Russian Federation, programmes in the regions and in particular the CIS countries deserved the highest priority because there had been no increase in the budget allocation for activities in these countries in the present programme and budget, despite the fact that such a request had been made. The ILO needed to be active in resolving the urgent labour problems that existed in these countries and he was grateful to the Director-General for the assurance that every effort would be made to seek additional resources for these activities. A number of practical steps needed to be taken in order to improve the role played by the ILO in the regions and in particular in the CIS region.
- 61.** As far as activities in the regions were concerned, he supported the comments made by the representatives of Brazil, Denmark, Malaysia and Saudi Arabia, but it was difficult to accept additional budget growth for administrative activities in headquarters, including projects on management challenges described in paragraph 16 of the document, and the proposal for additional expenditure on the Information Systems Technology Fund which had already received considerable funding without any real detail being provided. In conclusion he thanked the Director-General for the document and for his excellent introductory statement, and would welcome amended proposals which took into consideration the various views expressed in this Committee.
- 62.** The representative of the Government of Slovakia, speaking on behalf of several Eastern European member States, appreciated the Director-General's introduction and remarked that it was more important to use the surplus for a prioritized list of programmes and projects rather than refund it to member States. As the African group had suggested, a large part of the surplus should be used for technical cooperation projects aimed at the decentralization of activities to the regions, especially those targeting the creation of decent work. There was a significant need for projects of this type because economic transition had exacted a heavy price, the high levels of unemployment in some countries of the Eastern European region being but one example.
- 63.** Certain delegations had requested more concrete proposals on how the surplus could be utilized. One did not have to look far to find worthy causes, and in Eastern Europe there was a need for the expertise and assistance of ILO experts in the areas of occupational health and safety, small and medium enterprises, and job creation for the young and the disabled. A national productivity plan for Slovakia was urgently needed. All of these activities were real; most were costly and many had to be curtailed or stopped for lack of funds. With these comments, he was prepared to support the point for decision.
- 64.** Mr. Anand, an Employer member, expressed surprise that the proposal on the disposition of the surplus did not refer to the issue of the informal sector as a priority area. The informal sector was a vital issue of interest to all nations, and the Director-General should reconsider the allocation of the surplus to fund and accelerate work in this area. Concerning the proposal to set aside funds for "Response to crisis and emergencies" – paragraph 12 of the paper – the ILO should exercise caution in moving into such political

and controversial areas because there was the risk that the ILO might be going outside its mandate. The Employers were in agreement with the Workers that 100 per cent of the surplus should be retained.

65. The representative of the Government of New Zealand, speaking also on behalf of the Government of Australia, supported the full return of surplus funds to member States, in accordance with article 18.2 of the Financial Regulations. It was true that the surplus was due to the receipt of arrears rather than underspending the budget, and the Office was to be commended on its prudent financial management, but there were no valid reasons to call for a derogation from the Financial Regulations. The situations described in paragraph 5 of the paper should not be considered a precedent.
66. Why had the Office recommended the retention of such a large proportion of the surplus? The proposals did not contain sufficient information for a full discussion of the merits of each case. A number of proposals related to matters covered under the regular budget, which ran counter to the principle of zero nominal growth and raised issues about the integrity of the budgetary process. They could not agree on the point for decision.
67. The representative of the Government of South Africa commended the Office for its fiscal prudence and efficient management of the budget. The current surplus had arisen not from any act or omission on the part of the ILO, but from late payments from member States who had failed to meet their obligations on time. At the time, the income shortfall meant that programmes were delayed or cancelled for lack of funds so the surplus now should be used to redress the balance, particularly with programmes concerned with the Decent Work Agenda. He supported the view that 100 per cent of the surplus should be used for this purpose.
68. The representative of the Government of Benin expressed support for the statement made by the Algerian representative on behalf of the African group. The proposals made by the Office for the use of the 2001-02 budget surplus were reasoned and sensible. As a result of the late payment of contributions in past biennia, the Office was forced to move cautiously on programme delivery, and technical cooperation activities had also been scaled down. Given the enormous demand for ILO services in the fight against AIDS, the fight against poverty, the necessity of promoting employment in developing countries, and the need to respond to crisis and emergencies, the whole budgetary surplus should be used by the Office to help member States. He supported the point for decision.
69. The representative of the Government of Burkina Faso appreciated the explanations given by the Director-General and he expressed support for the statement made by the Algerian representative on behalf of the African group. As others had pointed out, the surplus was not due to budget underspending but to the receipt of contributions in arrears. The reduction of programmes and technical cooperation activities, which all Members deplored, were a direct consequence of not receiving contributions on time or at all. To reinforce technical cooperation, or increase support for the fight against poverty, the logical solution would be to devote the whole surplus to ILO activities in support of member States, and to reimburse the surplus to Members could indirectly encourage late or non-payment of contributions. His own country had made great sacrifices in order to pay its 2002 contributions in full because it believed in the work of the ILO. There was a legitimate expectation in developing countries that technical cooperation assistance would be received, and it was hoped that African interests in the areas of employment programmes and the fight against AIDS would be kept in mind in deciding on the disposition of the surplus.
70. The representative of the Government of Mexico supported the declaration made on behalf of the GRULAC countries and the proposals made by the Director-General. Part of the

surplus should be used in support of the Global Employment Programme given the poverty and unemployment in many areas around the world. A large number of activities aimed at the elaboration of indicators and the development of strategies in order to reduce poverty, increase productivity and contribute to increasing employment and, in view of the importance of this work, funding should be assured. He expressed full support for the point for decision.

- 71.** The representative of the Government of the Republic of Korea said that the issue should be examined again at the Conference in June, and if ILO practice with regard to cash surpluses was at odds with the provisions of the Financial Regulations then the regulations should be revised. Despite the increase in its assessment rate for 2002-03, now double that of the previous biennium, the Republic of Korea had made the difficult decision to join the consensus in approving the budget and scales of assessment at the last Conference. It was not alone in its concerns and given the financial strain on some member States of both increased contributions and the current economic situation, the surplus should be reimbursed to member States as stipulated in the Financial Regulations. It was incongruous that, just nine months after a large number of countries had asked for a zero nominal growth budget for 2002-03 at the last Conference, the Office was proposing to spend 90 million Swiss francs, approximately a quarter of the nominal budget for 2002. These proposals should be scrutinized at least as carefully as regular budget proposals, and much more information was required. The Republic of Korea joined Germany, Japan and the United Kingdom in requesting the Office to provide revised proposals before the next Conference.
- 72.** The representative of the Government of China said that the paper and the Director-General's introduction made a compelling case in favour for the point for decision. For many years the ILO had followed the policy of zero-growth budgets, which on many occasions resulted in the postponement of major projects because of lack of funds, and the greater part of the surplus should be used for technical cooperation with developing countries, in particular the promotion of employment projects. To expect the surplus of one biennium to meet all the current needs was, however, unrealistic and priorities needed to be identified. The paper presented the actions taken on three previous occasions when a surplus occurred, and this could be used as a guide to the current situation. Some projects listed in the document already had resource allocations in the budget, so care should be exercised to avoid duplication. The Office should provide more detailed information on the proposed projects for future review, and although this was a sensitive financial issue for member States, it should be possible to find a consensus.
- 73.** The representative of the Government of Switzerland thanked the Director-General for his explanations, which helped to clarify a number of points in the paper, and he expressed support for the proposal to use the surplus rather than repay it. The surplus gave the ILO the opportunity to generate activities in place of those previously deferred or cancelled for lack of funds, and since it stemmed from the receipt of arrears of contributions it would be contrary to the wishes of most Members to see it repaid to member States. A strict application of article 18.2 of the Financial Regulations was not appropriate in this case.
- 74.** The proposal for extra funds for the World Commission on the Social Dimension of Globalization deserved the fullest support. The ILO should set up a team of eminent and highly qualified economists who would produce work of merit and distinction. This was a unique opportunity and the ILO should not let it slip.
- 75.** Mr. Blondel was pleased to see that, on such a sensitive issue, the Committee had held a balanced and enriching exchange of views on the general functioning of the Organization. He was also glad that the Financial Regulations had not been misapplied, as it would have been dangerous for some countries to deliberately pay their contributions late in order to

recover part of the funds. Concerning the possibility of postponing discussions to the month of June, he pointed out that in June there was no real tripartite discussion and that the driving force behind the work of the Committee was precisely to seek a consensus among Employers, Workers and Governments in order to best serve the interests of each group. The speaker recalled once again that, given the fact that the current cash surplus was due to the settlement of arrears, the funds should not be redistributed. To do so would have been acceptable if the surplus had resulted from cancelling planned activities, but this was not the case.

- 76.** The Director-General had noted that the detailed identification of the activities proposed could probably best be done in consultation with the constituents as part of the ILO's normal operational planning. This formal commitment on the part of the Director-General constituted a guarantee for the Committee. The fact that \$32 million, i.e. approximately two-thirds of the total amount, was devoted to technical and regional programmes as defined in the strategic budget constituted a further guarantee; however, the Workers would have preferred the proportion to be three-quarters rather than two-thirds.
- 77.** Mr. Botha said that the discussion on this topic had been both fruitful and interesting, and despite the different viewpoints presented Members were keen to find a consensus. The Employers shared the Workers' concern about leaving the issue unresolved until the Conference because many of their representatives would not be attending. Solutions should thus be found at this Governing Body session, including agreement on possible changes to those parts of the Financial Regulations dealing with the disposition of a cash surplus.
- 78.** The Chairperson adjourned the meeting for a short period to hold consultations with Committee members and the secretariat. Upon resumption he proceeded to sum up the course of discussion and to present some conclusions that it was hoped could be accepted by the broadest possible consensus. Taking account of all viewpoints expressed in a discussion and exchange of views that was very open and balanced, a number of conclusions could be drawn.
- 79.** A large majority of the Committee had expressed itself in favour of the proposals made by the Director-General in the Office document. A large majority also endorsed and ratified the explanations given earlier by the Director-General in his introductory statement.
- 80.** The Committee welcomed the Office's prudent management in recent years and acknowledged that the present debate was essentially a strategic budgeting discussion similar to that introduced for the 2000-01 programme and budget. The Committee noted that a number of priorities were voiced during the course of discussion by the Employers and Workers, as well as by certain governments, including those speaking on behalf of the African group and on behalf of GRULAC, but this list was not exhaustive. The Office had taken note of these suggestions.
- 81.** Also highlighted during the course of discussion was the need for more information to ensure that the Governing Body was properly informed in future discussions on this subject. As well as taking note of suggestions made and requests for additional information, the Director-General and the Office were committed to undertaking in-depth consultations with members immediately after the conclusion of this session of the Governing Body. The Director-General also undertook to keep the Committee and the Governing Body fully informed on the use of these resources within the context of the strategic policy framework.
- 82.** The last major conclusion emerging from the discussion was that a large majority recognized that article 18.2 of the Financial Regulations did not satisfactorily cover the situation being discussed by the Committee. Several speakers suggested that the relevant

provisions of the Financial Regulations should be revised. This would also require in-depth consultation in order to find a solution acceptable to all and it would seem advisable that a formulation to this effect should be included in the decision paragraph.

- 83.** The Chairperson then proposed the following alternative text to paragraph 22 of the Office paper:

The Committee may therefore wish to recommend that the Governing Body:

- (i) request the Director-General to propose amendments to the Financial Regulations in order that surpluses may be dealt with in an appropriate manner, taking into account the circumstances under which they have occurred; and
- (ii) propose to the 90th Session (June 2002) of the International Labour Conference that, in derogation of article 18.2 of the Financial Regulations, the 2000-01 surplus of 100,925,636 Swiss francs (equivalent to US\$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) be used in part to finance the items listed in the Appendix, amounting to 90,801,000 Swiss francs (equivalent to US\$51,300,000 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) and that it adopt a resolution in the following terms:

The General Conference of the International Labour Organization,

*Noting* that for the 2000-01 biennium an excess of income over expenditure has resulted in a surplus of 100,925,636 Swiss francs (equivalent to US\$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar),

*Decides*, in derogation of article 18.2 of the Financial Regulations, to use part of the 2000-01 surplus to finance the items listed in the Appendix amounting to 90,801,000 Swiss francs,

*Notes* that, taking into account the above appropriations, the amount available under article 18.2 of the Financial Regulations will be 10,124,636 Swiss francs.

