



TENTH ITEM ON THE AGENDA

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

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1. The Programme, Financial and Administrative Committee of the Governing Body met on 16 and 17 March 2004, chaired by Mr. E. Chung (Government, Republic of Korea). Mr. Kettledas (South Africa) was the Reporter.
2. Mr. Blondel, speaking on behalf of the Worker members, presented his condolences to the people of Spain over the tragic events in Madrid of the previous week.
3. Mr. Botha, speaking on behalf of the Employer members, added his sympathies.
4. The representative of the Government of Spain expressed his gratitude for the expression of solidarity and thanked the ILO and the delegations present.
5. The Chairperson announced that the first session of the Governing Body would be marked by a minute's silence.

Programme and Budget for 2002-03: Regular budget account and Working Capital Fund as at 31 December 2003 (First item on the agenda)

6. The Committee had before it a paper¹ on the regular budget account and Working Capital Fund as at 31 December 2003.
7. Mr. Botha noted that large arrears still existed, particularly from non-payment of contributions by large member countries. He called on all countries in arrears to settle their financial obligations. He also noted that no surplus existed and that there was an enormous reliance on funding from surpluses in the past. This would have to be taken into consideration in the new budget period. There was no reserve and probably no extra funding for new ideas.
8. Mr. Blondel, speaking on behalf of the Workers' group, said that the figures for revenues and expenditure given in the paper showed that it had been possible to cover the shortfall from the Working Capital Fund which had itself been replenished in January 2004 from payments of arrears. As at 31 December 2003, about 20 member States had lost voting rights as the arrears of contributions owed by them was equivalent to their total contributions due for 2002 and 2003. In addition to these States, another 13 had agreed on financial arrangements with the Office allowing them to vote. The Workers' group was concerned at this situation, and appealed once again to all member States to meet their obligations.
9. The representative of the Government of Canada urged other member States to pay on time and in full. He asked what constraints might be placed on the Office in meeting programme obligations by not having the necessary income flow and whether these would involve drawing on reserves, or having to delay expenditure, and thus programme activity, until funds were received.
10. The representative of the Government of the United Kingdom inquired as to the meaning of the adjustment for staff turnover in Appendix I, table 2.

¹ GB.289/PFA/1.

11. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) summarized income receipts during 2002-03. The total of current contributions and arrears received from member States in 2002-03 was less than the level of 2002-03 assessments, by 15 million Swiss francs (about US\$11.6 million). The ILO therefore ended the 2002-03 biennium with more arrears than at the start: 142 million Swiss francs of arrears, having started 2002 with 126.7 million Swiss francs of arrears. This had not, however, affected programme implementation because the shortfall had been covered from cash reserves in the Working Capital Fund which was established at a level of 35 million Swiss francs towards the end of the 2002-03 biennium. Overall income receipts had been affected by relatively few large contributors which could be seen in Appendix III, table 2, of the document, particularly an increase in arrears of five member States, two of whom settled their arrears in January 2004.
12. On the expenditure side, the results of the past two biennia had witnessed full spending of the appropriations, which highlighted a structural change in the ILO's spending pattern. The challenge was no longer whether the budget would be spent but rather to keep expenditure in check.
13. Fewer member States had made no payments towards their contributions in 2003 (19) compared with the previous biennium (26) and eight fewer member States had lost their right to vote by the end of 2003. The timing of payment of assessed contributions was largely outside the ILO's control and he described the steps taken by the Office to keep member States informed of assessed contributions due and any impending loss of voting rights as well as the modalities for entering into and respecting financial arrangements.
14. The adjustment for staff turnover in Appendix II, table 2, reflected the figure for this caption as provided for in the Programme and Budget for 2002-03, separately from the items of the ordinary budget and therefore shown as a separate line in the present paper. Finally, he highlighted an error in table 1 of Appendix I in the "Budget" column. In the section entitled "Expenditure, Part I – Ordinary budget" should read "US\$433,165,000", "Part II – Unforeseen expenditure" which was blank, should read "US\$875,000".
15. The Committee took note of the Office paper.

Programme and Budget for 2004-05: Collection of contributions from 1 January 2004 to date (Second item on the agenda)

16. The Committee had before it a paper² detailing contributions to 31 January 2004 and an addendum³ detailing contributions received in February 2004.
17. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) reported that contributions received during the 15 days since 1 March 2004 amounted to 10,375,983 Swiss francs from six member States. Four member States had fully paid their 2004 contributions as follows:

² GB.289/PFA/2.

³ GB.289/PFA/2(Add.).

Member State	Swiss francs
Netherlands	6 069 866
Qatar	117 072
South Africa	1 426 124
Sri Lanka	56 763

In addition, the Government of Greece had paid arrears in the amount of 1,306,158 Swiss francs and Argentina had paid its balance for 2001 and part of its 2002 arrears in the sum of exactly 1,400,000 Swiss francs. As a result of this payment, Argentina had regained its right to vote. Accordingly, as of 16 March 2004, 27 member States no longer had the right to vote.

