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286th Session

Governing Body

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TWELFTH ITEM ON THE AGENDA

Reports of the Programme, Financial and Administrative Committee

First report: Financial questions

Contents

1. The Programme, Financial and Administrative Committee of the Governing Body met on 11, 12 and 20 March 2003, chaired by Lord Brett, Chairperson of the Governing Body. Mr. M. Blondel (Worker spokesperson) was the Reporter.

2. The Chairperson welcomed Mr. Manoj Juneja, Executive Director, Support Services and acting Treasurer and Financial Comptroller.

Programme and budget for 2002-03
(First item on the agenda)

(a) Position of accounts as at 31 December 2002

(b) Collection of contributions from 1 January 2003 to date

3. The Committee had before it two papers [1] on the position of accounts as at 31 December 2002 and the collection of contributions from 1 January 2003 to date.

4. The representative of the Director-General (the acting Treasurer and Financial Comptroller) reported that contributions received between 7 and 11 March 2003 were as follows:

Member State	Swiss francs
Turkey	152 233
Guatemala	100 000
Tunisia	111 018
Belarus	14 620

Belarus had regained its voting rights since it now complied with the financial arrangements that were previously approved by the International Labour Conference. A further contribution of 1,892,300 Swiss francs had subsequently been received from Saudi Arabia.

5. Mr. Botha, speaking on behalf of the Employer members, welcomed Mr. Juneja to the ILO. He noted that the list of countries which had lost the right to vote was growing and asked for information on what was being done to stop this trend. Some major contributors were in arrears. He inquired about the situation of the former Socialist Federal Republic of Yugoslavia. Some of the Caribbean countries had made surprisingly small contributions, and he requested clarification.

6. Mr. Blondel, speaking on behalf of the Workers' group, noted that the first paper submitted to the Committee set out the position of accounts as at 31 December 2002 which showed a surplus of income over expenditure. Those results were important in view of the issues that the Committee would be discussing. He pointed out that 25 member States had lost their right to vote because they were in arrears with their contributions and a dozen other States

[1] GB.286/PFA/1/1 and GB.286/PFA/1/2 and Add.

benefited from financial arrangements. That situation was worrying. The second document dealt with the collection of contributions from 1 January 2003 and set out a list of the member States that had settled their contributions for 2003 in full or in part and those that had made no payments. Although the situation seemed to be better than at the same period last year, it was to be regretted that a number of major contributors from industrialized European countries were behind in the payment of their contributions. He appealed for an end to that situation. He further noted that some payments came in as sessions of the Governing Body drew near, and while welcoming the funds thus received he appealed for regular payment and respect for the obligations deriving from membership of the Organization. Lastly, he wondered about the payment by some countries of amounts of less than ten dollars or so.

7. The representative of the Government of Belgium announced that Belgium had paid in full for 2003.

8. The representative of the Director-General (the acting Treasurer and Financial Comptroller) summarized the overall financial health of the Organization. The year 2002 had ended with a surplus of $22.4 million. However, income from current assessments was $14.7 million less than 2002 expenditure, which meant that 2002 expenditure was partly financed from the payment of arrears and a surplus arose because of substantial payments of arrears. The largest contributor paid 34.4 million Swiss francs more than its 2002 assessments. The overall trends were: some of the largest contributors were paying their assessed contributions later, partly because of budget cycles; some were splitting payments over two or more tranches. Overall, arrears due as a percentage of the budget were the lowest since 1990. Arrears as of 1 January 2003 amounted to only 29 per cent of the current budget. Some 23.2 per cent of current assessments had been paid by 7 March 2003, better than both of the previous years. Thirty-four member States each paid 0.001 per cent of the budget. In terms of current assessments, this represented a contribution of 3,841 Swiss francs per annum. Unfortunately, 19 were in arrears by more than one year despite their small contribution. Since 1996, there had been an increase in the number of countries seeking financial arrangements and some arrangements were lapsing because of non-compliance. There were currently 12 financial arrangements in force. Regarding the number of member States losing their right to vote, he confirmed that the numbers, though not very favourable, were consistent with the past. Regarding the former Socialist Federal Republic of Yugoslavia, he reported that the ILO would be following the decision of the United Nations General Assembly. That country was a member of the ILO and listed in the main tables of GB.286/PFA/6/1. As to the very small credits attributable to some member States, these did not represent payments but accounting credits pertaining to the distribution of prior year surpluses and the credits in relation to the incentive scheme. These member States had only small rates of contributions and their credits were correspondingly very small.

9. The Committee took note of the Office papers.

Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2001
(Second item on the agenda)

10. The Committee had before it a paper [2] on the follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2001.

11. Mr. Botha appealed for acronyms to be spelt out when used the first time in a document. He requested clarification on the recommendations in paragraph 10 which had not yet been implemented and noted problems with the Staff Health Insurance Fund (SHIF).

12. Mr. Blondel likewise regretted the growing number of unexplained acronyms in documents. As to the substance of the paper, he welcomed the measures taken to give effect to the Chief Internal Auditor's recommendations in various areas: mission planning in the Cooperative Branch, improved management of the transitory accounts of the Staff Health Insurance Fund and the verification of control over cash held in the Cash Office. Lastly, he sought further clarification as to the recovery of an amount of some US$20,000 lost in the context of the IPEC project in South Africa.

13. The representative of the Government of Canada asked if recommendations pertaining to individual units could not be grouped together and used Office-wide as a management tool.

14. The representative of the Government of Kenya expressed satisfaction that the Office had implemented all the main recommendations made by the Chief Internal Auditor and in particular those concerning headquarters and the field offices. With regard to the audit of technical cooperation projects, he noted that all the hurdles blocking project implementation had been fully addressed, including IPEC projects in Africa, and that delivery was satisfactory. He welcomed the assurance that the ILO would continue to work in close liaison with the Chief Internal Auditor regarding the follow-up action on other remaining recommendations.

15. The representative of the Director-General reported that all the main recommendations of the Chief Internal Auditor had been accepted and that the major ones had already been implemented. With regard to the Staff Health Insurance Fund, the recommendations related to a particular account that handled the payment of medical advances and the arrangements for managing it. There were some smaller items outstanding with regard to the recommendations on the Staff Health Insurance Fund, for example, a discussion of the duties of claim clerks, and some interfacing between IRIS and the Health Insurance Information System, once IRIS was operational. A number of outstanding recommendations related to the Pretoria Office. The main ones had already been implemented but a total of 102 had been made by the Chief Internal Auditor, and the Office would need time to act on all of them. With regard to IPEC, the missing $20,000 referred to in the document related to an unauthorized payment and had since been recovered from another UN agency. He agreed that certain important recommendations should be applied across the ILO as a whole and the ones concerning work planning and implementation processes would be best handled by IRIS.