- 84.** Mr. Botha, on behalf of the Employers, and Mr. Blondel, on behalf of the Workers, expressed agreement with the amended text for decision paragraph 22.
- 85.** The representative of the Government of Germany appreciated the cooperative spirit in which discussions had taken place but for reasons stated earlier was not able to join a consensus in favour of the point for decision. However, he would not oppose a consensus in favour, and he requested that this position be fully reflected in the report in order not to prejudice the position of his delegation at the Conference in June 2002.
- 86.** The representative of the Government of Japan regretted that he was unable to join a consensus in favour of the new decision paragraph 22. The Office should be accountable to member States for cash surpluses and the Financial Regulations reflected this accountability. In the absence of more information there should be no decision on the proposal.
- 87.** The representative of the Government of the Republic of Korea regretted that he too was unable to join a consensus in favour of the amended decision paragraph and wished to reserve his position until the next session of the Conference.

88. The representative of the Government of Namibia joined the Workers and Employers in favour of the new decision paragraph and hoped other governments would do the same. He expressed full understanding for the views of the representative of the Government of Germany and was grateful that it did not resist the consensus.
89. The representative of the Government of Algeria said that the African group fully supported the amended text for paragraph 22.
90. The representative of the Government of South Africa endorsed the views expressed by the representatives of the Governments of Namibia and Algeria.
91. The representative of the Government of New Zealand observed that a number of countries, New Zealand and Australia among them, had expressed disagreement with the recommendation in the Office paper. Although they would not block consensus they wished to reserve their position for future discussion.
92. The representative of the Government of the Russian Federation expressed regret that consensus had not been reached and joined the representatives of the Governments of Japan, Germany, the Republic of Korea and New Zealand in reserving his position for future discussion.
93. The representative of the Government of the United Kingdom agreed with the concerns expressed by the representatives of New Zealand, Japan and others. The United Kingdom would gladly participate in further consultations on this subject but at the moment wished to reserve its position. It would not block consensus but it did seem that views expressed during the course of discussion had not been taken fully into account.
94. The representative of the Government of Canada associated himself with the statement by the representative of the Government of the United Kingdom.
95. The Chairperson expressed appreciation to Committee members for their contributions to this interesting discussion. Despite reservations expressed by the representatives of the Governments of Germany, Japan, the Republic of Korea, New Zealand, the Russian Federation, the United Kingdom and Canada, there was a solid consensus in favour of the amended decision paragraph 22.
96. *The Committee therefore recommends that the Governing Body:*
- (i) *request the Director-General to propose amendments to the Financial Regulations in order that surpluses may be dealt with in an appropriate manner, taking into account the circumstances under which they have occurred; and*
  - (ii) *propose to the 90th Session (June 2002) of the International Labour Conference that, in derogation of article 18.2 of the Financial Regulations, the 2000-01 surplus of 100,925,636 Swiss francs (equivalent to US\$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) be used in part to finance the items listed in Appendix II to this report, amounting to 90,801,000 Swiss francs (equivalent to US\$51,300,000 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar) and that it adopt a resolution in the following terms:*

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

*Noting that for the 2000-01 biennium an excess of income over expenditure has resulted in a surplus of 100,925,636 Swiss francs (equivalent to US\$57,020,133 at the 2002-03 budget rate of exchange of 1.77 Swiss francs to the US dollar),*

*Decides, in derogation of article 18.2 of the Financial Regulations, to use part of the 2000-01 surplus to finance the items listed in Appendix II to this report amounting to 90,801,000 Swiss francs,*

*Notes that, taking into account the above appropriations, the amount available under article 18.2 of the Financial Regulations will be 10,124,636 Swiss francs.*

## **Information Technology Systems Fund**

(Third item on the agenda)

97. The Committee had before it a paper<sup>5</sup> containing a progress report on upgrades to the ILO's financial, procurement and human resources computer systems.
98. Mr. Blondel recalled that this paper had been submitted to the Committee for information. The Workers had noted the progress achieved in terms of upgrading the information technology systems and were pleased that the Office would present a progress report at the November 2002 session of the Committee. Turning back to the Office paper, he was surprised at the length of time between completion of the evaluation and selection process in March 2002 and the implementation of the project in January 2004, and wondered whether it would be not possible to reduce it. Lastly, the Workers' group wished to know what would be done with Office equipment considered to be obsolete.
99. Mr. Botha, for the Employer members, said that the cautious, conservative and considered approach to this project was further evidence of the prudent financial management practised by the Office. They sought further information on two points: the "small number of areas requiring attention" referred to at the end of paragraph 2; and the reasons for the expenditure of \$250,000 by vendors referred to in paragraph 8.
100. The representative of the Government of the United Kingdom expressed appreciation for the Office paper and supported the approach being taken to update financial, procurement and human resources computer systems in the ILO. The Office should extend this approach to all its information systems, taking into account the proposal in the previous agenda item to transfer a further \$5 million to the Information Technology Systems Fund. Now was the right time for expert assessment of information technology needs of the ILO and its constituents, especially in view of the vast amount of information held by the Office and the need to make it more accessible, perhaps through different levels of access for different constituents. A hasty and piecemeal approach could lead to inadequate or inappropriate information systems. The Office should take this opportunity to plan for the future.
101. The Treasurer then replied to queries from the Employer and Worker representatives. At first sight, it might seem that January 2004 was an excessively long lead time for implementation if the evaluation and selection process was completed on schedule by the end of May. However, this was only the first step. Enterprise resource management

<sup>5</sup> GB.283/PFA/3.

software was extremely complex and modifying it to respond to the very particular needs of the ILO would not only be a time-consuming process but also would represent the bulk of project expenditure up to that time. Already the Office was at a very advanced stage in defining user requirements through the scope workshops that had been held internally.

- 102.** Obsolete equipment was disposed of in two ways, either by sale or by donation to worthy causes. For the former, items were advertised and sold to the highest bidder. Items not saleable in Geneva were donated to developing countries and certain institutions in Switzerland on the condition that they were responsible for all freight costs. Other equipment was donated to certain organizations for training and rehabilitation purposes.
- 103.** The Treasurer confirmed that the ILO software selection process had been independently reviewed and approved by a well-known firm of consultants. It had offered advice on a few minor matters and these details would be made available separately if required. The costs of about \$250,000 incurred by vendors represented initial costs normally expected by firms as part of the bidding process. As a result of the economic downturn there had been a marked change from the situation two years ago, when firms were less interested in working with specialized UN systems, to the highly competitive climate of today and a willingness to adapt systems to highly specialized user requirements.
- 104.** On the call for detailed planning for information technology systems, the Treasurer recalled that the June 2000 Conference approved a Governing Body recommendation to establish an Information Technology Systems Fund with an initial capital of \$25 million, to be financed from the 1998-99 surplus. The Governing Body decided that \$20 million of this amount should be allocated for upgrading the ILO's financial systems. It later decided that the balance remaining of \$5 million should be allocated for the human resources computer system, so there was nothing left now for other important IT applications.
- 105.** First among these was a content document management system for electronically managing documents, emails, internal files, reports (both internal and external) and archives, all of which would be available to external users. This system would cost roughly \$3 million.
- 106.** Next was the need to improve the ILO's worldwide telecommunications systems. A task force was currently discussing an integrated voice and data communications network for the ERP and HRD systems, and also ways in which communications could be improved among ILO field offices. The ILO would probably choose a virtual private network because it did not have the means of some other institutions that had their own satellite-based private networks. Costs were still being examined but were likely to be in the region of \$3 million.
- 107.** The events of 11 September and the fire in the ILO building two months ago highlighted the need for a disaster recovery system, a point made by the External Auditor several times in recent years. The value of off-site backup and storage facilities was clearly evident in the immediate aftermath of 11 September and this should point the way for the ILO. In addition, the Office needed another computer room in the basement on the North side of the building to house central servers. The cost of these facilities would be about \$1.3 million.
- 108.** Data storage was another problem – in the last 12 months, stored data had increased from 180 gigabytes to 700 gigabytes and ERP would push this figure higher still. A storage area network was the most efficient way to deal with this problem and was estimated to cost \$900,000.

109. Text processing was another pressing problem. United Nations organizations and most consultants and external collaborators working with the ILO were using Microsoft software. One United Nation organization had decided to make the change only after an extensive study showed the advantages of doing so and it was only a matter of time before the ILO would have to follow suit. Licensing fees would cost about \$800,000.
110. The electronic voting system also needed to be revamped because some replacement parts were no longer available. This matter would be considered by another Committee of the Governing Body and a decision to upgrade the system would cost about \$600,000.
111. The total of these projects was well in excess of the \$5 million proposed for the Information Technology System Fund but the Committee could be assured that this money would not be spent before proposals were considered and approved by the Governing Body.
112. *The Committee took note of the Office paper.*

## **Building and Accommodation Fund** (Fourth item on the agenda)

### **Premises for the ILO Regional Office for the Americas (Lima)**

113. The Committee had before it a paper<sup>6</sup> containing a proposal to purchase land and approve plans for the construction of premises for the ILO Regional Office in Lima.
114. Mr. Botha said that the Employers believed this paper had raised more questions than it answered. The economic case was not clear, and in purely financial terms it would probably be better to keep the existing building and rent extra premises. Leasing or renting would certainly give much greater flexibility but perhaps this should be considered against the background of ILO policy on premises. Certainly the increase in staff numbers appeared to be justified, but was it really necessary to base this regional office in Lima and if so had the Government of Peru been approached for support?
115. Mr. Blondel stated that the Workers' group had not taken a stand as regards the acquisition or rental of premises and considered that the decision should be taken on a case-by-case basis. Concerning the ILO Regional Office for the Americas, in the light of the information provided, they were prepared to accept the proposal for the construction of a new building in Lima. A large increase in staff was expected over the next ten years, and the arguments in favour of building new premises rather than adapting the existing ones seemed to be cogent. Moreover, after deducting the sales price of the present premises from the cost of purchasing land and building the new premises, expenditure would be about \$2.1 million, whereas the balance available on the Building and Accommodation Fund was \$3.9 million. Of course, adoption of this proposal would imply the appointment of a building subcommittee which would meet at the next session of the Governing Body, as stated in paragraph 8 of the document. Lastly, the Workers wished to know whether the Peruvian Government would participate directly or indirectly in this project. They also sought additional information on the cost of equipment (installation of information technology,

<sup>6</sup> GB.283/PFA/4.

furniture, cabling, security, etc.) and wondered under what budgetary item these inevitable expenses would be included.

116. The representative of the Government of the United Kingdom, speaking on behalf of the IMEC group, would have preferred to see a prioritized, coordinated and costed long-term ILO building and accommodation plan that took account of all moves foreseen by the Office, rather than considering them piecemeal.
117. IMEC members supported the suggestion that a building subcommittee of the PFAC be appointed in order to make recommendations on construction plans and cost estimates for premises in Lima. In subparagraph (c) of decision paragraph 9 they requested that the word “approximately” be replaced by “a maximum of”.
118. The representative of the Government of Japan expressed support for the statement made on behalf of IMEC members and had sought additional information from the Office before this meeting. The paper appeared too general, with little information on the independent consultant’s report, the building plan and even the financial plan. From this paper it was impossible to make an informed judgement but in any case land should not be bought before a building plan was agreed. He urged the Office to make more information available so that a decision could be taken at the next session of the Governing Body.
119. The representative of the Government of Algeria, speaking on behalf of the African group, asked what would happen to the existing office if new premises were built. He asked also whether the host country would be making any contribution to this project.
120. The representative of the Government of Panama observed that the proposal involved a substantial sum of money and before taking a decision the Office should look in more detail at other alternatives. This should include a full cost-benefit analysis of possible relocation to other centres where the necessary infrastructure was already in place.
121. The Treasurer said that the Office considered the question of whether to buy or rent case by case for each field office. The choice was much easier in some countries where land or premises were donated by the government to the ILO. The Government of Peru had not made such an offer, probably because of economic conditions prevailing in the country.
122. As far as the other regional offices were concerned, in Bangkok the ILO occupied part of the UN building. The rent was quite high but still reasonable in view of the services included, such as security and conference room facilities, and there was room for expansion if necessary. In Abidjan, the choice was clear. When the ILO moved the regional office from Addis Ababa to Abidjan the Government of Côte d’Ivoire donated a building in a prime location in Abidjan which the ILO then adapted to its needs. The Beirut arrangement was even better – the Lebanese Government provided suitable accommodation rent free for the ILO Regional Office.
123. The ILO building in Lima was bought for \$100,000 in 1969, and despite the devaluation of Peruvian currency was now worth about \$1 million. As Mr. Blondel had stated, the total cost of new premises would be about \$3.1 million, from which about \$1 million would be deducted for the sale of existing premises, to give a net cost of about \$2 million. Installation costs estimated by the consultant included air conditioning and computer cabling, but the Office intended to take existing furniture, equipment and computers to the new premises so there would be no additional set-up costs for equipment.
124. The IMEC group pointed to the need for a more coordinated policy toward accommodation requirements, and this could be developed for a future session of the Governing Body. At this meeting the Committee had two proposals on this subject to consider, one concerning

the Lima Office and the other concerning Geneva headquarters. In the discussion on the 2000-01 cash surplus mention was made of a shortage of accommodation in Abidjan, which was caused by an increase in activities related to the Declaration and IPEC. At the November 2002 session of the Governing Body the Committee would consider proposals to add two or three floors to the existing annex in Abidjan, the cost of which at present was estimated at \$700,000. The Office was happy to accept the other suggestion put forward by the IMEC group that the word “approximately” in the last subparagraph of decision paragraph 9 be replaced by “a maximum of”.