18. Mr. Blondel emphasized that the Workers' group was concerned at developments with regard to payment of contributions. The paper before the Committee showed that as at 31 January 2004, some 28 member States had paid their contributions for the current year in full (28.4 million Swiss francs), compared to 30 member States (36.8 million Swiss francs) by the same date the previous year. As regards States that had paid part of their contributions, the figures were nine member States for 2004 and 11 for 2003. The Workers once again emphasized the importance of member States meeting their obligations by paying their contributions within the time allowed. Total payments of arrears stood at 25.4 million Swiss francs as at 31 January 2004 compared to 5.2 million a year ago. However, this improvement gave no cause for satisfaction since during the same period total arrears had also increased. The chronic delay in payment of contributions was particularly worrying in the case of industrialized countries like the United States and Japan, which formed the financial foundation of the ILO, but a number of European countries were also among the list of those in arrears. The interest recently shown by China in human rights could also be expressed by efforts to meet its financial obligations towards the ILO.
19. While the decline in the number of member States that had lost voting rights (27 compared to 32 in 2003) was a positive trend, it was important to keep in mind the fact that if the situation were really satisfactory, all member States would still have voting rights. The Workers also noted that a number of countries that had lost their voting rights were also the subject of representations before the Committee on Freedom of Association.
20. Mr. Botha also thanked the countries that had paid their contributions at an early stage. He was concerned about non-paying large countries setting a bad example.
21. The representative of the Government of Germany explained that Germany usually paid half of its contribution at the beginning of the year and the remainder in the summer. However, this year nothing had yet been paid since, political considerations in Germany had led to the budget approval being delayed. The budget was now approved and payment would be made quickly.
22. The representative of the Government of Canada asked how the payment of arrears was recognized within the accounts, particularly in relation to the establishment of a surplus at the end of a biennium.
23. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) confirmed that overall, taking current contributions and arrears together, less money had been received in the first two months of 2004 than in each of the previous two years. It was difficult to draw conclusions about the pattern of contributions as it was early in the biennium and there was no major cause for alarm from a purely cash-flow point of view. There was concern about how quickly member States were, and should

be, paying their assessed contributions. The penalties that the ILO had at its disposal were stated in the Constitution and provided for the loss of voting rights as the only penalty. The incentives to pay on time were in the Financial Regulations and had been quite generous, with incentive scheme payments to member States totalling 40 million Swiss francs during the past 13 years. In 2001 alone, the incentive scheme payments amounted to 12.5 million Swiss francs and in 2003, 6.9 million Swiss francs.

24. According to article 18.3 of the Financial Regulations, the amount of any surplus resulting from receipt of contributions in excess of the level of the budget, net of any reimbursements to the Working Capital Fund or other borrowings would be transferred to the Special Programme account. If a prior biennium ended with a borrowing from the Working Capital Fund to finance the implementation of the budget, as in the case of 2002-03, which had ended with a deficit of approximately 15 million Swiss francs, that money had to be repaid back first. In other words, in the 2004-05 biennium, the Organization needed to process credits, current assessments and arrears equal to the authorized level of the budget in 2004-05, plus the repayment of 15 million Swiss francs that had to be made in January 2004 to the Working Capital Fund, before any surplus could be recognized for use in the Special Programme account.
25. Mr. Blondel emphasized that it had only been with regret that the Workers had cited a number of countries in their remarks on delays in the payment of contributions. They had simply hoped to prompt the representatives of the Governments of those countries to provide some explanations or perhaps create some pressure on them, once they were back home, to ensure that contributions were paid on time.
26. Mr. Botha wondered why there had not been more openness on this issue. The Employers were encouraging representatives to discuss the matter with their governments before coming to the meetings.
27. The Committee took note of the Office paper.

Information Technology Systems Fund (Third item on the agenda)

28. The Committee had before it a paper⁴ on the Information Systems Technology Fund and an addendum⁵ on the Information Systems Technology Fund Project IRIS.
29. The representative of the Director-General (Ms. Sally Paxton, newly appointed Senior Executive Project Sponsor for IRIS) explained that the Director-General had received a request from the project for additional funds as well as notification of a risk of slippage in implementation. He had thought it prudent to seek an external review, which had begun in February and concluded in early March. Additional work was carried out on possible options available to the Office regarding the IRIS project.
30. The external review found that, from a technical point of view, the project was generally sound. In fact, it had some features in terms of integrating strategic budgeting that made it unique in the United Nations system. Although there had been some problems resulting from an underestimation of the workload, it was recommended that work on this integrated

⁴ GB.289/PFA/3.

⁵ GB.289/PFA/3(Add.).

model which included not only financial, human resource, payroll, technical cooperation but also the strategic budgeting, be continued.