16. The Committee took note of the Office paper.

[2] GB.286/PFA/2.

Report of the Chief Internal Auditor for the year ended 31 December 2002
(Third item on the agenda)

17. The Committee had before it a paper[3] containing the report of the Chief Internal Auditor for the year ended 31 December 2002.

18. Mr. Blondel observed that the report set out the findings of a whole range of audits covering a great variety of subjects and asked how the choice of audits was made and whether the Governing Body was able to influence such decisions. Moreover, the Workers would like to know whether, in the course of the audits, the Chief Internal Auditor looked into the social responsibility of the companies and suppliers used by the Office and checked that they complied with ILO principles. While generally satisfied with the report, he sought further information on the measures taken by the Office to recover the losses incurred by the two cases of fraud and on the two offices visited (in Asia and Africa) in which management/staff problems had arisen. He stressed the importance of staff training and pointed out the role played by the Chief Internal Auditor particularly in the context of implementation of project IRIS, which involved a large investment.

19. Mr. Botha noted problems regarding procurement of office furniture and assumed unless advised otherwise that they had been solved and that nobody had benefited from these arrangements in the Office. He particularly supported the recommendation on contract transparency proposed in paragraph 12, but asked if there were any other areas where these types of situation had arisen and if purchasing in other areas had been looked at to ensure that it did not happen there as well. The Employers were particularly concerned about the report on the office in Asia, in paragraph 18. Paragraph 20 mentioned recommendations which were not presented in detail and he asked for assurance that the officers had acted on them. He asked about the low percentage of reported implemented recommendations, especially in the Pretoria Office, and did not think that time was needed. Some other ILO offices had implemented far more of the recommendations. He hoped that the 25 per cent that were implemented in Pretoria were the important ones.

20. The representative of the Government of South Africa believed that the exercise was not in any way meant to micro-manage but to enhance the record of the Office in achieving its objectives. Statistics of follow-up to the internal audit recommendations showed a considerable improvement in follow-ups. She encouraged those departments where no progress was made with implementation to improve their level of applying the recommendations and encouraged the Office to give the necessary support where recommendations of the internal audits were not fully applied.

21. The representative of the Director-General stated that the Chief Internal Auditor was an independent official whose responsibilities and terms of reference were detailed in Part XIV of the Financial Regulations. Essentially, the Chief Internal Auditor made his own assessment about what projects needed to be subject to further investigation, although he would consider requests made by internal management. For example, the review of procurement was specifically initiated as a result of a request made by the previous Treasurer and Financial Comptroller. The way the Chief Internal Auditor would normally go about selecting projects was through a risk assessment of the ILO's activities; this methodology was also described in the External Auditor's report for 2000-01. Regarding socially responsible procurement, the primary responsibility lay with management. Before the selection of large contractors the ILO tried to ensure that the supplier followed socially

[3] GB.286/PFA/3.

responsible practices. For example, this was specifically considered with respect to the construction project in Lima. In fact, the approach now extended beyond the ILO to the United Nations Joint Staff Pension Fund, which manages over $20 billion in assets, that it should invest only in companies which follow socially responsible practices. He stressed the importance of operational and financial training, as a means of improving management of the field offices. Training budgets within IRIS and within the regular programme, as well as the 2000-01 surplus would need to be used to ensure that human resources were able to discharge their responsibilities and reduce the risk of irregularities. Regarding ongoing investigations, he pointed out that the first investigation was a technical cooperation project and that the actions noted in the report were taken by the implementing agency. The ILO anticipated being reimbursed shortly. The second investigation case was still ongoing. Concerning the Asia audit, he gave the assurance that an update would be provided in the next report. He also explained that one of the reasons for the low reported implementation rate at the Pretoria Office was the timing of the follow-up of the Chief Internal Auditor in 2002.

22. The Chief Internal Auditor addressed the issue of how he chose his work programme. There were only three Internal Auditors, besides himself, so choices were made on the basis of the most important offices, and the focus was on the supervision of the regional offices. He reported that there were no personal problems or conflicts in the audited Asian office. Officials had received the recommendation to work together to identify problems, clear bottlenecks for better performance and achieve better coordination of activities. There was a consensus not to mention names of offices in his reports, because the objective of the Chief Internal Auditor was not to criticize but to assist.

23. The representative of the Government of Canada suggested that in future comments regarding follow-up of the main recommendations would be more useful than statistical data.

24. The representative of the Government of the Russian Federation supported Canada and reiterated his Government's position on a need to ensure follow-up by the Organization to the recommendations of all oversight bodies. He proposed that the Office considered the feasibility of having a table showing the status of implementation of the recommendations of the internal and external auditors as well as the Joint Inspection Unit.

25. The Committee took note of the Office paper.

Follow-up to the report of the External Auditor on the accounts for 2000-01
(Fourth item on the agenda)

26. The Committee had before it a paper[4] on the follow-up to the External Auditor's report for 2000-01, which contained recommendations and the ILO's response.

27. Mr. Botha supported recommendation No. 11 but was surprised by recommendation No. 19 and the fact that contracts were often not finalized before commencement of employment in the ILO.

28. Mr. Blondel noted that the paper gave an account of the action taken in response to the recommendations made in the External Auditor's report on the 2000-01 accounts in three

[4] GB.286/PFA/4.

areas: the reclassification exercise, the introduction of strategic budgeting and the role of internal auditing. The Director-General should be encouraged to give effect to those recommendations in order to make the Office more efficient. Regarding the recommendation for the preparation of an internal audit manual, he observed that the proposal went back to 1999 and that a progress report was due in 2004. He accordingly requested that work be speeded up. Turning to the proposal concerning the outsourcing of the management of SHIF, the Workers had a number of reservations and asked that no measure be taken without the agreement of the ILO Staff Union.

29. The representative of the Government of Germany, referring to recommendation No. 14, was surprised that after identification of the problem in 1999 regarding the need for an audit manual, the work had not yet been completed because resources were not available, and that a progress report would only be received in one year's time. He urged that the task be given priority.

30. The representative of the Government of the United Kingdom supported the need to get on with the production of the internal audit manual. Regarding recommendation No. 5 on the reclassification exercise, she repeated the External Auditor's note that, as a matter of good budgetary and financial management practice, future exercises should be fully costed in advance of approval from the Governing Body. She stressed the External Auditor's use of the word "should" in this context. She believed that this information should be made available to the Governing Body in advance of discussions on this type of issue. Regarding recommendation No. 18 on the Staff Health Insurance Fund, her delegation had commented previously on the speed with which the Office was moving forward on this issue. She recognized concerns about using external contractors and shared the views that these matters needed to be considered carefully and hence the Governing Body needed to have the opportunity to comment. She urged the Office to do all it could to move the matter forward as quickly and as safely as possible.