- 125.** The Treasurer confirmed that a request had been received from the Government of Japan concerning ownership and rental details for the ILO regional offices. The Office had replied but was of course at the disposal of the Governing Body for any supplementary information required, including the independent consultant’s report on premises in Lima. In reply to a query from the representative of Algeria, speaking on behalf of the African group, the Treasurer confirmed that the Office hoped to dispose of the existing property in Lima for about \$1 million.
- 126.** On the possibility of moving the regional office to other sites, past experience confirmed that it was an extremely difficult exercise. Even with the troublesome episodes in the history of the Lima Office, the most memorable being the one-month sit-in by a group of disaffected fishermen in 1994, proposals to move had been rejected in favour of staying in Lima.
- 127.** Based on the figures in the Office paper the payback period for the total cost of new premises would be a maximum of ten years, but if rent estimates were increased to allow for inflation it would be more like eight years. The main advantage of owning would be a building custom-built to ILO requirements and with adequate security protection. This was an important consideration in Lima. The present ILO office was occupied again recently, and a new building could be designed with security features in mind. As a final point it was worth noting that there was no budgetary provision for renting extra premises in the 2002-03 biennium so if this option were chosen additional financing of about \$400,000 would have to be found.
- 128.** Mr. Botha expressed appreciation for the Treasurer’s comments but the Employers still felt uneasy about the proposal. The new site was nearby so the possibility of occupation in future could not be ignored. But in any case, rental arrangements were not only financially more attractive but also more flexible and easier to terminate if the need arose. The desire to minimize disruption when moving premises was understandable but this should not stand in the way of relocation if premises were being offered free of charge in other Latin American countries. The Employers would prefer to see this whole proposal re-examined and considered again by this Committee at the November 2002 session of the Governing Body.
- 129.** Mr. Blondel explained that the Workers were prepared to support the construction of new premises for the ILO Regional Office for the Americas and hoped that this second acquisition would be as profitable as the first had been. However, there appeared to be a certain number of problems, in particular relating to security and stability. Although no country could claim to enjoy permanent stability, the Workers would like nonetheless for the Office to provide certain guarantees. The Committee was there to help the Office to take the decision, but it was not for it to take the decision itself. The Workers therefore wished the Office, following consultations, to give an assurance that the Peruvian Government or State took an interest in keeping the ILO Regional Office in Lima. This would lend a certain amount of credence to the project, even if only temporarily.

130. A representative of the Director-General (the Director of the ILO Regional Office for the Americas in Lima) expressed appreciation for the interest and constructive suggestions from members on this proposal. The fact was that the ILO Regional Office in Lima could not continue to operate in its existing premises. At the moment it accommodated 73 officials but this would shortly increase to between 80 and 90, and by 2005 it would expand to about 125, all as a result of increased activities in Latin America for workers, employers and governments. Several technical cooperation projects were based there and funding received recently from various donors had enabled a series of vacant posts to be filled. It was obvious to all that work could not continue properly in the cramped conditions. As the Office paper described, the two possible solutions were either to rent more premises or to build new ones, and these were set out in detail in the Office paper.
131. The issue of security had been raised by several speakers. The present office was located in a residential district of Lima and the proposal to purchase envisaged moving to another site in the same area. From a security point of view the two were completely different. The present office was little more than a house, but a new building would have the advantage of modern security protection. Moving the regional office to another country was not a simple exercise because the ILO had entered into arrangements with the Peruvian Government. In the delicate political climate of a few years ago consideration had been given to moving the office to another country, but the costs would have been too great, not least because of compensation payable to local staff unwilling to move. As the Treasurer had mentioned, the Peruvian Government had shown considerable goodwill to the ILO but it was itself going through a painful period of economic upheaval at the moment. Despite these problems, the Government had offered some installations in the historic centre of Lima, but unfortunately they were not suited to the ILO's needs and presented security problems. This was shown by a recent fire in an area close to the historic city centre. As a final comment, the Regional Director thanked the members for their attention and he would be pleased to provide further information if required.
132. Mr. Botha said that the Employers would reluctantly support the proposal on the understanding that the Office would make every effort to limit costs for the new building to \$1.75 million, and that the sale value of \$1 million estimated for the existing premises in Lima was a realistic valuation.
133. *The Committee therefore recommends that the Governing Body:*
- (a) agree to the proposal to purchase land for the construction of a building to house the ILO Regional Office for the Americas, in Lima, and agree that the cost, which is estimated at US\$1.1 million, be charged to the Building and Accommodation Fund;*
  - (b) approve in principle the preparation of plans and cost estimates relating to the construction of a building to house the ILO Regional Office for the Americas, in Lima; and*
  - (c) agree that the cost of construction of a building to house the ILO Regional Office for the Americas in Lima, estimated at a maximum of US\$1.75-2 million, be charged to the Building and Accommodation Fund.*

**Additional office space at headquarters**

- 134.** The Committee had before it a paper<sup>7</sup> concerning the need for extra office space at Geneva headquarters.
- 135.** Mr. Blondel said that this document had aroused considerable debate among the Worker members and the lack of space at headquarters was the subject of genuine concern. Despite appearances, the lay-out of the building was not conducive to finding additional office space, particularly to a reasonable standard. The growth of a number of activities such as IPEC, the Declaration, and so on, made a mockery of predicted requirements, given the current need to accommodate approximately 70 additional persons. The Workers found the solutions proposed in the document both too complicated and too expensive, particularly the annual renting of office space to meet immediate needs. With regard to the installation of temporary office buildings, it was imperative to ensure that this constituted a genuinely temporary measure. If, in fact, such buildings corresponded to a long-term requirement, it might be more advisable to try to increase the capacity of headquarters by the installation of lasting buildings. Furthermore, the Governing Body had often expressed its support for decentralization, which should imply sending some staff into the field. The Workers would be interested to hear further details from the Office before making a more formal statement on the issue.
- 136.** Mr. Botha said that the Employers were surprised to receive this proposal because it seemed that there was still plenty of space in the headquarters building. Admittedly, the building was somewhat outdated and it might be difficult to carry out building changes, but a much more efficient use of space could be achieved by switching to open-plan offices. This had been the experience in modern office planning and the ILO should try it, even if with only a pilot project. There were large open and empty spaces throughout the building which in any commercial operation would have been used already.
- 137.** The Employers would be interested to know how this need had arisen. For example, were all offices currently used by ILO staff, or were some available for associations, retired people, other organizations and institutions, and, if so, on what terms? If any of the additional or temporary staff referred to in the Office paper were engaged on project work, the extra-budgetary funds generated should be used to provide office space. The Employers regretted this fragmented approach to matters concerning buildings and premises and supported the suggestion by the IMEC group that a coordinated approach would be much more efficient.
- 138.** The representative of the Government of the United Kingdom, speaking again on behalf of the IMEC group, reiterated their preference for a prioritized, coordinated and properly costed ILO buildings plan to be put to the Governing Body for consideration. It should include an independent assessment of the current use of space, as well as the potential for reconfiguring and refurbishment and intended moves from headquarters to the regions. It should also identify the maintenance and renovation work likely to be required over the longer term as identified by an independent survey of the ILO's accommodation. This would enable the proposals to be considered in a more coherent fashion, which was all the more important in view of the proposal to add a further \$5.5 million to the Building and Accommodation Fund.
- 139.** They supported the Director-General's intention to reinforce regional services and had hoped to see more rapid progress on the decentralization of headquarters posts. It was

<sup>7</sup> GB.283/PFA/4/1.

difficult to understand why there was a need to purchase temporary office buildings at headquarters to accommodate more personnel in Geneva and there should be clearer justification of the immediate requirement for 1,000 m<sup>2</sup> of office space. Given that this proposal was for temporary accommodation it would be useful to know whether the Office had considered either renting the type of temporary accommodation sought or reviewing the potential for better use of existing office space, as well as how long the temporary accommodation would be needed. If purchasing was considered to be a better option than renting there should be some information on expected resale value. The IMEC group urged the Director-General to explore other more sustainable solutions and to provide the Committee with better information on which to judge the merit of these proposals.

- 140.** The representative of the Government of Japan supported the statement on behalf of the IMEC group and the Employers' view on the use of open office space. The proposal covered the main points but it lacked the detailed information needed for a proper decision. As the previous speaker had remarked, it was difficult to understand why temporary accommodation was necessary when the Office was following a policy of decentralization. Even if the proposal for additional temporary accommodation was justified, the Office should consider the many advantages to be had from open-plan offices.
- 141.** The representative of the Government of Denmark fully supported the statement made by the representative of the Government of the United Kingdom on behalf of the IMEC group. The proposal was very difficult – one could sympathize with officials in need of office space but it was difficult to persuade decision-makers that \$550,000 of ILO money should be spent on temporary office buildings, especially if extra-budgetary resources could disappear and the ILO be left with empty office space and a wasted investment. But the issue was also concerned with where and when officials were needed. During the Governing Body discussion 12 months ago there was strong agreement that the regions needed to be reinforced and the Director-General committed himself to working with executive and regional directors to identify posts that could be decentralized to the regions. The field structure should be reviewed in order to make it more efficient, effective and transparent, and to ensure that support was provided to members where the need was greatest.
- 142.** If the Office believed it necessary to have more office space at headquarters, it should review the possibility of reorganizing existing office space, as others had already mentioned. The \$550,000 requested could probably be better spent on upgrading the present building. The Office should look at a number of related questions, such as whether archives and storage rooms were well used, the extent to which electronic storage could be used and whether existing office space could be reorganized, perhaps using open plan to give additional space, as already suggested by other speakers. The Danish Government would be much more open to a proposal to use these funds either for office space in the regions or for more sustainable solutions so that the benefit would be more widespread. It was not in favour of the proposal as it stood.
- 143.** The representative of the Government of Panama suggested that an architectural study should be carried out in order to see how free space in the headquarters building could be best used. It was quite possible that the proposal for temporary office space elsewhere might be improved on by locating new office space in this building. Keeping everything under one roof as far as possible would save time and money and would be better than the proposal in the Office paper.
- 144.** The representative of the Government of Canada supported the IMEC group's statement and observed that a recent JIU report discussed at the United Nations in New York referred to a growing trend towards what was described as a rational use of office space. The ILO had occupied this building now for some 30 years and it was time now for it to carry out

such a study itself. The need at headquarters was clearly not as urgent as that in Lima and, if this temporary requirement was responding to technical cooperation needs, the Office should ensure that it was paid for by the administration charge on projects, not by regular budget resources.