31. She detailed the major points of the six recommendations listed in the paper. First, the budget for the project had been underestimated. If implementation were achieved in November 2004, the current estimate was that the project would cost approximately US\$40 million. In addition, transition costs were anticipated for the initial three months after the go-live date, amounting to approximately US\$2 million and a project contingency of US\$2.5 million should be foreseen. The original budget was set at US\$20 million for the finance module, while an additional US\$5 million had been allocated for the human resources module and in November 2003 the Governing Body had agreed to make available additional funding of US\$3.4 million. As the fund was held in Swiss francs and not US dollars, the revaluation of the fund, plus interest earned thereon, gave a value of US\$35.4 million. This increase therefore covered some of the budget shortfall.
32. The consultant had strongly recommended a revision of the governance structure as the implementation phase approached, in order to involve the user community to a greater degree and to clarify and speed up decision-making. The structure would include a project director from IRIS for the day-to-day running of the project who would work with a stakeholders' committee made up of those line managers within the ILO who had responsibility for the functions that IRIS would perform and main users. Together, they would ensure the integration of the system at an operational level. A small project board chaired by Ms. Paxton would oversee the committee and would have the ultimate authority for making decisions on the project. The Director-General had appointed Ms. Paxton as the Senior Executive Project Sponsor. She would chair the project board, which would oversee the project, and she would have ultimate authority for making decisions on the project. This structure would be defined by a project charter for clarity of roles and responsibilities.
33. In addition to addressing governance, the recommendations had emphasized the need to move from the technical design into the user involvement phase. The new workplan would provide for the organizational readiness and ownership necessary for the project to succeed. It was a real priority to ensure that project knowledge be transferred to the ILO. This was not just a process of training staff, but of educating them on how the system should work.
34. The workplan had been revised to go live in November 2004 in headquarters only, which would allow time to stabilize the system and continue testing before taking IRIS out to the field.
35. There were two other recommendations: one that there be a total cost-of-ownership analysis done in order to fully establish all of the IRIS running costs, including what savings would be gained by not using current systems. Secondly, there was a need to look at the options for the technical infrastructure in order to decide whether this would be established in-house or outsourced. Both of these recommendation would be followed.
36. Mr. Botha declared that the Employers' group was pleased with the findings of the external review. The Employers supported the proposal of a project board and a reformed stakeholders' committee, on the understanding that this created clear lines of responsibility and authority which would best ensure that IRIS met its objectives, and welcomed Ms. Paxton to lead the project and have total responsibility. However, the Employers' group was disappointed that progress to date had not lived up to the original promises and was concerned that other budgets would need to be reduced to fund the IRIS project. The Employers' group was also concerned about the need for training and in-house acceptance of the project, and about the changes in the cost estimates. More detail was needed of times, dates, plans for implementation and the cost-of-ownership analysis and of the

outsourcing study. He emphasized that the project should be transparent and the Governing Body should be involved in the decisions and questioned whether a one-month review by an individual consultant could really allow for a comprehensive review of the project.

- 37.** Mr. Blondel, speaking on behalf of the Workers' group, emphasized that even if no decision was called for, this issue was of great importance. The paper highlighted the weakness of previous choices that had been made: an additional sum of US\$5 million was requested, the costs of transition from the old system to IRIS had not been taken into account, nor had the likely costs of maintenance. The Workers' group wanted to know the total cost of commissioning IRIS and the planned date for its entry into service. They also wanted to know where the additional credits assigned to the project would come from, since programmes under the 2004-05 budget should not be cut. Another important point was the question of training and informing staff in order to overcome possible resistance. Training needed to be an interactive and reciprocal process – adapting IRIS to staff needs and training staff to become familiar with IRIS. Management needed to convince staff of the benefits of IRIS, which also meant ensuring that it would not lead to job losses. The Director-General should become publicly involved with the project by presenting it to staff. Lastly, the Workers urged the Office to ensure greater transparency in all matters pertaining to the project.
- 38.** The representative of the Government of Germany shared the concerns of the previous speakers, particularly with regard to the extra financing required. He asked if the external review carried out by the independent consultant had stayed within its estimated costs or whether an overrun here had contributed to the overruns referred to in paragraph 10.
- 39.** The representative of the Government of the United Kingdom, speaking on behalf of IMEC, recalled their support for IRIS. She was disappointed that so little time had been available to consider the document. Speaking on behalf of the United Kingdom, she supported the calls for transparency and hoped that the November go-live date would be achieved. While welcoming Ms. Paxton's new role in overseeing the project, she also looked to the Director-General to ensure that the vital change management process would be driven forward throughout the Office and that the additional resources would be found from savings elsewhere within the budget. She sought clarification of the funding procedures outlined in paragraphs 16 and 17 of the paper where an additional US\$10 million was sought, as well as clarification on how the outcomes of the total cost-of-ownership project would be funded. She supported the study on outsourcing of the technical infrastructure and hoped to be kept up to date on developments to avoid surprises at the November meeting.
- 40.** The representative of the Government of Japan supported the IMEC and United Kingdom statements and said that any additional cost must be financed from the existing resources. He trusted that the project would not be further delayed.
- 41.** The representative of the Government of Mexico said that she had had no time to study the document in detail. She believed that there would be little point in undertaking actions which would result in extra costs until the outcome of the projects developed within the framework of the technology fund were known. She requested information on the cost of creating a team responsible for a resource enterprise management system and on the posts planned for maintenance and support staff, as well as the results of a risk evaluation of the IRIS project and a calendar or a time frame for the project. Finally, she requested information on the cost of the stakeholder committee.
- 42.** The representative of the Government of Canada supported the IMEC and United Kingdom statements. He welcomed the actions outlined and supported Ms. Paxton in the

new role. He too insisted on transparency and questioned the impact of the extra funding requirement on other programmes.