31. The representative of the Government of Japan supported the Director-General's efforts to continue to work in close liaison with the External Auditor on the follow-up of the recommendations, especially recommendation No. 2 and recommendation No. 5.

32. The representative of the Government of the United States supported recommendations Nos. 5 and 14. In recommendation No. 16, the External Auditor advised the Internal Audit Office to take a proactive role in following up with ILO management to ensure that its recommendations obtained the attention necessary for implementation. She urged the Internal Audit Office to develop a simple plan to meet periodically with ILO management to review the implementation status of Internal Audit Office recommendations. It was not clear in the response whether this was taking place.

33. The Chief Internal Auditor stated that the internal audit manual had been his primary concern when he became Chief Internal Auditor in 1999, but the cost was high and resources few. However, the delays allowed the manual to emerge in a much smaller version and time was now available for production. On the question of follow-up, he emphasized that it was the responsibility of managers to ensure that the Office had a proper follow-up system. His concern was not so much the response as effective implementation. This was where senior management came in and all were working towards this end.

34. The representative of the Director-General noted that recommendation No. 16 was linked to the internal audit process, including the question of prioritization and follow-up, on which the representative of the Government of Canada had also commented under the previous item. He agreed that ways be sought to improve the prioritization of the internal audit recommendations, for follow-up by management, and a more summarized reporting mechanism to the Committee which dealt more specifically with those items of highest priority. Regarding recommendation No. 5, he emphasized that budgetary issues should not prejudge the eventual outcome of certain exercises. He agreed that it was important that a budgetary projection be undertaken in the form of a range of costs. He accepted that the word “could” be changed to “should” in the Office’s response to recommendation No. 5. As to observations regarding the Staff Health Insurance Fund and the current outsourcing proposal, an initial tender had been issued and he assured the Committee that the Office would act in consultation with the Staff Union. The final report on the External Auditor’s recommendations would be included in the 2002-03 audited accounts, which would be presented in 2004, and the Committee would have a chance to see the External Auditor’s reactions to the secretariat’s comments.

35. The Committee took note of the Office paper.

Treatment of surpluses – Amendments to the Financial Regulations

(Fifth item on the agenda)

36. The Committee had before it a paper [5] containing information on the treatment of surpluses – amendments to the Financial Regulations.

37. Mr. Botha recalled that the issue had been debated on a number of occasions and that the Employers had indicated their support for the point for decision. He highlighted one small point under paragraph 3(b), regarding the receipt of arrears of contributions in excess of the approved budget level and asked whether this was the current approved budget level.

38. Mr. Blondel recalled that the proposed amendment to the financial regulations was a response to a request by the Governing Body concerning the treatment of surpluses resulting from the payment of arrears of contributions. The proposal was that such surpluses be kept by the Office and used appropriately, unlike surpluses resulting from budget underspending, which would continue to be reimbursed to member States. The proposal was in keeping with the amendments to article 21 of the Financial Regulations approved by the Conference, under which member States were no longer subject to additional assessments in order to make up for income shortfalls arising from non-payment of assessments. The Workers therefore approved the point for decision but stressed the need for broad consultations with members of the Committee on the proposals for the use of surpluses.

39. The representative of the Government of Germany stated that his delegation’s position had been made clear last November. He believed that article 18 in its present form should be applied to all surpluses. However, he believed that in article 18, paragraphs 2 and 3 should be reversed. This would ensure that the use of a cash surplus was being referred to and not the use of a budget surplus. He questioned the relation of article 11.9(a) to article 2 of the Financial Regulations which states that there is only one single budget; the wording in 9(a) made it appear that there was an additional budget. He felt it would be clearer if there were a provisional budget adopted at the outset with desirable projects included, for which, however, funding would not be available. If there were a surplus, then it would be clear how that surplus could be applied. He had a considerable problem in accepting 9(b). If it were to be accepted and adopted, no special decision was needed because (b) stated very clearly that if the strict criteria under (a) did not exist then the Governing Body may decide on any expenditure it wished. If 9(b) were retained, and if there were no particular projects

[5] GB.286/PFA/5 and Corr.

to which the strict prerequisites of (a) applied, then the Governing Body, as in the past, could sign a blank cheque. A solution would be to reverse the order of article 18, paragraphs 2 and 3, and to delete 9(b) in article 11 and perhaps 9(a) as well. The word “expectation” should not be used; it was too vague.

40. The representative of the Government of France endorsed the statement made the representative of the Government of Germany. Citing the fact that the Governing Body had hitherto dealt on an ad hoc basis with surpluses resulting from the payment of arrears of contributions, he expressed doubt as to whether the proposed amendments would be of any use. They might, on the contrary, institutionalize a situation which ought to remain exceptional, as the International Labour Conference had recalled in a resolution stressing that contributions must be paid in full and on time. The amendments would only be a further incentive to some States to pay their contributions late. There was already an alarming increase in extra-budgetary resources in proportion to the regular budget, which was endangering the democratic nature of choices made as to the ILO’s courses of action. Consequently, a third source of financing in the form of a fund established from arrears in order to finance high-priority activities was unacceptable.

41. The representative of the Government of the Russian Federation confirmed his Government’s position that budget surpluses should be returned to the member States. At the same time his delegation was prepared to participate in the search for a compromise decision on the Financial Regulations. He proposed that at the beginning of paragraph 9(b) of article 11 the words “for return to member States” be added before “and for any other purpose that the Governing Body may decide”.

42. The representative of the Government of South Africa, speaking on behalf of the African group, supported the retention of the cash surplus and reiterated support for the proposed amendment and the fact that the Governing Body would be involved in studying how to utilize the cash surplus in future.

43. The representative of the Government of Argentina, speaking on behalf of the Latin American and Caribbean group, noted that the group had already expressed its opinion at previous sessions, i.e. that reform would be appropriate to ensure that the Office and the constituents had a clear frame of reference for dealing with surpluses. The group found the language proposed for the amendment of articles 11 and 18 of the Financial Regulations appropriate and supported the point for decision.

44. The representative of the Government of Brazil supported the point for decision. The order of article 18, paragraphs 2 and 3, could be inverted. On the other hand, he could not agree that a surplus fund would undermine the UN system because other organizations already had funds and they by no means undermined the United Nations. On the contrary, these amendments would improve the management of the ILO, avoid debate on the question of surpluses every other year and enhance the ability to forecast and cope with exceptional circumstances. He pointed out that some of the problems and decisions faced at the current meeting would have been greatly facilitated if a special programme fund were already in place.

45. The representative of the Government of New Zealand recalled that the key criteria against which proposals should be considered for the use of surpluses had been outlined last November. These were, firstly, the search for an appropriate fit with the core programme and budget and, secondly, the search for value for money and the setting of clear expectations as to deliverables. The major concern related to proposed amendments to article 11.9(b), which would enable money to be spent on any initiative the Governing Body may determine regardless of its links to the core programme and budget. She recommended that article 11.9(b) be deleted.