- 145.** The Treasurer observed that the shape of the headquarters building had been the subject of much comment but, as Mr. Blondel had pointed out, certain design features prevented some space being used to accommodate officials. This matter had been raised by the External Auditor a few years ago and after considering the matter in detail the Office response then was that it would be extremely difficult to use space any more efficiently. The Committee could be assured that the need described in the Office paper was both real and immediate. All sorts of temporary arrangements had been made in an effort to satisfy the demand for accommodation in the headquarters building. The large documentation centre on the top floor belonging to the Institute for Labour Studies had been moved to the basement, thus liberating that floor area for office space. As well, open-plan offices had been created on the 11th floor; on level R2, room VIII now housed the travel agent, thereby freeing its former premises on the 6th floor for more office space; room X now accommodated Enterprise Resource Planning (ERP) project personnel, which would number 30-40 people by the end of this year; and documentation stored in office space around the building had been moved to the basement, again to liberate office space. Archives were housed in the basement in areas unsuitable for offices but despite all these efforts the demand for office space exceeded the supply.
- 146.** Open-plan offices were an attractive concept and already existed in several places throughout the building. The Information Technology Bureau had open-plan offices on the 1st floor; the Employment Department had the same on the 8th floor, as did the Institute on the 11th floor. The Publications Bureau operated in open-plan offices before the fire recently, and that space would be occupied by the Communications Bureau, also in open-plan offices; and at the south end of the 11th floor the Director-General had given up space for open-plan offices. Expanding this concept into other areas of the building would not address immediate needs and should be regarded as a long-term project to be put in place over two or three years at the earliest.
- 147.** The costs were considerable. Partitions would have to be taken down, lower partitions for open space would have to be designed and then made, and furniture such as tall cupboards, which for safety reasons were normally placed against walls, would have to be replaced. Even then, open-plan offices were not the complete answer because certain types of work, such as that performed by researchers and translators, were not suited to open-plan offices. The best solution clearly would be to reorganize existing space, but this was not an immediate answer. The proposal in the Office paper was the quickest solution but it was only temporary.
- 148.** As a number of speakers had remarked, this accommodation was to house additional temporary and long-term staff on extra-budgetary activities such as IPEC, DECLARATION, the ERP system project and others. It was difficult to measure exactly the cost of resources needed to support these activities. In the UN system it was felt that the standard charge of 13 per cent covered only a half of total costs but even this was compounded by the fact that some costs were step-variable rather than linear.
- 149.** There was also the question of decentralization. The Director-General had made it clear that he intended to continue the process of decentralization and that was why a temporary solution was thought the most appropriate. The position would be more settled in two years' time, at which point a longer term solution could be considered. Many useful suggestions had been made on how this might be done but in the meantime temporary accommodation was the best choice.

- 150.** Mr. Blondel welcomed the additional information but believed that an architectural study would help to demonstrate whether it was impossible to make any better use of the headquarters building. It should also be established whether the needs were genuinely immediate. If that were not the case, the Workers would like the decision to be postponed until November.
- 151.** The representative of the Government of Switzerland, in reply to a query, confirmed that institutions did exist in Switzerland to give guidance and advice to international organizations, both within and outside the UN system, on matters related to the purchase of land and construction of buildings.
- 152.** Mr. Botha said that the Employers would have preferred to reconsider this question at a later date but they appreciated the urgency of the problem. It would be useful to know to what extent offices were occupied by non-ILO staff and what tenancy arrangements were in place.
- 153.** The Treasurer explained that the tenants in the building did not all occupy office space. The travel agent had moved from the 6th floor to room VIII on level R2, and the bank, which had also occupied a number of offices on the 6th floor, had constructed new premises above the restaurant on level R3 at a cost of 2 million Swiss francs, which was borne entirely by the bank. Another was the Naville kiosk, but the space it occupied could not be used for offices.
- 154.** About 20 m<sup>2</sup> were rented out to the open university for just over 20,000 Swiss francs a year, but this space also was not suited to permanent offices. The German International Officials' Association rented 25 m<sup>2</sup> and a small organization that worked with the Relations and Conference Department on conference work occupied 18 m<sup>2</sup>. The United Nations Federal Credit Union occupied 31 m<sup>2</sup> of office space, but would be moving shortly down to the R2 level, again to an area that would not be used for office space.
- 155.** The Office also had a long-standing arrangement with the International Social Security Association (ISSA) under which the ILO was to accommodate ISSA as part of the agreement between the two. The total space was a little over 1,000 m<sup>2</sup>. At one time the ILO also paid ISSA a cash subsidy but this was abolished in 1996-97 when the ILO was in a period of financial crisis. The Treasurer agreed with Mr. Blondel's suggestion that there should be an independent architectural assessment of the ILO building to look at ways of using space more productively. The Office would be most receptive to any recommendations because temporary buildings were not attractive, even though they were a quick and effective solution to an immediate problem. In reply to a query concerning the resale value of the buildings when they were no longer required, the Treasurer explained that contracts for the purchase of these units sometimes included a buy-back arrangement with the vendor for resale back within a period of 24 months after purchase. The Office hoped to negotiate a buy-back if possible, but this would be negotiated individually with the tendering companies.
- 156.** The Chairperson observed that a number of comments and qualifications had been made by members during the course of discussion, and to take them fully into account he suggested that the existing decision paragraph should be followed by another sentence, to the effect that the Office should re-evaluate the situation with the relevant authorities and report back in November on proposals for the optimal use of existing space in ILO headquarters.
- 157.** Mr. Blondel insisted that temporary buildings should be just that, and should not be held on site for more than two years. He asked for confirmation that the figure of \$550,000 was the cost price to buy the temporary units, not the cost of two years' rental.

158. The Treasurer confirmed that \$550,000 was the outright purchase cost for the temporary buildings, and the Office would negotiate the resale of these units when no longer required.
159. Mr. Blondel asked for this clarification to be recorded in the report of the meeting, and Mr. Botha expressed support for that request.
160. *The Committee therefore recommends that the Governing Body:*
- (i) *agree to the proposal to purchase temporary office buildings at headquarters, and agree that the cost, which is estimated at US\$550,000, be charged to the Building and Accommodation Fund; and*
  - (ii) *request the Office to re-evaluate the situation with the relevant authorities and to report back to the November 2002 session of the Governing Body with proposals for the optimal use of existing space in ILO headquarters.*

### **Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2000** (Fifth item on the agenda)

161. The Committee had before it a paper<sup>8</sup> describing follow-up action taken by the Office to the Chief Internal Auditor's report for the year 2000.
162. Mr. Botha, speaking on behalf of the Employer members, was pleased that the Office had implemented the recommendations made by the Chief Internal Auditor. He wondered what was the responsibility of the Governing Body with respect to the Staff Health Insurance Fund.
163. Mr. Blondel, speaking on behalf of the Worker members, observed that the document responded to observations and recommendations made by the internal audit service in respect of the year 2000. Most of the responses concerned field offices, technical cooperation projects and the International Training Centre in Turin but he also welcomed the implementation of the recommendations concerning the personal accounts at headquarters and in the field. It appeared that internal control procedures had been improved in every case and the Office was to be commended. It was gratifying to see that the recommendations regarding staff training, an item the Worker members actively supported, would be implemented during the course of 2002.
164. The Legal Adviser, replying to a query from Mr. Botha, said that the relationship between the Office, the Governing Body and the Staff Health Insurance Fund was quite complex. The Fund had been created by the Office according to a provision in the Staff Regulations originally approved by the Governing Body. The Fund was autonomous and managed by a Management Committee, of which half the members were elected by Fund members, that is eligible participants from the ILO and the ITU, and the other half appointed by the Director-General of the ILO and by the Secretary-General of the ITU. The Regulations were drawn up by the Management Committee and approved by the Fund members, and the executive heads of the ILO and the ITU. The technical management of the Fund assets is entrusted to the ILO. Contributions to the Fund are fixed by the Management Committee, subject to approval by the executive heads of the ILO and the ITU, but if an

<sup>8</sup> GB.283/PFA/5.

increase is required in the contributions payable by the ILO or the ITU, the approval of both Governing Bodies is mandatory under the Financial Regulations of both organizations. This last circumstance is the only case where the Governing Bodies are involved with the financial affairs of the Staff Health Insurance Fund.

- 165.** Mr. Botha thanked the Legal Adviser for his comments, but reiterated his concern about the implementation difficulties and system errors observed at the International Training Centre in Turin. With reference to the human resources strategy, the Internal Auditor had pointed out that work associated with the implementation of the human resources strategy during 2000-01 had delayed preparation of updated policies and procedures in the form of new personnel circulars, manuals and guidelines, and he hoped that this revision work would be resumed as soon as possible.
- 166.** *The Committee took note of the Office paper.*

## **Report of the Chief Internal Auditor for the year ended 31 December 2001**

(Sixth item on the agenda)

- 167.** The Committee had before it a paper<sup>9</sup> containing the report of the Chief Internal Auditor for the year 2001.
- 168.** Mr. Blondel said that the document, submitted for information, took on particular importance in the context of strategic budgeting. He pointed out, as he already had in a previous Committee meeting, that the small print size made it difficult to read the document. The Workers welcomed the work of the Chief Internal Auditor and called on the Director-General to follow up on its recommendations. He asked for clarification of two points contained in the document. In paragraph 41, it was stated that the requirement to open a bank account exclusively for the funds of the IPEC project had been waived. The Workers would like to know the reason for this waiver, given that the transparency of the project was of fundamental importance. With regard to paragraph 42, the Workers would appreciate further information on the error by UNDP.
- 169.** Mr. Botha said that the Internal Audit section played an important part in the governance function and was confident that the Office would implement all the recommendations in the report.
- 170.** The Treasurer assured Mr. Blondel that the print size in the Office paper would be standardized throughout the document from now on. In reply to the query concerning IPEC, he explained that separate bank accounts were set up for ILO partners in IPEC programmes because it made financial analysis easier. In the case cited by Mr. Blondel an incorrect charge from UNDP paid and then refunded in local currency resulted in an exchange loss which the ILO was in the process of claiming from UNDP in New York.
- 171.** The Chief Internal Auditor confirmed the Treasurer's explanation and added that Internal Audit had made recommendations to ensure that incorrect charges of this nature from UNDP did not happen again.
- 172.** *The Committee took note of the Office paper.*

<sup>9</sup> GB.283/PFA/6.

## **Programme and Budget for 2002-03: Technical meetings reserve (Seventh item on the agenda)**

- 173.** The Committee had before it a paper<sup>10</sup> containing details of technical meetings to be selected for 2002-03.
- 174.** Mr. Botha expressed appreciation for the Office paper which originated from a request by the Employers. The HIV/AIDS programme was a recent addition to ILO activities and it was vital to evaluate and address its impact in the workplace by evaluating and monitoring the implementation of the code of practice. The Employers therefore supported meeting (d) as a first priority, followed by (e) if funds were available.
- 175.** Mr. Blondel said that the Workers' group failed to understand the difference in cost between meetings which were equally interesting and useful. He asked why the combined cost of two meetings, namely meetings (e) and (f), was equal to that of meetings (a), (b), (c) and (d), respectively. With regard to the choice of meetings, the Workers agreed with the spokesman for the Employers on the importance of meeting (d) on best practices and lessons learned in HIV/AIDS workplace policies and programmes. However, meeting (f) on improving youth opportunities would also be a welcome initiative and the Workers were ready to support a majority decision.
- 176.** The representative of the Government of the United Kingdom supported meetings (e) and (f). A meeting of experts on matters of security, safety and health in ports and docks had already been scheduled to take place in Baltimore so the one proposed under meeting (f) could perhaps be held at the same time. She wondered why the meeting on youth employment was bipartite rather than tripartite.
- 177.** The representative of the Government of the Netherlands expressed support for meeting (b) on socially responsible investments for decent work and hoped that others would also support this proposal.
- 178.** The representative of the Government of Lithuania commented that all the proposed meetings were worthwhile, especially (b) which aimed at the promotion of decent work, but the growing difficulties facing young people in finding jobs and the continued demand for labour in ports persuaded her to support meetings (e) and (f).
- 179.** The representative of the Government of Namibia commented that the HIV/AIDS pandemic was particularly prevalent in Africa and he expressed firm support for the meeting under (d) on best practices and lessons learned in HIV/AIDS, workplace policies and programmes.
- 180.** The representative of the Government of India supported the point for decision in paragraph 5 that the balance in the technical meetings reserve be used to finance more technical meetings and he favoured (e) on improving youth opportunities and then (f) on security, safety and health in ports. Youth unemployment as well as total unemployment in India was high and with the trend towards globalization there had been a shift in focus towards privatization. This led to increased demand for higher levels of skill and competence which were beyond the reach of unemployed youth. In developing countries such as India formal sector employment was stagnant and growth, if there was any, was

<sup>10</sup> GB.283/PFA/7.

limited to the informal sector. Of the 19-24 age group, only about 5 per cent were skilled workers and the quality of employment, particularly in the informal sector, was poor. Technical meeting (e) should be organized to permit a wide exchange of experiences which might help expand employment opportunities in the formal and informal sectors. The ILO's code of practice in regard to safety and health in dock work had last been revised in 1977 and the revision of this code of practice under meeting (f) would be particularly beneficial to port workers in developing countries.