43. The representative of the Government of the Russian Federation stressed the importance of IT for effective management of the ILO as a decentralized organization and shared concerns about the cost and implementation time scale of project IRIS, as the project had already received large allocations of resources and should be coming to its final stage. He was also worried about whether staff were ready to use IRIS. Without the active interest of staff, the entire project became pointless. He supported the recommendation on the need for active involvement of the user community. The exact financial situation of the project had to be known with regard to the ratio between expenditure and the percentage of project completion. He wanted to know how much more was to be spent to complete the implementation and where the finance for this would come from. He supported the recommendation regarding analysis of the total cost of ownership.
44. The representative of the Government of Pakistan asked if there would be further costs for implementation of IRIS in the regions and if IRIS would be user-friendly.
45. The representative of the Government of the United States associated his delegation with the IMEC statement and was in broad agreement with all other speakers. His understanding was of a total additional cost of US\$10 million for the November go-live date, i.e. the US\$5 million mentioned in paragraph 9, plus US\$2 million in transition costs and US\$2.5 million for the contingency reserve. He asked for clarification that this was correct.
46. The representative of the Director-General (Ms. Paxton) remarked that the recommendation to do no further design work but to move on to implementation had been accepted. The consultant had also considered the results of other internal and external reviews carried out on IRIS. The consultant's review could have taken longer and been more in-depth, but the information would not have been available until the November meeting. Work would be continued on the total cost-of-ownership review to understand the running costs. Outsourcing options would also be reviewed. As regards transparency, she would be happy to set up whatever process was needed to have an ongoing consultation process so that the Governing Body could be fully apprised of the process and progress of IRIS.
47. She explained that the role of the contractors was determined in the time and materials contract which had been agreed. The project belonged to the ILO and not to the contractors or the consultants. Shifting overall responsibility elsewhere would simply make the project more expensive.
48. On the issue of the time frame, the workplan was to go live in November. Delays would increase costs and she was determined to keep to the deadline, striking a balance between what was achievable and what was responsible.
49. She wholeheartedly endorsed user involvement and this was where efforts would be concentrated. It was key to the success of the project. The new workplan called for a much earlier and increased user involvement, to educate and not just train staff. It also gave an opportunity for much more user input before the final operating rules were set.
50. The cost of the study had not been included in the cost of the project. Regarding the overall project cost, the estimates did create a serious challenge. Strong financial discipline was required in the project and the new governance mechanisms provided for cost control. The Director-General believed that the solutions to IRIS financing problems should not call into question the commitments made in the Programme and Budget for 2004-05, including

the resources decentralized to the regions. The management challenges item in the surplus could be drawn upon to the extent that the other central priorities were met, including those of strengthening management. However, given the large overlap between IRIS objectives and management training needs, significant resources could be found within this surplus item. Many of the committees to be set up represented ongoing ILO work and would not have any cost implications. She had no estimate for the cost of conducting a total cost-of-ownership study but would report back on whatever consultative process was undertaken. She would be in a position in November to provide more information about the total cost-of-ownership study, the outsourcing options and a progress report on IRIS. The US\$40 million figure assumed a go-live date in November 2004, the transition costs were for after the go-live date. Regarding impact on the regions, it was difficult to establish a cost until the total cost-of-ownership study was carried out. User-friendliness of the system was certainly a vital aim.

51. Mr. Blondel, on behalf of the Workers' group, thanked the representative of the Director-General for her clarifications. The Workers' group again emphasized that it would like to have information on the total project cost in June.
52. The representative of the Government of Pakistan inquired how fast the learning curve would be for staff who were P.4 and above, whose age might make learning a new system difficult.
53. The representative of the Director-General (Ms. Paxton) stated that the current budget estimate, assuming a go-live in November 2004, was US\$40 million. Approximately US\$2 million in transition costs for a period of some three months should also be foreseen and a contingency reserve should always be built into such projects which could be called upon either before or after the project went live. As regards the learning curve of staff of P.4 level and above, she suggested that it probably did not depend on grade or age but on adaptability.
54. The representative of the Director-General (Director of the Bureau of Programming and Management) reaffirmed the Office's commitment to transparency and promised to provide details as quickly as possible. The Office had been actively looking at the ways to find the additional funding needed while protecting the approved programme of activities. The resources under the Information Technology Systems Fund had been revalued, which had overcome a large part of the problem. Following the suggestion made by IMEC in November, the 2000-01 surplus and in particular the management challenges item were an important possible source of funding. Given the fact that the consultant's report had only just been received, the analysis of the surplus was not yet complete. However, he could say that, due to the exchange rate gains on the surplus, the Office was in a much stronger position than might be anticipated. Full information would be provided in November when the total cost-of-ownership study was completed, and when financial implications for IRIS were known.
55. The Committee took note of the Office papers.

Security and safety of staff and premises (Fourth item on the agenda)