46. The representative of the Government of Japan believed that the repeated derogations of the Financial Regulations damaged the credibility of the Office's financial discipline and approved the decision to revise them. However, further clarification was necessary for the treatment of cash surpluses in cases where additional assessments were imposed on member States under the provision of article 21. He requested further explanation about the meaning and effect, including differences between the Working Capital Fund and the Special Programme Fund. He believed that it was important to arrive at a conclusion that was satisfying to all member countries.

47. The representative of the Government of the United Kingdom was concerned about the implications for the ILO when member States did not pay their contributions in full and on time. However, amending the Financial Regulations would not help prevent such situations arising in the future. The majority of members of the Committee agreed in November 2002 that surpluses resulting from receipt of arrears in excess of the approved budget level should be retained by the Office and that the Director-General propose amendments to the Financial Regulations. If this remained the majority view, then the establishment of a special programme fund to be used subject to the authorization of the Governing Body appeared a sensible measure. She considered that the description of activities which should be financed from a special programme fund and described in the amendments to article 11.9(a) should cover the majority of high-priority projects. However, like others, her delegation was not convinced that the additional flexibility granted in the proposed paragraph 9(b) was necessary. In these circumstances, her delegation would go along with the amendments proposed for article 11.9(a), and article 18, paragraphs 2 and 3, but could not accept article 11.9(b).

48. The representative of the Government of the United States generally supported the proposal. She emphasized that any money from such funds should be used for one-time, non-recurring, high-priority issues and could accept changing the order of the paragraphs in article 18, while being convinced that article 11.9(b) was unnecessary. In addition, she proposed a change to the term "special programme fund", preferring "surplus fund".

49. The representative of the Government of Mexico reiterated general support for the proposal and the use of budgetary funds, and approved the proposal to invert the order of paragraphs 2 and 3 under article 18. He suggested that the word "any" should be deleted from "any surplus" in paragraph 9 of article 11 and in paragraphs 2 and 3 of article 18.

50. The representative of the Government of Canada was concerned about the trend in late payments and thus creation of arrears, as well as the trend in making part or staggered payments. He was attracted by some of the solutions expressed and requested a cleaned-up draft of the document.

51. The representative of the Government of Italy, while understanding the rationale of the proposed amendments, endorsed the reservations expressed by numerous Government delegations. He wondered whether it would be possible to request a comparative analysis of the financial regulations of the various institutions of the United Nations system with a view to aligning practice regarding oversight of the use of resources.

52. The representatives of the Government of Nigeria and the Government of the Bahamas supported the point for decision.

53. The representative of the Government of Norway underlined the importance of member States paying their contribution in full and on time. Norway supported the proposed amendments, but had some reservations in relation to article 11.9(b). He could accept a less general wording. He supported Germany's proposals to change the order of the paragraphs in article 18.

54. The representative of the Government of the Republic of Korea acknowledged that the current Financial Regulations did not appropriately answer the various usages of a future budget surplus. But the Office proposal to amend the Financial Regulations, and create a new fund to meet the needs of the surplus was not convincing. First, no rule could possibly address and anticipate all the different financial circumstances of an uncertain global era. It was not a simple measure to change the current regulation, which not only stipulated what to do in the event of both a shortfall and a surplus, but which had also never been implemented in practice. Second, the Office proposal did not address adequately usage of the new fund, although in paragraph 7 the document stated that the fund would be used to finance specific time-bound activities. He believed that the use of the surplus should be applied to high-priority projects from the previous biennium, which could not be delivered due to income shortfall. Third, he was not convinced that the creation of the Special Programme Fund would reduce the procedural complexity as stated in paragraph 6. Operation and management of the fund would create additional paperwork. Lastly, ILO special funds had not been the most efficiently operated in the past. Before creating the new fund a top-to-bottom evaluation of all existing ILO special fund programmes was required.

55. The representative of the Government of Cameroon supported the proposed amendments. In view of the limited resources and the many challenges facing the Organization, all opportunities for funding ought to be used in order to implement the programmes which were the ILO's *raison d'être*.

56. Mr. Blondel observed that the essential issue was whether the problem was to be dealt with through the Financial Regulations in order to avoid discussing sensitive issues and as a disincentive to certain States which may tend to pay their contributions late with a view to redistribution. The decision appeared to have been accepted and it was surprising that some governments, precisely those which found the budget to be insufficient and objected to the share of extra-budgetary resources and to zero growth, appeared to have gone back on their position. The Workers were in favour of adopting the proposed amendments but were open to changes. They were nonetheless insistent that the high-priority activities must not create any additional future funding, and stressed the need for the ILO to show an ability to be responsive.

57. Mr. Botha supported retaining article 11.9(a) and would not oppose the removal of 9(b) nor the reversal of the two clauses in article 18.

58. The Chairperson decided to request a recess and resume the discussion with a revised document.

59. After the recess, the Committee was presented with a revised paper.[6] Following suggestions made by the representative of the Government of Germany, the order of article 18 had been inverted. Article 11 posed a greater problem. The representative of the Government of Mexico had suggested removing the word "any" from in front of the word "surplus" but it actually made more sense to substitute the word "the" for "any". The words "Special Programme Fund" had been changed to "Special Programme Account" in order to eliminate any idea that such monies would be recurring. There had been concerns about the term "high priorities" but what constituted a high priority had to be seen in the context of the time at which it was set. When the Governing Body set its priorities for the use of surplus monies, it would not look at alternatives to the activities funded by the regular budget but at additional activities of high priority. Paragraph 9(b) had been deleted

[6] GB.286/PFA/5(Rev.).

and both the Workers' and Employers' groups, who would have preferred its retention, had agreed to accept this change if the resulting text found consensus.

60. Mr Botha gave his support to the rationale for the new wording.

61. The representative of the Government of France said that his delegation was not seeking to obstruct a consensus and that it accepted unreservedly the amendment to article 18 as it stood. With regard to article 11, he welcomed the fact that France's proposal to replace the word "fund" with "account" had been accepted. The aim was to avoid institutionalizing a permanent budget item for the purpose of receiving arrears of contributions. In the interests of regular and continuous financing of the ILO, he further proposed using "Special Account" and deleting "Programme", which was not essential because the account would not be used for programme activities and would be drawn on only "pending" decisions by the Governing Body and the Conference. Furthermore, he wished to change the expression "high priority", which was out of place in this context because "high priority" measures came as a rule under the regular budget. With those two changes, France would be able to join the consensus.

62. The representative of the Government of Brazil believed that the deletion of 9(b) in article 11 had removed the element of flexibility in the original proposal. Such flexibility could prove useful in a situation not specifically covered in the articles. In order to reintroduce this element, he wished to insert the word "preferably" after "Governing Body" in article 11.