- 181.** The representative of the Government of Canada supported meetings (e) and (f) but would welcome information on points raised by previous speakers.
- 182.** The representative of the Government of Denmark preferred meetings (e) and (f) but could also support (d).
- 183.** The representative of the Government of Trinidad and Tobago supported meeting (d).
- 184.** The representative of the Government of Mexico expressed support for using the \$204,000 to finance technical meetings beneficial to developing countries and she supported meeting (e) on improving youth opportunities and (c) on promoting decent work through occupational health and safety.
- 185.** The representative of the Government of Brazil preferred meeting (d) on best practices and lessons learned in HIV/AIDS workplace policies and programmes and meeting (e) on improving youth opportunities.
- 186.** The representative of the Government of Nigeria said that limited funds meant a choice had to be made and, taking into consideration the AIDS pandemic in his and other developing countries, he supported proposal (d) on best practices and lessons learned in HIV/AIDS, workplace policies and programmes. More resources were needed also for the creation of jobs and the alleviation of poverty, and any support the ILO could give to meeting (e) on improving youth opportunities would be most appreciated.
- 187.** The representative of the Government of Slovakia supported meeting (b) for socially responsible investments for decent work and (e) on improving youth opportunities
- 188.** The representative of the Government of Panama felt that all the proposals could be justified but, given his country's young population, job creation was paramount and he supported meeting (e) on improving youth opportunities and (b) on socially responsible investments for decent work.
- 189.** The representative of the Government of Algeria agreed with other speakers that all proposals were important for Africa, but in establishing priorities they favoured meeting (d) on best practices and lessons learned in HIV/AIDS, workplace priorities and programmes and (a) for an international meeting on promoting decent work in crisis contexts. Meeting (e) on improving youth opportunities was also of paramount importance for the African continent in general.
- 190.** The representative of the Government of France supported meeting (f) on security, safety and health in ports, not only because of its importance but because it could be quickly organized and also meeting (e) because, in terms of labour standards, it was important to enable workers' and employers' organizations to collaborate in promoting greater opportunities for young people.

191. The representative of the Government of the Islamic Republic of Iran said that unemployment was on the rise in many developing countries, especially among the young and his preference was for meeting (e).
192. The representative of the Government of Italy thought that all were important but stated his preference for meetings (e) and (f).
193. The representative of the Government of the United States agreed that all were important but he endorsed meetings (e) and (f).
194. The representative of the Government of Chile preferred meetings (b) and (e).
195. A representative of the Director-General (the Director of the Bureau of Programming and Management) explained that the proposals for the meetings had come from technical sectors in the ILO and each had been asked to justify its proposal in terms of its contribution to the achievement of strategic and operational objectives. The Governing Body had decided to reserve a certain amount of money in the programme and budget to ensure that there would be technical meetings and it was a matter of deciding on proposals within available resources. As regards the cost of the meetings, those of a more technical nature tended to be smaller in terms of the number of participants and were therefore cheaper to finance while others, especially those designed to facilitate a broad exchange of views, required a large number of participants and were therefore more expensive. Meeting (e), on improving youth opportunities, was bipartite and therefore would have fewer participants. The meeting on security, safety and health in ports was a technical meeting of experts. Like meeting (e) it would have relatively few participants and would cost less.
196. Mr. Blondel regretted the fact that members of the Committee were forced into choosing between options, and the Office should have held consultations before submitting its proposals. Nevertheless, the Workers' group had a preference for meeting (d) on best practices and lessons learned in HIV/AIDS workplace policies and programmes, even though issue (e) on improving youth opportunities seemed particularly important in the context of the follow-up to the Employment Forum.
197. Mr. Botha agreed with the proposal made by Mr. Blondel that the preferred choice was the meeting on HIV/AIDS, workplace policies and programmes, followed by the meeting on improving youth opportunities if funds were available.
198. The Chairperson confirmed that from the views expressed there seemed to be a clear consensus in favour of meeting (d), followed by preferences for meetings (e) and (f) to the extent that funds were available.
199. *The Committee recommends to the Governing Body that the balance of US204,000 remaining in the Technical Meetings Reserve for 2002-03 be used first to finance the meeting on best practices and lessons learned in HIV/AIDS, workplace policies and programmes and that any balance be used to the extent possible for the meetings on improving youth opportunities and on security, safety and health in ports.*

## **Delegation of authority under article 18 of the Standing Orders of the International Labour Conference**

(Eighth item on the agenda)

200. The Committee had before it a paper<sup>11</sup> on the delegation of authority to the Officers of the Governing Body for the duration of the 2002 Conference.
201. The Committee decided to delegate to its Officers (the Chairperson and spokesperson for the Employer and Worker members of the Committee), for the period of the 90th Session (June 2002) 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 68th financial period ending 31 December 2003.
202. *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.*

## **ILO programme implementation 2000-01**

(Ninth item on the agenda)

203. The Committee had before it a paper<sup>12</sup> containing detailed information on the implementation of the Programme and Budget for the 2000-01 biennium.
204. Mr. Blondel pointed out that this was the first time the Office was submitting a report on programme implementation covering the biennium using strategic budgeting concepts; this was a new practice resulting from a decision taken by the Governing Body. Strategic budgeting was based on performance and measured by outcomes and impact rather than by the activities themselves, as had previously been the case. This approach raised a number of difficulties connected with the targets and indicators. Some were straightforward but others were difficult to qualify and quantify. Changes would most probably have to be made in the light of experience. In particular, an attempt should be made to elaborate both quantitative and qualitative indicators or parameters.
205. In these circumstances and given that all the information was not available, as mentioned in the report itself, it was very difficult for the Workers' group to assess how well the programmes had been implemented. He hoped that it would be easier to pass judgement after reading the report to be submitted to the Conference in June and the following reports.
206. Turning to more specific points, he noted the problem of the lack of coherence and collaboration between headquarters and the regions, raised in paragraph 12, and recalled that this was a vital issue. There should be closer dialogue with the constituents and the field offices and, in this respect, he welcomed the convening of the joint programming workshop held in October 2001. In paragraph 14, the Office had listed a number of lessons drawn from consideration of the programme implementation report for 2000 which should be useful.

<sup>11</sup> GB.283/PFA/8.

<sup>12</sup> GB.283/PFA/9.

- 207.** Without wishing to question the concept of strategic budgeting, the Workers would like some indications on the percentage of budget expenditure at headquarters and in the field. In concluding, the Workers were aware of the difficulty of the task but hoped that the next and following reports would provide more information and be more quantitative in nature. This did not mean that the report on ILO programme implementation should have the same standing as the report of the Director-General to the Conference; but this document should make it possible to gauge the direction in which the ILO was moving. The Workers hoped the Office would do so, despite the many difficulties to be overcome.
- 208.** Mr. Botha, on behalf of the Employer members, said that this implementation report covered the first biennium under the strategic budgeting framework. The report challenged the Governing Body to exercise its responsibilities to assess the work accomplished and give guidance on future priorities. Members had already expressed themselves on a number of occasions in the past and these views were reflected in the Office paper. In a sense the timing was a little unusual but the present discussion should help in preparing the budget for 2004-05. The report was necessarily concise but one was left with the impression that some activities, mainly cross-sectoral programmes and regional activities, were simply tacked on at the end. They deserved a higher status than that. Except for that qualification, the layout was interesting and informative. The strategic objectives had all been met, some to a greater extent than others. The sections on strategies, results and lessons learned were extremely useful for the way in which they focused attention where it was most needed.
- 209.** Results varied among the four strategic objectives. The work on standards was well carried out but did not always meet its objectives. The employment section was a model of achievement, with excellent results for the targets and outcomes of all operational objectives. Social protection was well analysed, but based on results the tripartism and social dialogue section would benefit from closer scrutiny. Generally, however, the results were very positive but perhaps this was not surprising because they were written by officials involved in the programmes.
- 210.** Perhaps the Governing Body should take a more introspective view for the next programme and budget. Of course it was uncomfortable to talk about mistakes but this was the greatest benefit from concentrating on outputs rather than inputs. Others should learn from the social protection sector, the only one to describe its learning experiences in detail. As well, the document tended to focus largely on projects and one of the biggest problems facing the ILO was how to localize programme governance at programme level. The objective should be to keep ILO inputs to a minimum, not least because an overwhelming ILO presence could be counterproductive.
- 211.** Mr. Botha said that the Employers had a number of detailed comments to make on various sections of the Office paper, but he suggested that in the interests of efficiency and to save time they could be listed in a separate document.
- 212.** The Chairman replied that many speakers had asked for the floor and to save time it would be most helpful if these additional comments could be provided in a separate appendix (attached as Appendix III to this report).
- 213.** Mr. de Arbeloa (Employer member, Venezuela) referred to paragraph 161 of the Office paper. This paragraph could give the impression that solid progress to promote social dialogue had been made following the Ministers' Meeting and the Conference of Ministers of Labour. This was not so in the case of his own country, where the Government was systematically violating the principles of social dialogue and tripartism and persecuting trade unions.

- 214.** The ILO had tried to help, and he expressed appreciation for its efforts, in particular those of the Employers' Bureau. Despite the efforts of governments, revolutionary forces were threatening the stability of countries in the region and there were signs that democracy and freedom were under threat in other countries as well. The Governing Body should also be aware that Convention No. 169 on indigenous peoples, which was strongly promoted by the ILO, had caused serious difficulties in the Latin American region, particularly in Ecuador, Peru, Colombia, Mexico and Venezuela.
- 215.** The representative of the Government of Croatia strongly supported the comment by Employer and Worker representatives that the document would be much more useful if it concentrated on the sections on strategies, results and lessons learned. In particular, much more information should be made available on the difference in numbers between targets and outcomes, especially where outcomes fell short of targets.
- 216.** The representative of the Government of Algeria thanked the ILO for the document on programme implementation in the context of strategic budgeting. He was pleased about the interest shown in the new partnership for African development and suggested that the Ministerial Meeting on Employment and Poverty Reduction in Africa, due to be held in Ouagadougou in April 2002, should serve as an occasion to integrate the "Jobs for Africa" programme into the new African initiative. However, the African group was concerned about the lack of activities – admitted by the Office itself – carried out in the area of technical cooperation. He hoped that this would be temporary and not become a structural trend. The African group would like to have information on the measures taken by the Office to cope with problems caused by the lack of financial resources. Finally, it would like to have more information on lessons drawn from the "Jobs for Africa" programme.
- 217.** The representative of the Government of the United Kingdom, speaking again on behalf of the IMEC member States, welcomed this first biennial report on programme implementation using strategic and results-based budgeting concepts and showing clearly results on the combined use of regular and extra-budgetary resources. The report was accessible, readable and generally an excellent piece of reporting on progress, and the Office was to be commended on a job well done.
- 218.** IMEC congratulated the Office on the significant progress it had made in introducing the first stages of strategic budgeting, and it fully supported the work under way to deepen the application of strategic budgeting in practice at unit level. Members appreciated the inclusion of information on lessons learned, which should be reflected in the next programme and budget, and would like to see more information on follow-up action.
- 219.** The report depended heavily on reporting against programme objectives but omitted reference to monitoring strategic policy objectives. Setting out policy objectives could include, for example, the ILO's objectives in collaborating with other international bodies and monitoring decent work. It would be useful to have more information on this subject from the Office.
- 220.** The ILO had met the majority of its targets but some strategic objectives had not been achieved. IMEC members wondered whether the Office had considered a more efficient allocation of resources and whether it was sufficiently flexible to change emphasis during the course of a biennium without waiting for evaluations.
- 221.** Necessary information was often implied, but hidden within the lists of what countries had done. For example, the report stated "awareness raised among trade unions on occupational safety and health and HIV/AIDS in the workplace, a target achieved under the objective of stronger parties to social dialogue". How the raised awareness contributed to the stronger parties was unclear. Elsewhere, a "new national commission on indigenous

and tribal peoples includes employment development mandate” was a target under the objective of “enterprise development”. More information was needed on the impact on employment in such groups.