56. The Committee had before it a paper⁶ providing an update on measures taken to improve security and safety of staff and premises.
57. Mr. Blondel, speaking on behalf of the Workers' group, recalled that in November 2003 the Governing Body had as a matter of urgency released US\$780,000 in credits to cover the cost of immediate measures to improve security at the headquarters building. According to the paper before the Committee, an invitation to tender had been sent out but there was no further information. The Workers were concerned about this situation and wanted to know how much had been spent thus far. They welcomed the willingness of the Office to seek a balance between security and the spirit of openness which was a feature of the ILO, as well as the establishment of an internal task force which would include a representative of the Staff Union. Lastly, the Workers requested that a long-term strategy paper on security and safety of staff and premises be submitted at the November session of the Governing Body.
58. Mr. Botha found the paper useful and interesting. He hoped that security would be enhanced at all ILO premises and not just at headquarters. He noted the tremendous increase in insurance premiums and thought it wise to sign insurance contracts for a period of one year. He inquired who was responsible for developing security both at headquarters and in the regions and who held the authority for developing security. He also wanted to know whether discussions had been held with governments and local authorities with respect to security and responsibility. In the light of the high costs of insurance, he sought assurance that discussions had been held with insurers about their requirements and assumed that an independent assessment of security had been commissioned.
59. The representative of the Government of the United Kingdom was disappointed with the document, both in its late production and content. It did not meet the request of the November meeting for a document setting out a proposed strategy on security for all the staff and the existing and future premises of the Organization. In November, the Governing Body had supported the Director-General's briefing and the need for urgency, but, four months later, it was not clear what concrete improvements had been implemented. Developments in the Office's efforts to improve security in the field were limited to one paragraph. In November, the Director-General had revealed that for 31 of the 53 field offices, security assessments had been undertaken and resources allocated to achieve compliance with United Nations minimum operating security standards. She asked if these offices were now compliant with MOSS and what had happened in the other field offices. The paper noted that two subregional offices had been relocated to new premises. She asked why and what the cost implications of these moves were. Regarding headquarters, she encouraged greater urgency in the follow-up to the instructions given by the Governing Body at its November 2003 meeting. This work should have been the first priority for action by the Office, and she hoped that as many of the new measures as possible could be operational before the suggested date of autumn 2004. It was unclear why technical improvements to the parking facilities were taking so long and she inquired whether or not protective film had been installed on the ground floor windows. She was also concerned at the continuing potential for loss of equipment from the building, and wanted to know what had been done to prevent further losses. She requested clarification on who was responsible for taking decisions on security requirements both in headquarters and at the field level.

⁶ GB.289/PFA/4.

60. The representative of the Government of the Russian Federation remarked that most representatives in the United Nations system in Geneva already had passes or badges and wondered why the ILO could not use these.
61. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller), responding to the question about the tender and the resources spent so far, said that part of the overall technical equipment, specifically electronic gates, cameras and software, had been through the full tender process and would be delivered at the end of June at a cost of US\$334,000. There were a number of other items of equipment to be purchased, such as badges, detectors and signage, and this would be the subject of a subsidiary bidding process in March for installation of all the equipment in September and eventual use in November 2004. With the remaining equipment to be purchased, the funding of US\$780,000 approved by the Governing Body in November was expected to be exhausted.
62. He explained that priority continued to be given to field offices and stressed that progressive compliance with the MOSS recommendations established by UNSECOORD was a significant task for the field offices as the standards and requirements for the offices keep becoming more stringent. For example, the two subregional offices that were relocated were in critical and high-risk duty stations. They had to be moved from United Nations common premises to new commercially rented buildings specifically to be MOSS compliant, in line with the actions also taken by the other United Nations organizations. The monthly rent and service charges paid for each of the premises was approximately US\$9,300 a month and the outfitting costs would total some US\$350,000.
63. It had been concluded that the protective film was not a requirement for Geneva, given that Geneva was a level zero security station as defined by UNSECOORD and for protective film on windows to be effective, most of the building would have to be covered, which rendered the cost prohibitive. The Office had been collaborating very closely with insurers, local authorities and other United Nations agencies, and it was recognized that the ILO could learn from the experience of the other agencies. Although the time frame for implementing restricted access seemed long, it was in fact ambitious when compared with the other Geneva-based agencies. The same technical solutions applied throughout the rest of the United Nations system could not be used at the ILO because, for example, the badges used in the rest of the United Nations system featured an older, non-microchip-based technology. The Office was trying to ensure that the technical solutions in the ILO were compatible with the principle of access into the Palais des Nations.
64. Responsibility for security at headquarters, including infrastructure, lay with the Internal Administration Bureau, while field security was the responsibility of the Human Resources Department. Regarding the strategy on security and safety of staff, the representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) emphasized that this item would continue to remain on the PFA agenda. He described several aspects of the strategy included in the present document, including: the need to achieve an adequate balance between traditional openness and security concerns; the need to bring the level of security at headquarters closer to that of other agencies in Geneva and achieve MOSS compliance in the external offices; and the emphasis on defining procedures, security training and communication.
65. The representative of the Director-General (Chief of the Internal Administration Bureau) explained that the Office had set up a task force whose members included a representative of the Staff Union and which would make recommendations on the implementation of measures that had been approved. The Office sought to learn from the experience of other international organizations in this area, using up-to-date technologies to ensure the security of the building without detriment to its open and friendly features. This was a major

challenge, and he hoped to come up with an appropriate response between now and November.