63. The representative of the Government of Mexico stated that he would not insist on the deletion of the word "any".

64. The representative of the Government of Argentina supported the further amendments suggested by the representative of the Government of France and the use of the word "preferably".

65. The representative of the Government of Germany could support the proposals made by the representative of the Government of France but did not feel that they actually undermined the goal of reaching a compromise. He suggested that the minutes record in detail what had been said on the subject of "high priorities" so that if, in the future, there was any doubt as to what was meant by this expression, the Committee could refer to them. Referring to his earlier suggestion, he would have preferred to see "expectation of" replaced by "create any" but would be prepared to forgo this amendment in the interests of consensus.

66. The representative of the Government of the United Kingdom supported the revised text produced by the Office. However, she could not accept the addition of the word "preferably". The current wording, "to finance high priority activities" was sufficiently flexible. She did not believe that the Financial Regulations should be so flexible that they permitted a wider range of items.

67. The representative of the Government of the Russian Federation supported Brazil and Argentina and asked other delegations whether the words "as a rule" might be more acceptable than "preferably".

68. The representative of the Government of the United States asked whether "Special Programme Account" could not simply become "Special Account". He wondered whether the phrase beginning "to finance high priority activities …" could not best be replaced with "to fund activities". Whilst he supported many of the suggestions put forward by France, he did not wish to see the text reflect the idea of only funding the unexpected. The Organization might well wish to use the account for activities which were not unexpected.

69. The representative of the Government of New Zealand supported the text as it stood. She also could not accept the inclusion of the word “preferably”.

70. The Chairman believed that “Special Programme” suitably described the use of the surplus for programmes outside the regular budget. However, in order to accommodate the point made by France that there needed to be some distinction between the evaluation of high priorities for the surplus and that carried out for the regular budget, he suggested the inclusion of the word “appropriate” between “finance” and “high priority”. This would give the Governing Body the flexibility to choose between high-priority activities of limited duration.

71. The representative of the Government of France said that he preferred the term “appropriate” to the expression “high priority”, which pertained to financing under the regular budget and decisions by the Governing Body or the Conference. He would be in favour of an amendment providing for the financing of appropriate activities of limited duration, but was unsure whether he had fully understood the proposal.

72. The Chairperson explained that, in using the word “appropriate”, he had been endeavouring to distinguish between those items identified as high priorities at the time the budget was set and those identified 12 months later when the Organization was faced with a surplus. The text would therefore read: “The Director-General shall transfer the surplus referred to in article 18.3 to a Special Programme Account, which shall be used, subject to the authorization of the Governing Body, to finance appropriate, high-priority activities of limited duration that were not otherwise provided for under the budget adopted by the Conference and that do not create any expectation of additional future funding”.

73. The representative of the Government of Brazil stated that he did not wish to stand in the way of consensus but if “preferably” was not acceptable, the text should read “Governing Body to finance appropriate activities”. He also wished to know whether the revised Financial Regulations would still permit the return to members of an appropriate part of a recorded surplus.

74. The Chairperson reminded the Committee that most of the arguments against the original proposal had been in connection with 9(b) of article 11 and that this had now been removed. There was considerable support for the proposal in its revised form and he asked whether, with the inclusion of the word “appropriate”, he could now call a consensus. He assured the Committee that the minutes would certainly reflect the reservations expressed by various speakers.

75. The representative of the Government of France felt that his delegation had already shown considerable flexibility and that the Committee could agree, by consensus and without undermining the test to delete “Programme” and adopt the expression “to a Special Account”. Stressing his point he noted that “Programme” in this context was highly ambiguous and could suggest that entire programmes were to be financed from special accounts constituted by arrears of contributions. The French delegation would furthermore be ready to replace the expression “high priority” with “appropriate” or with some other notion such as “unexpected” or “exceptional”, but was unable to agree to the current wording, which could lead to confusion since responsibility for determining priorities lay with the Governing Body, and the latter’s authorization was already established in the text.

76. The Chairperson wondered whether “Special Account” was any more or less ambiguous than “Special Programme Account”. Although he had heard some support for the views of

France, it had not been overwhelming. He also acknowledged that Brazil and Russia had expressed unhappiness with the proposal as currently drafted. There would, however, need to be considerably more opposition to prevent consensus.

77. The representative of the Government of Argentina reiterated the wish to see an element of flexibility incorporated into the text. He therefore supported the suggestion from the representative of the Government of France concerning the word “Programme” and the phrase “to finance appropriate activities”.

78. The representative of the Government of Brazil gave his support to the views of the representative of the Government of Argentina.

79. The representative of the Government of Canada urged the Committee not to debate still further the wording of the proposal but to reach consensus on as simple and straightforward a construction as possible. The meaning of “Special Programme” was clear and, in order to circumvent the problem of “high priorities”, he suggested using “appropriate activities”.

80. The representative of the Government of the United States supported the idea from France of “Special Account” and that of Canada of “appropriate activities”.

81. The representative of the Government of the Russian Federation reiterated his wish to see greater flexibility in the wording of the proposal and also gave support to the amendments suggested by France.

82. The representative of the Government of the United Kingdom expressed her willingness to accept any appropriate name for the fund. However, she wished to stress that the Financial Regulations had to stipulate very clearly the uses of the fund. “Appropriate activities” was not very clear; indeed it was very vague. She could understand some of the problems that France had with the phrase “high priorities” but was also able to accept the Office’s explanation that there could be priorities outside those funded by the regular budget. It was therefore essential to have wording such as “ high priority” or “exceptional activities” which made clear that the activities funded were priorities and not just “appropriate activities”.

83. The representative of the Government of New Zealand supported the view that “high priority” should be retained.

84. The representative of the Government of Spain supported the revised proposal as it stood and urged that no further amendments be made.

85. The Chairperson reiterated that views and concerns expressed would be fully minuted and asked whether those in the minority could now join a consensus on the text which would include the word “appropriate” and which would retain “high priority”. The Chairperson called a consensus.

86. The representative of the Government of France said that it was not certain that France was in a minority because, out of ten speakers, eight had been in favour of the French proposal to delete the word “Programme”. As to the amendment concerning “high priority”, he was still convinced that it could lead to confusion, although the addition of the word “appropriate” had improved matters slightly. For the sake of a consensus, his delegation would agree to it provided “Programme” was deleted from the first line of article 11.

87. The Chairperson accepted that France was not a lone voice but explained that they were nevertheless in a minority. Their views would be fully reflected in the minutes.

88. ***The Committee recommends to the Governing Body that it propose the following resolution to the International Labour Conference, at its 91st Session (June 2003):***

Resolution to be submitted to the 91st Session of the International Labour Conference

The General Conference of the International Labour Organization,

Recognizing that amendments to the Financial Regulations are required to ensure that surpluses are dealt with in an appropriate manner;

Decides to make the following amendments to the Financial Regulations:

Article 11

[...]