- 222.** There was a contrast in the report between those areas that suggested stand-alone ILO activities and the report’s recurrent theme of working through national policy processes that required collaborative action, such as poverty reduction strategy papers (PRSPs). PRSPs were clearly a growing and important part of the emerging national policy agenda. Stand-alone activities tended to be reported as “workshops delivered” or “training given”. IMEC believed that the Governing Body should challenge the size and scope of the impact of smaller, isolated activities, when compared to the potential for sizeable and comprehensive impact, achievable through collaborative action in which social partners and governments worked with other international agencies. Future reports should indicate more clearly where the greatest impacts could be achieved.
- 223.** The report could say more about the ILO’s collaboration with other international organizations. For example, not much was said about the United Nation’s critical instrument for country collaboration, the United Nation Development Assistance Framework. In this respect, IMEC was concerned about the absence of the ILO from the United Nation Development Group (UNDG) in New York. It was now almost alone amongst the specialized agencies in not contributing to UNDG policy, and the Director-General should give early consideration to ILO representation at UNDG in New York.
- 224.** One notable feature of the report was the comparison between the regions and the four strategic objectives. The report noted that much regional activity was reported under the four strategic objectives, and this tended to give the distorted impression that regional or country objectives were being subsumed under headquarters sector plans. More information should be given on how regional activities contributed to the strategic objectives, rather than just a list of activities.
- 225.** The report described a consultation process now under way between regions and headquarters, and alluded to the emergence of negotiated and agreed country objectives soon to be represented through “Decent work country programmes”. IMEC would be grateful for further information on how these would be developed and also linkages to the preparation of national PRSPs. Decent work programmes should make full use of strategic budgeting instruments to make them achievable and country-based decent work programmes should be integrated into this reporting mechanism.
- 226.** On the subject of setting country objectives, the report implied that ILO in-region and in-country capacity could be overloaded. IMEC recommended a reduction in the number of activities undertaken in favour of a smaller number of high-impact strategic outcomes. These should be selected to make best use of the regional and country human resources available.
- 227.** The information in paragraphs 137-141 on work on gender equality was most welcome. The Office had also been actively involved in high-profile events such as Beijing +5 and Copenhagen +5, and it should include indicators and targets in future programmes covering follow-up to these events.
- 228.** IMEC members were pleased that a gender audit had begun in 2001, in accordance with the action plan for gender equality and gender mainstreaming submitted the Governing Body in March 2000. This audit was an important contribution to the implementation of gender mainstreaming, and its main objective was to promote organizational learning at all levels on the effective implementation of gender mainstreaming in Office policies, programmes and structures. Nine units had so far participated. The ILO was evidently the

first UN organization to undertake such an initiative and the Office should provide a detailed report on the findings and results to the November 2002 session of the Governing Body.

**229.** IMEC regarded the Governing Body as having a governance rather than a management role, and had previously suggested that a key management issue was to be able to identify the true costs of overheads so that priorities could be determined effectively in order to achieve the strategic objectives.

**230.** In summary, IMEC believed:

- the report should begin to focus on targets and strategic policy outcomes – in preference to process indicators;
- the report needed to include objectives for building alliances with others (including the United Nations and other international bodies);
- there was a clear need to introduce strategic evaluation alongside strategic budgeting instruments;
- decent work plans were urgent and important – but they should not become detached from strategic budgeting and evaluation; and
- in addition to the gender audit, monitoring and benchmark systems should be established and accountability introduced to ensure the systematic integration of gender-sensitive considerations into all ILO policies and programmes.

**231.** Mr. Khurshid Ahmed (Worker member) referred to work carried out by the ILO in Pakistan in support for stronger workers' organizations, detailed on page 38 of the Office paper. The workers of Pakistan were extremely grateful to the ILO for its efforts to restore basic trade union rights in the Water and Power Development Authority, the largest public utility and employing more than 130,000 workers, in which trade unions were banned and rights suspended under the previous Government. The National Conference on Employment and its Social Dimensions organized by the ILO last May in Islamabad, which was opened by the President of Pakistan, gave the workers the opportunity to show that the ILO dealt not only with employment matters but also with basic human and trade union rights. Governments were obliged to honour labour instruments when they signed them, and the Conference gave an opportunity for workers to explain the difficulties they were facing, which led to a restoration of trade union rights and removal of the ban on May Day celebrations.

**232.** The ILO had a valuable role to play in the improvement of workers' rights in Pakistan and Asia generally, as was evident from the results of the 2001 Asian Regional Meeting which were described in more detail in paragraphs 169-176 of the Office paper. The ILO should continue its activities to strengthen the capacity of trade unions to promote social protection and the rights of workers, and no less importantly, the promotion of social justice and generation of employment. The ILO should also continue to make its publications available in as many national languages as possible.

**233.** The representative of the Government of China was pleased to see from the report how much had been achieved towards the strategic objective of decent work. The world of work was experiencing major change and this should be reflected in the strategic objectives and programmes of the ILO so as to promote social progress and economic development. The most urgent needs were to strengthen programmes for employment promotion and the

alleviation of poverty because only then could social progress and improved workers' rights be guaranteed.

- 234.** The Global Employment Forum held last year had been a great success and should be a regular event so as to draw attention to employment issues. Social security programmes were also extremely valuable for developing countries and he urged the ILO to strengthen its work in this field through the provision of more advisory services and technical assistance.
- 235.** The representative of the Government of Japan expressed full support for the statement made on behalf of IMEC members and congratulated the Office on this excellent report. It might be useful in future to see more information about regional activities and achievements in view of the role they played in promoting decent work.
- 236.** The representative of the Government of Denmark supported the statement made on behalf of the IMEC group and suggested that for some indicators and targets, the impact should be identified much more clearly so that progress could be more accurately measured. Her country was a major donor to a project promoting ratification of Convention No. 169 on indigenous people, but there were no references to this work or to the ILO's achievements in this area. This was unusual, to say the least, because the ILO was the only United Nations organization that had adopted Conventions on indigenous people. The document did state that a large amount of information could not be included for reasons of space and practicality, but would be available separately in a more detailed report to the Governing Body and the Conference. It would be useful to know where this information could be found. This was an extremely important issue and should be given higher priority in future strategic budgets and programmes.
- 237.** The report pointed to some notable achievements by the ILO. Paragraph 54 referred to a pilot testing of labour-based approaches to build public infrastructure in Madagascar, which would create about 16,000 full-time jobs per year over a five-year period, four times more than if equipment-based approaches had been used. Job creation was a main objective for the ILO and this was the kind of result the Governing Body wanted to see. It was gratifying to see that a gender audit had begun in 2001. This was only the first step in gender mainstreaming, but a very important one, and it would be useful to see a further progress report at the Governing Body session in November.
- 238.** The representative of the Government of Portugal congratulated the Director-General and his team for the high-quality document submitted to the Committee. It represented an additional step forward in strategic planning and budgeting and it was clear and easy to read on account of its style and structure. The analysis of outcomes obtained in relation to targets was very interesting, and much remained to be done to establish indicators better able to measure the impact of activities, but it was clear that the ILO was headed in the right direction. He agreed with the representative of the African group in regretting the level of implementation of some technical cooperation programmes. As far as Portugal was concerned, this situation did not call into question the relevance of the projects formulated; it was rather a matter of examining the policy of human resources development and he hoped to come back to this issue the next day at the meeting of the Committee on Technical Cooperation.
- 239.** The representative of the Government of Canada expressed full support for the statement by the previous speaker. The value of results-based budgeting was already apparent even though there was plenty of room for the process to be refined.
- 240.** The representative of the Government of the United States fully supported the statement made by the United Kingdom on behalf of the IMEC group. She congratulated the ILO on

its progress in the implementation of strategic budgeting and looked forward to continued improvements in future. ILO activities should focus more strongly on the ILO's Strategic Objective No. 4, Strengthening tripartism and social dialogue, but at the same time respond to constituent needs. To that end country programmes on decent work should reflect the intersection of the ILO's strategic objectives and government priorities. Efficiency, effectiveness and transparency would continue to increase through the integration of regular budget and extra-budgetary resources. The ILO should continue the practice it began in 2000-01 of defining needs and then determining the resources available, because shortfalls would then guide the ILO's efforts to mobilize extra resources. The Office should move quickly in its efforts to establish dependable baselines and develop measurable targets and indicators that reflected actions within its control, so that reports on real results and lessons learned could be incorporated in future budgets.

- 241.** The representative of the Government of France also expressed full support for the statement made by the United Kingdom representative on behalf of IMEC members, but hoped that further information on statistics for targets and outcomes under operational objective 1(b), Child labour, could be provided in due course.
- 242.** The representative of the Government of India was pleased to see that programme implementation during 2000-01 had been generally satisfactory for all four strategic objectives, with more than 70 per cent of targets being achieved in each. There was always room for improvement, but the targets and indicators were a measure of success for the action carried out by the ILO, by governments, and by the social partners. The ILO had rightly given the highest priority to the employment sector because this improved the success rate for other strategic objectives. ILO activities on employment-intensive investment should also continue and he expressed appreciation for the collaboration with local institutions and employers' organizations in upgrading working conditions and household-based enterprises, especially in the aftermath of the earthquake in the State of Gujarat.
- 243.** Labour standards, freedom of association and collective bargaining were the most important of workers' rights and should continue to be given the highest priority because they were independent of the process of globalization. The Declaration on Fundamental Principles and Rights at Work deserved full support but activities should be concentrated more on employment generation for the poor rather than just on supervisory mechanisms. IPEC was another programme deserving high priority but the Office should be careful to ensure that funds from external sources were given unconditionally. The Office was to be commended for the results achieved so far under the different strategic objectives, especially in relation to the Decent Work Agenda, but more promotional work should be aimed at employment generation and the training of unskilled workers because in a practical sense they came before everything else. Other programmes, such as that on child labour, should be pursued vigorously as well, but they were only symptoms of a greater malady for which coordinated efforts by the ILO and its constituents were the only answer. As a final comment, he remarked that the Asian Regional Meeting held in August 2001 had been a great success and the recommendations from it deserved the fullest response.
- 244.** The representative of the Government of the Russian Federation appreciated the Office paper which showed encouraging progress in the development of strategic budgeting in the ILO. Programme implementation in 2000-01 was impressive, although it was disappointing to see the extent to which resources had been reduced for regional activities. The search for savings should be concentrated on headquarters administration rather than programmes in the field. There was no mention of the Commonwealth of Independent States in the part of the document related to regional activities and the Office should give this region much higher priority in the budget for 2004-05, and during the implementation of the current budget. Paragraphs 192-198 of the paper highlighted the need to develop

concrete targets and indicators for management and support services which, for the current biennium, would cost over \$80 million. In doing so the Office could profit from the experience of other organizations such as the WHO, which had already made progress in this field.

245. A representative of the Director-General (the Director of the Bureau of Programming and Management) thanked the Committee for its comments, which would be studied in detail by the Office and reflected in the Programme and Budget proposals for 2004-05. The ILO was going through a period of substantial organizational change and it was reassuring to see such a solid expression of support from the Governing Body.
246. Much work remained to be done on the development of strategic budgetary indicators, the definition of targets and the measurement of outcomes. Improvements were also needed to regional reporting and there were already signs of what could be done, especially in respect of decent work country programmes. More consultation at country level would help to ensure that the ILO's planning and programming processes reflected country-level needs.
247. Further to the Employers' suggestion that the document be restructured, the Office had already taken steps to see that the regions prepared their proposals for the 2004-05 programme and budget in close consultation with constituents at country level to ensure that their needs were more fully catered for. Against tight budgetary deadlines it would not be an easy task but the more visible regional influence would make it worthwhile.
248. There had been several comments about the need for more honesty and openness and a willingness to discuss failures and learn from mistakes. Social policy was of course a high-risk business and some things did not work, but the Office was keen to improve wherever it could and future reports would highlight this information. The strategic budgeting framework had got off to a good start but now more effort would be devoted to independent and in-depth evaluation and monitoring of performance. It was also clear that many speakers wished to see more information about statements of objectives, indicators and targets with respect to policy objectives of the ILO. Members would be aware that the Director-General had already undertaken important initiatives in policy integration and this was currently being expanded to cover more of the ILO's activities.
249. The Director-General thanked Committee members for their comments on the Programme Implementation Report for 2000-01. The Strategic Policy Framework was a recent innovation to ILO budgetary practice but it was a continuing process and much work remained to be done.
250. One of the main refinements to claim the attention of the Office would be the development of more precise methods of measurement of the effectiveness and efficiency of programmes. This would be a complex task because for many programmes accurate measurement had to be linked precisely to the ILO means of action being used. The targets set under strategic objectives were quite diverse in concept and the same methods of measurement were often not suited to this diversity.
251. The most important tools at the ILO's disposal, without which nothing would work, were ideas. They were at the heart of its conceptual framework and they created the analytical foundation on which all else was built. The ILO had to ensure that its knowledge base was up to date and that the world knew that the ILO was an expert in its field. But ensuring that a knowledge base was up to date was a complex process – much more complex than just making sure that the latest statistics were included in databases.
252. Policy advisers also played a vital role. Countries were unique, even though they might share common needs, so what suited one country might be totally unsuited to another.