66. The Committee took note of the Office paper.

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

67. The Committee had before it a paper⁷ which was the report of the Building Subcommittee.
68. Ms. Gomes dos Santos (Chairperson of the Building Subcommittee) explained that the Subcommittee had met to discuss progress on the construction of premises for the Regional Office in Lima; the construction of the Subregional Office in Santiago, Chile, and the ILO Office in Dar es Salaam; and an overview of ILO office accommodation.
69. With regard to the Regional Office in Lima, the Subcommittee had noted that the construction work was on schedule and that the building would be available to the ILO in the second half of April 2004, one year after construction had begun. The Governing Body had approved a budget of US\$2 million, including a contingency reserve of US\$79,000, and the cost of the contract had been set at US\$1.921 million to which it was necessary to add US\$15,600 for salary increases, leaving a balance in the contingency reserve of US\$63,400. The Subcommittee congratulated the ILO administration and the Treasurer for the rigorous supervision of the project that would be completed on time and within budget. It also congratulated the Regional Director and his staff for the assistance given to the project and expressed the wish that the premises would now be equipped with furniture and air conditioning so that it could become fully operational. The Subcommittee also thanked the Government of Peru for the support given to the Office. The Subcommittee had agreed that a tripartite delegation would be present for the inauguration of the new office in Lima and that the delegates would be drawn from the region.
70. The Subcommittee had also taken note of progress in the tender procedure for the construction of the Subregional Office in Santiago, Chile, for which an amount of US\$1.8 million had been approved by the Governing Body in November 2003. The Subcommittee had been informed that negotiations would have to be undertaken by the Office with regard to the final cost, excluding local sales tax, with the building contractor, as well as for termination of the current office lease. A progress report on these matters would be submitted to the Subcommittee at its next meeting.
71. With regard to the construction of the ILO Office in Dar es Salaam, given the significant difference between the results of the tender and the budget of US\$1.7 million authorized by the Governing Body, the Subcommittee had agreed with the proposal from the Office to obtain revised bids. It asked the Office to pay close attention to the new architectural plans and ensure that budgetary constraints were taken into account by the contractors. A progress report would be submitted by the Office at the next session.
72. With regard to the final item, the Subcommittee had noted with satisfaction the progress made in collecting information on field and headquarters accommodation through an Internet-based application. It requested that, in November 2004, an overview document on the ILO office accommodation be submitted to the Governing Body, including a

⁷ GB.289/PFA/5.

maintenance plan for the structural changes required for the headquarters building together with a financial plan for implementation.

73. Mr. Khurshid Ahmed (Worker member and Vice-Chairperson of the Building Subcommittee) expressed his appreciation for the work completed on the building in Lima and for the cooperation extended by the Government of Peru. He appreciated the assurances received regarding safety standards and safety and security of the staff and supported payment of the 4 per cent minimum wage increase for workers on the site. He trusted that the Office would ensure reimbursement of the 19 per cent sales tax from the Chilean Government and that termination of the lease of the current building would not entail any penalties. He hoped that the assurances given regarding the building in Dar es Salaam would be fully taken into account. He also appreciated the information being sought from the field offices on their accommodation. The Workers believed that in order to raise productivity, good working conditions were required.
74. Mr. Blondel thanked the Office for the high quality of the paper, and Mr. Girod for his presentation to the Building Subcommittee on the ILO's property portfolio. He was, however, very surprised at the stated objective of enhancing productivity; the Workers' group would have preferred to make good working conditions and staff safety and security the main objectives. The Workers recalled that the decision to set up or build external offices was first and foremost a policy decision taken as part of a long-term strategy, rather than one based solely on technical considerations. Finally, he welcomed the fact that the Lima Office had been completed on time and within budget.
75. Mr. Botha thanked the Building Subcommittee for its work and expressed his satisfaction with the progress of construction in Lima.
76. The representative of the Government of Kenya, speaking on behalf of the Africa group, recognized that the problems related to the Dar es Salaam office were partly due to an oversight. He hoped the final construction would meet the requirements of the Office and that no reductions would be made that might lead to unsuitable office accommodation.
77. The representative of the Government of Canada called for the development of a property portfolio which would provide vital guidance for future building projects.
78. The representative of the Government of the United Kingdom requested information as to the use of the balance of US\$63,400 remaining in the contingency reserve for the Lima project.
79. The representative of the Government of the United States referred to the spending of US\$10,000 on representation at the inauguration of the Lima office and suggested that it could be reduced by having local tripartite representation.
80. The representative of the Government of Japan noted that the last sentence of his intervention in paragraph 16 of GB.289/PFA/5 should read: "He also requested that a comprehensive accommodation strategy should be established earlier."
- 80bis. The representative of the Government of Ecuador associated himself with the thanks to the Chairperson of the Subcommittee, as well as to the Government of Peru and the Regional Director of the ILO Office in Lima, Mr. Muñoz, for the work done.
81. The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller), addressing the issue of productivity gains, clarified that the purpose of the study was to ensure that the Office had a suitable and affordable worldwide property portfolio. The suitability of the office accommodation included the need to create

the best possible working conditions through which staff productivity could rise. He emphasized that the ongoing exercise of taking stock of the ILO's assets was broad-based, including security issues, the state of repair of the headquarters building and legal commitments in relation to the premises owned or occupied by the ILO. This would provide the property portfolio snapshot which would be summarized in a paper for the Building Subcommittee at its November 2004 session, and would become a useful decision support tool to manage property operations and further develop an accommodation strategy. Regarding the unused contingency reserve, the US\$63,400 would return to the Building and Accommodation Fund and any further use of the Fund was subject to Governing Body approval. He clarified that the composition of the tripartite delegation in Lima could be settled amongst the membership.