9. The Director-General shall transfer the surplus referred to in article 18.3, to a Special Programme Account, which shall be used, subject to the authorization of the Governing Body, to finance high-priority activities of limited duration that were not otherwise provided for under the budget adopted by the Conference and that do not create any expectation of additional future funding.

Article 18

1. (No change)

2. The amount of any surplus resulting from an underspending of the approved or amended budget, expressed in Swiss francs calculated at the budget rate of exchange for that financial period, shall be used to reduce the contributions of Members in the following way:

> Members which paid their ordinary contributions in the financial period in which this surplus accrued shall have their share of the surplus deducted from their contributions assessed for the second year of the succeeding financial period; other Members shall not be credited with their share until they have paid the contributions due from them for the financial period in which the surplus accrued. When they have done so, their share of such surplus shall be deducted from their contributions assessed for the first year of the next financial period for which a budget is adopted after such payment.

3. The amount of any surplus resulting solely from the receipt of contributions in excess of the level of the budget as adopted by the International Labour Conference or as subsequently amended by the Governing Body, net of any reimbursements to the Working Capital Fund or other borrowings, shall be transferred to the Special Programme Account as defined in article 11.9.

Information Technology Fund
(Sixth item on the agenda)

(a) Project IRIS

(b) Investment in information technology

89. The Committee had before it two papers[7] giving details of the IRIS project and on investment in information technology.

90. Mr. Botha found the IRIS paper interesting and saw no problems with it. He wanted to know whether the auditors had considered the awarding of contracts. On the second paper, the first of the two proposals concerned improvements in telecommunications infrastructure between the field and Geneva and this was important. He asked if estimates of upkeep and maintenance costs were available. He requested further details on the EDMS proposal and information on the distinction between CDMS and EDMS.

91. Mr. Blondel noted that project IRIS had entered the implementation phase once the Office had selected an implementation partner, Accenture plc, and that Oracle had begun customization of software to meet the specific needs of the ILO. Since the expenditure incurred by the end of February 2003 amounted to US$18 million, US$7 million remained in the Information Technology Systems Fund. Implementation of the project was scheduled for 2004, but its success depended largely on improved telecommunication infrastructure at headquarters and in the field. The Office estimated that implementation of a global telecommunication infrastructure for the ILO, for which a request for proposal had been issued, would cost some US$3 million. The Workers were in favour of the proposal on the understanding that the amount was an upper limit, but would be unable to agree to any more. They also approved the use of US$500,000 from the Information Technology Systems Fund for an Electronic Document Management System.

92. The representative of the Director-General (the acting Treasurer and Financial Comptroller) said that the External Auditors were in the process of finalizing their audit workplan for the current biennium but had already indicated that they would be examining IRIS implementation and providing their findings in the 2002-03 audited accounts. Their review would no doubt study the process that was followed in awarding the two large IRIS contracts. He clarified that the reported sum of $18 million for IRIS represented commitments to date in the form of signed contracts and not the amount of work that had already been delivered which was considerably less than $18 million. The $3 million and the $500,000 being requested for telecommunications infrastructure and EDMS respectively were not part of the $7 million not yet committed on IRIS, but from the IT systems fund. Regarding the modernization of the telecommunications infrastructure and future maintenance and upkeep costs, the technical evaluation of the wide area network was not complete. It was tentatively anticipated that the savings the Office would achieve by no longer having to pay local Internet service providers for telecommunication costs would offset the additional ongoing costs for the wide area network. The $3 million was an upper investment limit. Quotations had been received from three vendors with one having quoted more than this figure. Regarding EDMS, he described the nature of the present problem and proposed solution. The ILO had a wealth of internal knowledge in the form of emails, text files, spreadsheets and other forms of internal documents. This knowledge

[7] GB.286/PFA/6/1 and GB.286/6/2.

could not be shared across sectors or between headquarters and the decentralized offices because there were no common procedures for preparing, storing and searching these documents. The $500,000 investment would, develop the minimum required attributes for an internal document, such as the author, title, keywords and lifespan of the document; a suitable document management software system (EDMS) would then be identified; an interface of this product with the standard word processing, email and other applications would be designed; then all the information would be installed in a central server to permit its access from all locations. The work that is proposed to be funded would permit a pilot phase in 2004 with some users. The result of the project would be that the common knowledge base for internal documents would be increased. A content document management system (CDMS) was actually much more than EDMS; a request for $3 million of funding was made last June for CDMS which encompasses a much greater variety of documents and gathers more content information, making it a form of business intelligence.

93. The Committee noted the report in GB.286/PFA/6/1.

94. ***The Committee recommends to the Governing Body that it approve the use of up to US$3 million from the Information Technology Systems Fund for improvements to the headquarters/field telecommunications infrastructure and US$500,000 from the Information Technology Systems Fund for an electronic document management system.***

Report of the Building Subcommittee
(Seventh item on the agenda)

95. The Committee had before it a paper[8] which reported discussions at a meeting of the Building Subcommittee held on 17 March 2003.

96. ***The Programme, Financial and Administrative Committee recommends to the Governing Body that it authorize the Office, upon completion of all contractual arrangements:***

(a) to award the contract for the construction of the ILO Regional Office for the Americas in Lima to J.E. Construcciones Generales S.A. for an amount not exceeding US$1,921,000, including the demolition of the present building and the completion of the concrete structure for the sixth floor of the building;

(b) to maintain the difference of $79,000 between the maximum budget ($2,000,000) allocated by the Governing Body to this project and the actual contract costs ($1,921,000) as a contingency reserve fund;

(c) to aim to complete the construction of the Regional Office within a period of one year from the date on which the work begins.

97. ***The Programme, Financial and Administrative Committee requests that the Governing Body confirm its wish for a more modern use of the building which***

[8] GB.286/PFA/7.

would take account of the architects' recommendations, specifically with regard to safety and health aspects. Following this presentation, a complete report should be submitted by the November 2003 session, including a detailed financial estimate and financial plan for the renovation of offices at headquarters.

98. ***The Programme, Financial and Administrative Committee requests the Governing Body:***

(a) to thank the Swiss authorities for their prompt handling of the file; and

(b) to instruct the Director-General to continue to negotiate with the competent Swiss authorities with regard to the final version of the master plan for the area, specifically with a view to retaining the greatest possible flexibility for any project which the ILO might wish to consider in the future regarding the land owned by it, as well as the plot of land leased to it.