Policy advisers possessed the critical skills necessary to be able to judge what was needed in individual cases.

- 253.** Legal instruments were the most precise of ILO tools. They referred to the particular, they were the *raison d'être* of the ILO, and the number of instruments ratified was testimony to the esteem in which this aspect of ILO work was held.
- 254.** Technical cooperation activities were in many ways the most visible expression of the ILO at work. Projects did not have to use high technology to achieve results and often the same productivity was to be had using employment-intensive methods, with the added bonus of job creation. Experience showed that it could be done, and the development of national poverty reduction strategy papers (PRSPs) was another example of the unique contribution the ILO was making to development programmes under the auspices of the World Bank.
- 255.** All of these tools were used by the ILO, but measuring their effectiveness was fraught with difficulty and would require much more thought and refinement. But it was not a problem unique to the ILO and the Office would welcome the help of Governing Body members who could contribute expertise from ministries, businesses and the trade unions in the search for a solution. Customer satisfaction surveys would be one of the means of judging the effectiveness of programmes because the Office needed to know whether end-users were happy with ILO services.
- 256.** The ILO knowledge base was closely linked to its most valuable asset, the skills and knowledge of its staff. Human resources were the key to ILO success and this was the logic behind the request for funds to strengthen institutional capacity and staff training. One of the greatest challenges facing the ILO was how the steady rhythm of staff development and knowledge development could be reflected in the strategic framework. But one thing was certain – the ILO's credibility depended on the quality of its staff and it would not get the results it wanted without committing itself to investment in their professional development.
- 257.** A lot had been done in the last three years or so to put in place the new strategic framework and to get started with the Decent Work Agenda, but much more needed to be done to finish the job. Everybody believed in the goal, but it could only be accomplished with continued dialogue and cooperation between the governments, the social partners and the Office. As Director-General, he was confident of success.
- 258.** *The Committee took note of the Office paper.*

## Other financial questions (Tenth item on the agenda)

### Financial arrangements for an urgent item on the agenda of the 91st Session (June 2003) of the International Labour Conference, concerning improved security of seafarers' identification

259. The Committee had before it a paper<sup>13</sup> concerning the addition of this item on the agenda of the 2003 Conference.
260. The Chairperson, in reply to a query, confirmed that under the Standing Orders of the Governing Body no decision with financial implications could be taken by the Governing Body before it had the advice of this Committee on financing arrangements.
261. Mr. Blondel recalled that on some occasions the Committee had taken the decision to finance certain projects which had later never been acted upon. The decision to commit the financial resources of the Organization required considerable reflection and analysis and it was frustrating when projects did not materialize. He supported the point for decision because it was important to address the issue of identity documents for seafarers, but it was even more important to encourage as many countries as possible to ratify Convention No. 108 and he urged member States to give it high priority.
262. The representative of the Government of France strongly supported the Office proposal and believed it was crucial for the ILO to take the initiative in these negotiations.
263. The Treasurer said that the title of the document to be submitted to the Governing Body was slightly different to the one before the Committee. The correct title was "Financial arrangements for an urgent item on the agenda of the 91st Session (June 2003) of the International Labour Conference, concerning improved security of seafarers' identification", and these corrections would be made in the report and the point for decision.
264. *The Committee recommends to the Governing Body that, should it decide to place on the agenda of the 91st Session of the Conference an item concerning improved security of seafarers' identification, the cost, estimated at US\$572,000, be financed in the first instance from savings in Part I of the Programme and Budget for 2002-03, on the understanding that, should this not prove possible, the Director-General would approve alternative methods at a later stage in the biennium.*

<sup>13</sup> GB.283/PFA/10/1.

## Governing Body documents

265. The Committee had before it a paper<sup>14</sup> describing improvements to the style and distribution of Governing Body documents.
266. Mr. Blondel and Mr. Botha wished to record their appreciation that Committee and Governing Body documents had been distributed much earlier for this session.
267. The representative of the Government of Germany also congratulated the Office for the earlier distribution of documents. At the last Governing Body session some speakers had commented on the presentation and style of documents and he reiterated his view that ILO documents were superior to those issued by other organizations in the UN family.
268. The representative of the Government of the United Kingdom, speaking on behalf of the IMEC members, joined other speakers and thanked the Office for the prompt distribution of Governing Body documents, which had meant that more time could be spent reviewing them.
269. The representative of the Government of Japan thanked the Office for the effort put into the early distribution of Governing Body documents and the considerable progress that had been made following discussion in the Governing Body last November. Documents still needed to be concise, but with sufficient detail to permit a thorough discussion of subject matter and the Office should continue its efforts to improve their presentation.
270. The representative of the Government of France thanked the Office for the early distribution of Governing Body documents and he urged the Office to continue its efforts to make documents as concise as possible.
271. The representative of the Government of Algeria also congratulated the Office for the early delivery of ILO documents and hoped it would continue in future.
272. The representative of the Government of New Zealand thanked the Office for the improved distribution of documents, and early availability on the web site as well as especially appreciated for distant countries. Efforts to make documents as concise as possible should continue, given the increasing volume of business being considered at Governing Body sessions.
273. *The Committee took note of the Office paper.*

Geneva, 19 March 2002.

(Signed) B. Botha,  
Reporter.

*Points for decision:* Paragraph 96;  
Paragraph 133;  
Paragraph 160;  
Paragraph 199;  
Paragraph 202 ;  
Paragraph 264.

<sup>14</sup> GB.283/PFA/10/2.

## Appendix I

### Director-General's introduction of GB.283/PFA/2/2

#### Treatment of 2000-01 surplus

Mr. Chairperson, thank you for the opportunity to introduce this paper.

You are faced today with especially important decisions. They will have much to do with the way the Office is managed and the services it can provide to member States.

And they are your decisions. It is the PFAC's responsibility to set the guidelines for the Office in programme, financial and administrative matters, taking into account the diverse interests and perceptions involved.

The Office has submitted some proposals for your consideration – but at the end of the day – our principal responsibility is to implement as efficiently and as effectively as possible your decisions with the resources that you put at our disposal. As any proposal to you, it is there for your comments and criticisms and for you to change them as you desire.

Today's discussion results from the fact that the Office received \$57 million more during 2000-01 than was required to cover the authorized budget expenditures.

The surplus arose because some member States failed to pay their full contributions in the past, and decided to pay part of their arrears in 2000-01. Last November the United States announced a large payment of arrears. This payment constitutes the bulk of the surplus we now have. I want to thank the United States and all countries involved. I take it as a commitment to the work of the ILO.

It is important to clarify that this is not a budget surplus resulting from underspending the approved budget. As stated in the document GB.283/PFA/1 authorized expenditures have been fully implemented.

What we are facing is a cash flow surplus resulting from the payment of arrears.

What are the applicable rules?

There are three options in dealing with income shortfall resulting from non-payment of contributions and any surplus resulting from payment of arrears.

The first option is the "debt and repayment" option. Article 21 of the Financial Regulations covers the situation that occurs when a member State fails to make the contributions due in a biennium. It clearly states that should available income be temporarily inadequate to finance budgetary expenditures, the Director-General has the authority to borrow from the Working Capital Fund and from any other sources. The regulations then cover the situation when arrears are paid and a surplus occurs. They provide that the arrears are credited against the acquired obligations in order to repay outstanding loans. This option has not been used by the Office in the past and I don't think that it should in the future.

A second option is to reduce expenditures to the level of income available. When shortfalls in contributions have been likely, the Office has reduced spending through important programme reductions. It is the “prudent management” option which the Office has systematically applied in the past. In one sense it has helped to tighten the ship and shed fat, but in a more structural way it has affected overall delivery.

When the surplus is the result of programme cuts the Governing Body can apply article 18 of the Financial Regulations requesting that the full amount be credited to member States. This is done in proportion to their contributions, so that big contributors get big amounts and small contributors small amounts.

A third option available to the Governing Body is to make an exception to the above rule and apply part of these resources to important needs and activities of the Organization which would otherwise not be funded. This has been done in the past but I want to highlight that each decision was taken on its own merit and considering the particular needs of the ILO at the time.

In my mind, these decisions should not be considered as precedents that somehow constitute established practice – simply because this has been done in the course of the 1990s.

If this option is to be retained, it is because you are convinced that it is a better institutional option for the constituents. It would permit them to benefit from the surplus through more and better services on activities and initiatives which they would otherwise not receive.

Let me make some general comments on why we have put to you the option of utilizing a significant proportion of the surplus.

First of all, because we believe it will *benefit developing countries*. These are the countries most affected by the programme and other reductions resulting from the prudent management option. It would be a legitimate expectation of countries in Africa, Asia, Latin America and the Arab world to now benefit from the use of the surplus. This is equally valid for CIS countries. We estimate that two-thirds of the proposed expenditures will directly benefit those countries.

If 100 per cent of the \$57 million surplus is used to reduce future budget contributions, the 53 countries of Africa will receive total credits of \$500,000. The 11 CIS countries other than the Russian Federation would receive total credits of \$208,000. The developing countries of Asia, including China, India and Indonesia, would receive credits of \$1,131,000. The 15 poorest countries in the Americas would all together be credited with less than \$23,000. The Arab States would be credited with \$615,000.

If the surplus was fully credited to governments, more than 90 per cent of it, \$51.5 million would go to countries members of the OECD.

Secondly, because *there are real needs*. Objective, concrete, real needs that these resources can help respond to. I am presenting to you a “needs-based” approach to this issue. Needs that have either appeared after the approval of the budget or had been acknowledged already by the Governing Body when it considered the Strategic Policy Framework for 2002-05.

So the proportion of the surplus suggested for use has been built bottom up on a need-by-need basis. We have not targeted particular figures, we have targeted particular needs.

Thirdly, because it would be a *sound management decision* which would send the right message to the Office. If the surplus is fully credited to the countries – the message is – “next time around make sure you go the ‘debt and repayment way’” so you don’t have to reduce programmes and you can implement your full budget. I think it is a stimulus in the wrong direction.

If a significant proportion can be retained the message would be “continue with your prudent management of shortfalls in payments, don’t get indebted and reduce programmes as necessary”. When the arrears are eventually paid – the message continues – “we will consider the situation at that moment and take a decision according to the needs that may exist then”. Nothing is assured for the future, previous decisions are not precedents, but the possibility of eventually using those resources is not excluded either. It is a great stimulus for prudent management.

This option, of course, is not without difficulties for the Office. Our institutional memory is filled with stories of what happens during what we call a “financial crisis”: recruitment and spending freezes; cuts across the full range of ILO programmes; reduced services to constituents; delayed investments in technology, research and training; and sometimes even a halt to routine maintenance.

I believe that member States have a right to expect prudent management of resources at all moments, but particularly if there are income shortfalls. We should not have a cavalier attitude towards indebtedness. We will certainly continue to prefer this option if we are backed by the Governing Body.

Mr. Chairperson, let me reflect on how these resources should be used if eventually approved by you.

*First*, the resources are not to be used in a sudden splurge of spending. We must avoid the dangers of complacency; a feeling that we now have an injection of resources that can make our management more lax. It will be the contrary. Strict approval procedures will be put in place.

*Second*, the rationale of our proposals is not just urgency or unfunded new initiatives but real needs that have already been identified by the Governing Body.

*Third*, the proposals are for specific, non-recurrent time-bound expenditures and do not create new structures or an expectation that activities will be continued under the regular budget.

*Fourth*, strategic budgeting principles will apply. Each activity planned will use the ILO’s framework of strategic and operational objectives. Reporting on our performance on the surplus use will be a part of the ILO’s regular integrated implementation reporting to the Governing Body. This takes place yearly. It already covers both regular budget and extra-budgetary resources.

Mr. Chairperson, I would now like to turn to the substance of the proposals in the document before you.

The Governing Body addressed the substantive justification for undertaking these activities in its discussion of the Strategic Policy Framework in November 2000.

Let me recall paragraph 3 of that document which states its objectives. I quote:

... The strategic policy framework seeks to do two things: to propose strategies on how the ILO’s objective can be achieved; and to identify means of strengthening the ILO’s

capacity to implement those strategies ... The organizing theme for the period 2002-05 is putting the Decent Work Agenda in practice.