82. *The three points for decision were accepted as follows:*

The Committee recommends to the Governing Body that:

- (1) the wage increases, which total US\$15,600, be charged to the contingency reserve of US\$79,000 that had been set aside for the Lima project, thus leaving a balance on the reserve of US\$63,400;*
- (2)(a) the cost of the building in Santiago be funded from the Building and Accommodation Fund and that the Office be authorized to enter into contractual arrangements within the approved ceiling of US\$1.8 million authorized by the Governing Body at its November 2003 session; and*
 - (b) the Office be requested to report on the state of progress of the project to the next session of the Building Subcommittee in November 2004 and, in particular, on the conditions for terminating the current lease agreement, which should be done as quickly and as smoothly as possible;*
- (3)(a) it note the substantial price variations in the submitted bids as compared to the architect's original estimate for the premises for the ILO Office in Dar es Salaam;*
 - (b) it authorize the Office to obtain revised bids from the pre-selected contractors, so as to conform with the approved budget ceiling of US\$1.7 million authorized by the Governing Body at its November 2003 session; and*
 - (c) it request the Office to report on the progress of this project to the Building Subcommittee at its next session in November 2004.*

Follow-up action to the report of the Chief Internal Auditor for the year ended 31 December 2002

Report of the Chief Internal Auditor for the year ended 31 December 2003 (Sixth and seventh items on the agenda)

83. The Committee had before it two papers,⁸ addressing reports of the Chief Internal Auditor. These papers were considered together.
84. Mr. Botha said that the Employers were surprised at the level of some of the problems and the fact that many had continued for some years. It would have been use to mention more specifically where the ILO was having difficulties, and the Office's replies to the recommendations made by the Chief Internal Auditor required more detail on the problems in the Pretoria Office. The field offices were becoming more important in the new strategy and the Office should describe the approach adopted in the field concerning internal management. Another long-standing concern was the management of the Staff Health Insurance Fund (SHIF) and he wanted reassurance that the problems were going to be solved soon. As far as the second report was concerned, he thought that the ILO should reply to the points and apply them. The Chief Internal Auditor should explain the definition of "satisfactory" or "satisfactorily". One of the major problems seemed to concern the management of the field offices. As more and more resources and people were going into the field, he wanted reassurance that the offices were being managed properly. If there was a weakness which had led to irregularities, he wanted to know what was being done about this. The report referred to a review of seven offices and the results were very unsatisfactory. It seemed that there were no procedures for the general management of the offices, nor was there any evidence of a strategy or workplan. Financial irregularities had been discovered in one office. He wanted to know the results, whether managerial actions had been taken, and if staff had been dismissed. As far as headquarters was concerned, he was still waiting for an explanation on procurement issues. The Chief Internal Auditor had made several recommendations. He felt that building programmes should be subject to internal audit and that the Dar es Salaam project should be audited.
85. Mr. Blondel, referring to the paper on the follow-up action to the report of the Chief Internal Auditor, noted that the paper was only of interest if follow-up action was actually taken. For example, with regard to the Cooperatives Branch, nothing seemed to have been done while IRIS was being developed.
86. The second paper, namely the report of the Chief Internal Auditor for the year ended 31 December 2003, drew attention to strengths and weaknesses in the ILO's procedures and practices. Some of these recurrent weaknesses were especially worrying because they had permitted financial irregularities, when sound financial management was essential in the policy of decentralization. The problem was closely linked to that of training, and ILO staff needed to be trained to ensure that they were familiar with and respected the Office's administrative regulations through training at headquarters. The Workers endorsed the recommendations made in the paper concerning in particular advances for workshops and the adoption of a systematic approach to planning mission costs, and wished to see better coordination between different departments and units in order to prevent overlap in

⁸ GB.289/PFA/6 and GB.289/PFA/7.

missions and better communication with ACTRAV, which needed to be kept informed of missions involving contacts with trade union organizations. Lastly, the Workers' group was concerned by the subcontracts concluded by IPEC and requested that action programmes, once approved, be reviewed by a tripartite technical committee.

- 87.** The representative of the Government of the United Kingdom, speaking on behalf of the IMEC group of countries, noted the Chief Internal Auditor's comments in the second document that on the whole the system of internal control within the ILO continued to operate satisfactorily but was concerned by the quote "recurring systemic internal control weaknesses regarding field operations which have also been raised in previous years" and the resultant risk for the ILO. This was particularly unfortunate when the transfer of additional resources to the regions was being supported. She strongly supported the recommendation that the Office improve its regional verification of financial reports, review its focus on training given to administrative support staff and enhance the briefing of staff with management responsibilities for operational and financial controls.
- 88.** The representative of the Government of Germany noted that the document made multiple references to the future and hoped that there would be a document in which some of the future-tense statements would be placed in the past tense, reflecting that action had been taken.
- 89.** The representative of the Government of the Russian Federation shared the concern regarding implementation of recommendations made by the Chief Internal Auditor. There had been weaknesses in certain parts of the procurement procedures, particularly procurement of furniture, as noted in paragraph 8 of the report. He wanted information on the possible abuses that had occurred. The document also referred to weaknesses at the initial stages of the procurement procedures, particularly the invoice approval stage and the payment authorization stage. He asked if it was possible to request the External Auditor to conduct an investigation in this area. Procurement should be based on the principle of the competitiveness of as many suppliers as possible. It would be appropriate to use the Inter-Agency Procurement Office, IAPSO. On the issue of seminars, he expressed support for the recommendation not to provide the organizers with resources until the financial reports for previous activities had been presented. He mentioned serious violations in this sphere in other international organizations and urged measures to avoid them in the ILO. All the other recommendations made by the Chief Internal Auditor should be implemented as soon as possible.
- 90.** The representative of the Government of Mexico asked why, if audits had been satisfactory in the past, the report highlighted shortcomings that were systematic and recurrent. The present system of procurement required change, she said. Abuse led to greater cost for the member States.
- 91.** The representative of the Government of Canada supported the IMEC statement. He sought greater transparency in terms of follow-up. He would welcome a chart tracking such follow-up. He also hoped the word "systemic" would cease to be a feature of such reports.
- 92.** The representative of the Government of Japan strongly supported the IMEC statement and other statements from the floor. He was confident that the findings of the Chief Internal Auditor concerning improvements to be made would be given priority by the Office.
- 93.** The representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) noted concerns that the Office's reply was not detailed enough, that problems should be spelled out more transparently, and that a future report should identify problems and follow-up in a more in-depth way. He emphasized that document