Report on programme implementation in 2002
(Eighth item on the agenda)

99. The Committee had before it a paper [9] on the report on programme implementation in 2002.

100. Mr. Botha was pleased that the report indicated that the ILO was moving in the direction of being a truly strategic organization. He asked for more information on skills development and welcomed the report on cross-cutting functions. He requested clarification on the table on page 44. On technical cooperation, he noted with satisfaction the focus on migration, youth employment and the informal economy. The Employers supported the approach set out in paragraphs 133-135, particularly increasing the participation of employers' and workers' representatives in programmes and encouraging the participation of ILO staff members. At the Turin Centre, he noted attendance by workers and employers was only 17 per cent in 2001, against apparently 34 per cent by governments. The Turin work on freedom of association was important but not mentioned. He felt that greater consistency could be developed in reporting against targets and that there should be more highlighting of learning experiences. Self-congratulation should be avoided in future reports and repeated known facts should be relegated to footnotes. He asked if the use of the surplus was always focused on high-priority activities.

101. Mr. Blondel said that, although they had no quarrel with the principles, the Workers had some reservations about the second report on programme implementation. Like the first, it provided a good deal of information, but the Workers regretted that there was no mention of any concrete results or effects, or even lessons to be drawn, nor of difficulties encountered. Furthermore, the document did not reflect the Office's intention to encourage synergies and joint endeavours between the strategic objectives and the various sectors. He noted that tripartism and social dialogue should be a guiding thread running through the various sectors. He welcomed the measures taken to improve the Organization's relevance, effectiveness and efficiency, and reasserted the need to meet the aspirations of constituents at national level. The Workers were concerned that, of the US$163 million of approvals for 2002, only US$3 million were assigned to them directly through ACTRAV. The Workers supported the Office's intention to develop new programmes in the areas of migration,

[9] GB.286/PFA/8.

youth employment and the informal economy, and wished to be associated with such developments through ACTRAV.

102. With regard to Africa, he regretted that the “Jobs for Africa” programme and the project on the Promotion of Social Dialogue in French-speaking Africa were not mentioned in paragraphs 11 and 12 of the document. Specific information was also lacking on HIV/AIDS in the workplace and the social unrest in Côte d’Ivoire, which were likely to affect technical cooperation in particular.

103. Turning to developments in the Arab region, he regretted that no mention was made of the progress – albeit sparse – in the area of freedom of association, and he encouraged the Office to pursue its efforts in the region, where trade union rights were often denied. In his view, decent work was one area where trade union participation was essential.

104. With regard to Asia and the Pacific, he found it regrettable that no mention had been made of Nepal, a country afflicted by internal conflict where several trade unionists had been murdered. He noted a lack of cohesion of activities in the different regions, citing as an example the fact that the decent work pilot programme was not mentioned in any region other than Asia and the Pacific.

105. The representative of the Government of South Africa, on behalf of the African group, took positive note of the integration of regional priorities in the next biennium. There was disappointment that the progress made and possible lessons learned in the “Jobs for Africa” programme was not described. The group appreciated the work done in Africa on HIV/AIDS and the ILO’s contribution to NEPAD, but expected more promotional work on a broader range of Conventions. More also needed to be done on the Global Employment Agenda and more forward-looking programmes on employment creation should be encouraged. She urged that work on PRSPs be expanded. HIV/AIDS placed more challenges on the strategic objectives; expectations were for a fully fledged HIV/AIDS in the world of work InFocus programme. The ILO was urged to strengthen the outreach programmes of the International Institute for Labour Studies. There were positive developments in the Turin Centre, but there was still an issue of bridging the geographic distance and mobilization of more resources to afford participants from the developing world more opportunities in access to training.

106. The representative of the Government of Kenya found it regrettable that the report was silent on the “Jobs for Africa” programme, but was pleased to note that all four strategic objectives were realized, though he encouraged the Office to intensify efforts to improve national capacities for planning and managing social protection initiatives. In the area of cross-cutting activities, he was also pleased that advisory services on national policies for equal opportunities were being provided.

107. The representative of the Government of the United Kingdom, speaking on behalf of the IMEC group, welcomed the inclusion of interim resource information. She repeated the view that indicators should be more outcome-focused and demonstrate achievements. The ILO still needed to improve its profile, especially on employment and social protection, through promotional activities and relations with international institutions. There was a need to broaden the donor base; she noted the fall-off in funding on standards. The contrast between ratification of core Conventions and others was stark. It was hoped that the integrated approach would lead to improvements.

108. The representative of the Government of India noted with satisfaction the progress made on all four strategic objectives and the success in ratification of core Conventions. He asked the ILO to stress the promotional nature of the Declaration and that it should not be used for protectionist purposes. Promotional activities should be devoted to the generation of more employment for the poor and the employment sector should receive the highest priority. He sounded a note of caution that ratification campaign funds should be found in the regular budget and not be donor-driven.

109. The representative of the Government of France thanked the Office for the paper, which he found interesting. With regard to the action taken on the work of the Working Party on Policy regarding the Revision of Standards, his delegation was concerned that the process for ratification of the constitutional amendment adopted by the Conference in 1997 concerning the abrogation of obsolete Conventions was so slow. He hoped that the Office would approach countries that had not yet ratified the amendment, so that the decisions taken at the 85th Session of the Conference (1997) could be applied.

110. The representative of the Government of China approved the three principles of relevance, effectiveness and efficiency in programme implementation. China looked forward to the measures proposed on dealing with poverty eradication and decent work by the World Commission on the Social Dimension of Globalization.

111. The representative of the Government of Nigeria highlighted the ILO's work on HIV/AIDS in the workplace and its success in Africa. He suggested that, given the rate at which the pandemic is ravaging the workforce in Africa, it is as important as the child labour issue and therefore asked that both be accorded the same priority attention.

112. The representative of the Government of Japan was pleased that 80 Conventions had been ratified in 2002. He stressed the importance of occupational training in the field. Japan emphasized human resource development for social and economic development and decent work for both the developing and developed countries. In addition to the importance of the Turin Centre, he mentioned that of APSDEP (Asia-Pacific Skill Development Programme) in the Asia/Pacific region.

113. The representative of the Government of the United States requested more information on the Memorandum of Understanding with the Asian Development Bank as well as on the development of statistical indicators. She inquired as to progress since the ILO had joined the United Nations Development Group in 2002.

114. The representative of the Government of the Russian Federation asked for a general assessment of the state of implementation of programmes in the current biennium and the results of the work in 2002 with respect to the subregion of the Commonwealth of Independent States.

115. The representative of the Government of Mexico requested specific information on activities in the Americas region. Additional information was also required on indicators and assessment of operational objectives. In the area of technical cooperation, more information was needed on the regular budget, especially the sources of funding.

116. The representative of the Director-General (Mr. Thurman) announced that a full and systematic report of results against targets and on the way the regular budget resources were used would be provided as soon as possible. The issue of more information being provided was being addressed. The Office was developing tools to allow sharing of knowledge on cross-cutting work. The table on page 44 was an early example of this, expressing areas of weakness and areas for improvement.