Having established that these will be one-time, non-recurrent expenditures which do not constitute a precedent, the first question that needs to be answered is whether the investments proposed correspond to the ILO's strategic objectives and whether they will contribute to putting the Decent Work Agenda into practice. We believe that the answer is yes. In the same way we believe that the resources for new demands and opportunities cover issues which are clearly necessary. On some of these the Governing Body has already taken decisions.

Let me now turn to the need to *strengthen our institutional capacity* described in Chapter II.

To begin with, let me say that none of the proposed areas of expenditures are new to you. They are exactly the same areas that the Strategic Policy Framework stated that required strengthening in the medium term. It identified huge needs to rebuild the capacities of the Office, but provided no additional resources for doing so.

Let me quote the relevant passage:

The second part of the document deals with specific measures to be implemented in the medium term to strengthen our institutional capacity to meet future challenges. Sections cover management, regional services, knowledge management, statistics, gender equality, external communications, external relations, human resources and information technology. We cannot predict events for which our services may be required, but we know that if our internal intellectual and managerial capacities are inadequate, so too will our responses to those events. The unifying theme of this part of the policy framework is to expand and deepen our knowledge base and improve our ability to place this knowledge at the service of our constituents. These proposals are intended to be achieved over the period up to 2005.

The same document went on to say that under a zero-growth budget, resource constraints were especially severe for some of the ILO's most promising new programmes and for long-neglected issues such as staff training.

As a consequence you have before you a relatively simple proposal. These needs had already been identified by the Governing Body when it considered the Strategic Policy Framework. It was known by the Governing Body that not enough resources were available to make the required investments. So we are proposing that part of the surplus be used to respond to existing needs that had previously been identified.

This may explain the synthetic nature of the explanations given. We felt that we already had agreement that these were priority issues that needed to be dealt with, but that we were lacking the necessary resources.

I apologize if this point was not made clear enough in the document before you and some of you felt that there was too little information to justify important levels of expenditures. We felt that the strategic argumentation was already contained in the joint reading of the Strategic Policy Framework and the budget for 2002-03. And that reporting would be done annually on the combined use of the regular budget, the extra-budgetary resources and the use of surplus funds.

We made a choice that we believe corresponds to the strong desire of the Governing Body to move from administrative, activity-based budgeting to a strategic, results-based budgeting.

As always, the Office is ready to make available the information that the Governing Body may require. But I would hope that we don't slip back into the administrative budgeting of the past.

The project-by-project identification of detailed activities could probably best be done in consultation with the constituents concerned as part of the ILO's normal operational planning, as we now do for expenditure under the regular budget. If these proposals are approved, such consultations would naturally take place in the course of their implementation.

The exercise would be completed when reporting annually to the Governing Body on the use of the funds – the results obtained and their linkage with the strategic budgeting process.

The emphasis of these proposals is on substantive work. Some \$32 million, or almost two-thirds, is devoted to technical and regional programmes as defined in the strategic budget. None of the rest is devoted to administrative costs, rather to investments in management capabilities, human resource development, evaluation, security, information technology, and the necessary accommodation to do our work.

Mr. Chairperson, I do not believe that this presentation is the occasion to go through the proposals in the document before you one by one. As I have said, these proposals need to be read in conjunction with the Strategic Policy Framework and the Programme and Budget for 2002-03.

Together with my colleagues, we are at your disposal to respond to any query you might have. However, I do want to raise a few issues based on consultations that we have had concerning the paper.

The first point I want to cover is my strong commitment to the reinforcement of the ILO's work in the regions in the framework of the Decent Work Agenda. As I mentioned earlier, some two-thirds of the proposed expenditure will directly benefit developing countries. Each developing region would benefit in approximately the same proportions as its share of the regular budget.

This Committee has frequently asked for more resources for employment programmes such as Jobs for Africa or for ILO/AIDS or the strengthening of our crisis-response instruments, and in general for reinforcement of our technical cooperation capacity. The proposed resources would permit the development of a more coherent, more integrated, better designed programme of technical cooperation that responds to these and other requests. In particular, work linking employment and PRSPs in cooperation with the Bretton Woods institutions would be enhanced.

These resources would also facilitate greater decentralization of staff and responsibilities so that we are closer to the constituents we serve. They would help cover the transition cost involved, and would reinforce decent work country programmes.

The second area identified is the management challenges we face.

We have embarked on the difficult process of introducing strategic budgeting and results-based management. Experience around the world has shown that the reform process needs to maintain strong momentum or it tends to fade away. Maintaining the momentum is not just a matter of leadership from the top management and from the governance institutions, though this is of course essential.

It also requires training and retraining at all levels to apply new procedures and to foster accountability throughout the Organization. It requires a new commitment to evaluation in more places, in greater depth, and with more independence. When opportunities for streamlining are found, an institution like the ILO has a special responsibility to ensure that displaced workers are retrained and reassigned. Further investment in modern management, now that we have the opportunity to reinforce what we are already doing, is strategically necessary.

More broadly, human resource development is an essential element of the ILO's future. It upgrades the quality of all our services. Surely we in the ILO see training not as an administrative cost, but as an investment in our performance. The same applies to the need to bring a new generation of officials into our Organization, to expose them to both headquarters and the regions, and to prepare them to be at the core of our future effectiveness and efficiency.

A substantial reinforcement of our management capabilities and human resource development programmes is needed in order to continue enhancing delivery to our constituents.

Finally, let me turn to the World Commission on the Social Dimension of Globalization. The early stages of this work have involved a highly dynamic process, especially once we were able to benefit from the guidance of the Co-Chairpersons. The Commission itself has been put together in record time and with the participation of outstanding personalities.

In the first contact with a number of commissioners, issues of time frame, extensive regional and global consultations, more meetings than initially considered and availability of all necessary research and technical back-up of the highest quality arose. There has been an inevitable impact on the budget of the Commission. Nonetheless, this budget remains well below the cost of comparable commissions. We will go over these matters in much greater detail when the Working Party on the Social Dimension of Globalization meets during this session of the Governing Body.

Let me recall the major themes that I have covered. First, the proposals before you are built on a needs-based approach. They respond to the needs and problems of our constituents, in particular those in developing countries. Secondly, the whole discussion of surpluses and their use should be based on the principle of prudent management. This is what the Governing Body has consistently sought and I expect that you will confirm that this is the way you want the Office to be managed in the future. Lastly, the proposals reinforce the results-based management and strategic budgeting concepts that this Committee has insisted upon.

It is my duty as Director-General to make the case that the ILO can and should do more. It is my profound personal belief that we must do more. We now have the opportunity to do more. The decision is in your hands.

## Appendix II

### Proposed use of the 2000-01 surplus

#### Summary

	US dollars	US dollars
<b>New demands and opportunities</b>		
Maritime Session of the International Labour Conference	3,200,000	
World Commission on the Social Dimension of Globalization	2,800,000	
International labour standards	2,000,000	
Response to crisis and emergencies	6,500,000	
Investments in building and accommodation	5,500,000	
Security and safety of staff	<u>2,800,000</u>	
		22,800,000
<b>Strengthening of institutional capacities foreseen under the Strategic Policy Framework</b>		
Management challenges	6,000,000	
Regional services	10,000,000	
Statistics	2,000,000	
Gender equality	2,000,000	
External communications	3,500,000	
Investment in information technology	<u>5,000,000</u>	
		<u>28,500,000</u>
Total		<u>51,300,000</u>
Total cost in Swiss francs		90,801,000

## Appendix III

### Additional comments on document GB.283/PFA/9 by the Employers' group

#### ILO programme implementation 2000-01 (Ninth item on the agenda)

##### *Employers' additional comments on GB.283/PFA/9*

The fourth paragraph, in which the Director-General sets out his view of the impacts of the ILO, is noted with interest.

Paragraph 11, which summarizes the first stage in the application of strategic budgeting, indicates that this stage is considered to be complete. We had understood that there was to have been a review of the regions. Has this been completed?

We thank the Government of the United Kingdom for its support for the process of organizational renewal (paragraph 13). We encourage donors to continue assisting with the lessons learnt, particularly with performance measurement (paragraph 14, fourth bullet point).

Paragraph 22 states that the first strategic objective now accounts for more than half of the ILO's extra-budgetary technical cooperation. The Employers are concerned about the trend away from support for employment and urges donors to look again at their support for this area.

On the first objective, we would request explanations on paragraphs 24 and 25. It is strange that paragraph 24 does not mention the identification of Conventions, which may present obstacles to ratification. Also, in the following paragraph the Office does not mention the need to remove some instruments. In paragraph 26, we agree with the text, but our concern is that assistance should also be given before ratification. Is it a sign to compel governments to ratify? On paragraph 28, we would like to know some concrete examples of negative changes and to know which lessons the Office has learnt.

The work led by the ILO on child labour is very impressive and it is the best picture that the ILO can show on what it can do. Despite these efforts, the Employers have two concerns. The outcome of the indicator 1b.3 is very weak and we are very upset by it. The girl child labour is a big problem with the questions of prostitution, human traffic and domestic service and the ILO should give particular attention to this question. With the indicator 1b.5, the outcome is positive, but the paper does not indicate the quality and efficiency of the service. If to give a poster means that the Office has one more case of service provided, it is weak and the ILO must improve the definition of this indicator. The ILO should give a definition of a "service". Paragraph 33 should be explained by indicating if there are other constraints apart from the one referred to (staff resources?) to obtain full achievement. In paragraph 35 we would have appreciated more detail of the different kinds of monitoring systems and on their efficiency. The Office should detail this information.

We also have concerns about operational objective 1c, which we feel should be revisited in future programme and budgets. We do not call into question the work of the Committee of Experts, but the outcomes are inferior to the targets. Moreover, there is a

diminution between 2000 and 2001 (indicators 1c.2 and 1c.3). It means that 30 per cent of the information is not being processed. Do we need to review the content of the questionnaire and the role of the Committee of Experts?

We should note that notwithstanding the strategic budgeting approach, there are occasions when activities are very important. This is illustrated by the success of the activities with respect to possible improvements in standards-related activities (paragraphs 38 and 39).

We commend the in-depth study on the management and organization of work of the department (paragraph 43). Would it be possible to have a copy of it?

On the question of Guatemala (table, page 12), it seems that this was not done through a tripartite process, but through external pressure.

A general comment on the normative action and given the indicator 3a.3, we should develop codes of practice more often, which give a very good outcome.

On the second strategic objective, the Governing Body will remember that the issue of employment is a crucial issue for the Employers' group. The outcomes are positive, but the paper does not mention the importance or detail of the ILO input into national employment and human resources policies. The efficiency and effectiveness of advice or recommendations is difficult to calculate, but the indicators do not sufficiently reflect the real quality and influence of the ILO on national employment policy.

In paragraph 45, we note again the decrease of the UNDP funding and we ask the Office what actions are being taken to solve the problem.

In the first sentence of paragraph 49 reference is made to new approaches and partnerships to improve job quality in micro-enterprises and to strengthen organization in the informal economy. What were these approaches and partnerships, how was job quality improved and how was organization in the informal economy strengthened?

The Employers commend the important work being done to assist in the preparation of PRSPs (paragraph 49). The paper could also have provided more information on the policy recommendations that emerged from the tripartite discussion on the report of the CEPR as in the case of Pakistan in the table on page 15.

We would like to have some information on the role of the ILO in "social finance". What does it mean and what is the role of the ILO, especially with regard to the World Bank (paragraph 61)?

On the third strategic objective, there are few things to say other than to repeat that this section was refreshingly introspective. The outcomes are positive except for maternity protection, but with an "unratifiable" instrument, it is difficult to propose a concrete policy.

We note that no mention is made in the paper of the Global Social Security Trust Fund.

On the fourth strategic objective, the outcomes are positive, especially the work led by ACT/EMP. The programmes set out in paragraph 112 are noteworthy because they are strictly demand driven, and because strategic programming is an essential component, they are focused and outcomes driven. We are concerned at the prominent role given to the InFocus Programme on Social Dialogue to the detriment of strengthening the social partners. The Office must balance and give more priorities on the development of social partners.

On the cross-sectoral programmes, the ILO should develop indicators and targets for the Turin Centre and for the Institute to harmonize with other ILO activities.

Finally, on governance, the ILO has made some improvements, but some external evaluation would be welcome and we recognize the difficulty to describe indicators and target on this subject.