117. The Committee noted the paper.

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

118. The Committee had before it a paper [10] concerning the delegation of authority under article 18 of the Standing Orders of the International Labour Conference.

119. Mr. Botha agreed with both points.

120. Mr. Blondel approved the point for decision in paragraph 4 of the first paper.

121. ***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.***

Other financial questions
(Eleventh item on the agenda)

The United Nations System Chief Executives Board (CEB) for Coordination – Statistical report on the budgetary and financial situation of organizations of the United Nations system

122. The Committee took note of a paper [11] containing financial information on organizations in the United Nations system.

Proposed gifts of land from the Government of Chile and the Government of the United Republic of Tanzania

123. The Committee had before it a paper [12] on proposed gifts of land from the Government of Chile and the Government of the United Republic of Tanzania.

124. Speaking on behalf of the Workers' group, Mr. Blondel thanked the Governments of Chile and the United Republic of Tanzania for their proposals. The Workers nonetheless felt that a feasibility study should be carried out on the cost of the building work and wondered whether it might not be preferable to wait until June 2004 to ask the Conference to accept the gifts of land.

125. The representative of the Government of South Africa, speaking on behalf of the African group, believed that the Dar es Salaam site would contribute towards enhancing the ILO's

[10] GB.286/PFA/10.

[11] GB.286/PFA/11/1.

[12] GB.286/PFA/11/2.

visibility in the region and was particularly timely, given the Director-General's commitment to increase resources in regions where they were most needed.

126. The representative of the Government of the United Kingdom noted that there would be significant cost implications if the Governing Body agreed to the construction of new buildings. She was concerned about the ad hoc way in which new building proposals were presented for consideration to the Governing Body. The point for decision was acceptable with the proviso that, before being asked to consider the construction of further new premises, the Governing Body would receive a paper setting out office requirements in Geneva and the regions for the next few years.

127. Mr. Botha said it seemed as though approval was being sought for the construction of new offices without the presentation of any proposal concerning the necessity for such buildings or their costs. The proposal was perhaps not quite so clear-cut but it did seem to be pushing the Committee into making a decision without all the relevant information. He asked whether the decision could be postponed until June 2004.

128. The representative of the Government of Kenya noted that the gifts did not represent a cost until the Governing Body decided upon possible construction. The site in Dar es Salaam was prime land. At current market prices, it would eventually represent a considerable saving for the Organization. The office currently was one of the few without a permanent building. Given the increasing demand for the ILO's services in the region, there could be a time when the Building Subcommittee, having considered all the relevant facts, would find it appropriate to construct a permanent office there. He supported the point for decision.

129. The representative of the Government of Nigeria endorsed the view of the African group.

130. The representative of the Government of Brazil supported the point for decision. For the time being it was a matter of deciding on acceptance of the gifts, not on the construction of buildings.

131. The Chairperson explained that the proposed resolution did not commit the Governing Body to constructing new office buildings. He asked whether the Office would be able to provide a review of office requirements, as requested by the representative of the Government of the United Kingdom, in time for November.

132. The representative of the Director-General (the acting Treasurer and Financial Comptroller) confirmed the Chairperson's interpretation of the draft resolution. The draft resolution would enable the Office to undertake a thorough investment appraisal of each proposal which would then be presented to the Building Subcommittee in November 2003. He emphasized that the details of the proposals still had to be prepared and studied by the Office and the outcome of this review could not be prejudged. In response to the request from the representative of the Government of the United Kingdom and the Chairperson's question, he sought clarification on whether there was a request for a capital master plan for all main ILO locations. Such a plan would need to examine routine maintenance and major renovation requirements, security and working practices. It would need to be based on projections of staffing by location and other considerations. Such studies take a considerable amount of time and could not be completed by November 2003. However, the Office could commit to progressing in some areas, sufficient to allow the proposals concerning the gifts of land to be considered by the Building Subcommittee in November 2003.

133. The representative of the Government of the United Kingdom agreed that a capital master plan would take significant time to produce. She wished to see a paper which laid out the

5-10 year strategy for office space. As the Director-General planned to move more staff out into the regions, there would be a requirement for more space in certain areas but less in others. An outline detailing the impact of this policy on space was required before building new premises could be considered.

134. Mr. Botha asked whether the potential buildings had been included in the budget. He reiterated his question concerning the consequences of postponing a decision until 2004.

135. The Chairperson thought that postponing the decision was not necessary. The resolution gave the Governing Body the authority to accept only if satisfied with a full examination of the two proposals. A paper on the costs of the offices and the review requested by the United Kingdom would be available in November and a decision could be made then as to whether to construct or not.

136. The Director-General thought that there were two levels of decision involved. The first related to the acceptance of the land subject to further analysis which did not seem to be in question. The second related to the possible construction and its funding. He explained that the Organization had a Building and Accommodation Fund which was used for this kind of building project but that each project was considered on its own merits. The question of whether or not to construct would be considered by the Building Subcommittee in November and then by the Committee. No decision to construct was being requested now. He commended the suggestion from the United Kingdom that there be a review of overall office requirements prepared for November. This would facilitate an informed decision about any new construction.

137. Mr. Botha agreed to go along with the proposal but wished to stress his concern that the proposal's wording risked committing the Governing Body to construct new premises. He wondered what the Organization would do with the land if there were a decision not to build.

138. The representative of the Director-General (the acting Treasurer and Financial Comptroller) explained that the proposed procedure and draft resolution was identical to that followed in 1993 by the Committee for the ILO Office in Islamabad. Many of the questions raised would be addressed as part of the Organization's presentation of its business case for acceptance of these gifts, to be made in November.

139. ***The Committee recommends to the Governing Body that:***

(a) it authorize the Director-General to draw up outline plans and cost estimates for submission to the Building Subcommittee at the 288th Session (November 2003) of the Governing Body with a view to preparing final recommendations;

(b) it propose to the Conference at its 91st Session (June 2003) that, under article 12, paragraph 1, of the Financial Regulations, the Conference authorizes the acceptance of the gift of land offered by the Governments of Chile and the United Republic of Tanzania to build premises for the ILO Offices in Santiago and Dar es Salaam respectively, subject to a final decision on such acceptance by the Governing Body at a later stage and adopts a resolution in the following terms:

The General Conference of the International Labour Organization,

Authorizes the Governing Body, pursuant to article 12, paragraph 1, of the Financial Regulations, to accept, if it thinks fit after a full examination of each individual proposal, the gifts of land generously offered by the Governments of Chile and the United Republic of Tanzania, for the purpose of constructing premises to house the ILO Offices in Santiago and Dar es Salaam respectively.

Geneva, 21 March 2003.

(Signed) M. Blondel,
Reporter.

Points for decision: Paragraph 88;
Paragraph 94;
Paragraph 96;
Paragraph 97;
Paragraph 98;
Paragraph 121;
Paragraph 139.