GB.289/PFA/7 was the first biennial (as opposed to annual), report of the Chief Internal Auditor, and the longer time period offered the advantage of looking at patterns and identifying “systemic internal control weaknesses”. This was in response to the External Auditor’s suggestion in his 2000-01 audit that the ILO submit to the Director-General and the Governing Body a biennial audit plan and a biennial report of the results of the work linked to the biennial plan. This would relate the internal audit planning process to the identification of problems and the action taken by the Office. Improvements in reporting, including more specificity, and the suggestion of having charts to track progress on certain issues would be considered.

- 94.** It was important to emphasize that, in the vast majority of cases, the Office follow-up on the recommendations made in the 2002 report was satisfactory and the use of the future tense was a way of expressing Organization-wide sustainability of an action that had already been taken. Effective follow-up would not be achieved by undertaking a one-off action purely to respond to the Chief Internal Auditor’s observations, which would then be forgotten in the future. Regarding the first item, the Job Creation and Enterprise Development Department information on missions, seminars and external collaborators, a sustainable Office-wide solution to address the procedural weaknesses would be handled by IRIS once implemented. The work planning and implementation monitoring functionality in the strategic management module of IRIS combined with the new accounting structure in IRIS would relate all plans and expenditure to strategic and operational objectives. In the meantime, only ad hoc action had been taken in respect of the Cooperatives Branch only.
- 95.** The issue raised regarding SHIF was not serious as the problem related purely to the reconciliation of advance accounts, not to the overall management of SHIF. The Office had already taken action, and the futuristic tense in the document reflected future continuity of action. Regarding procurement of office furniture at headquarters, the issue was not one of misappropriation of cash or of the non-delivery of furniture, but of a competitive tender process which had not been carried out for some time. Action taken by the Office was swift, with a new tender having been issued in 2001 even before the Chief Internal Auditor’s report had been released. A further competitive bidding exercise for headquarters furniture would take place in 2004. In addition, the Office had implemented a monitoring system for all contracts worldwide to identify areas where contracts could be consolidated to ease management and achieve lower prices. The flow charts and short narratives mentioned in paragraph 8 of item 6 were inextricably linked with the new processes which would exist under IRIS.
- 96.** With regard to delays flagged by the Chief Internal Auditor in the processing of separation documents, he, too, would have preferred quicker action. However, the risk of delaying action was very limited, relating only to the forms in use for separation action, and could not result in any losses for the Office.
- 97.** Concerning field offices, the representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) acknowledged his disappointment with delays in the follow-up of the Pretoria Office, but the implementation report had since been received and three-quarters of the concerns that were raised by the Chief Internal Auditor had been addressed. Those offices visited in 2003 were expected to provide a report in 2004 on how recommendations were being implemented, as was the case for all internal audit assignments undertaken in 2003. The review of these internal individual reports would be used to inform the Committee in March 2005 on the appropriate and effective follow-up of the 2003 recommendations of the Chief Internal Auditor. However, at the Committee’s session in March 2003, he had explained how the Chief Internal Auditor and the Office gave priority attention to those areas of higher perceived risk. This was a case in point for field operations and immediate action was being taken in this respect.

Responsibilities, accountability and modalities for prompt and effective implementation of internal and external audit recommendations were being developed. This started with a defined role for the Regional Director and the ILO Office Directors. The financial and administrative staff in the regions had to effectively discharge their responsibilities for the proper regional verification of financial reports, particularly in the areas where there were known systemic weaknesses, such as the need to regularly perform bank reconciliations and clear suspense accounts. An operational and financial training programme was also being developed. Finally, the Financial Services Department needed to carry out more financial analysis of the accounts with a view to identifying problems and following up directly with the external offices.

98. Regarding the suggestion to audit the proposed Dar es Salaam construction, the representative of the Director-General (Executive Director and Acting Treasurer and Financial Comptroller) said that the building management process had recently been the subject of audit by the External Auditor, which would be presented to the Committee in June 2004. It would include some observations on the process that had been followed for evaluating the construction. As to the procurement process and the use of inter-institutional services such as IAPSO, he reassured the Government representative of the Russian Federation that the ILO made good use of such inter-institutional mechanisms, including the Geneva-based inter-agency joint purchasing mechanisms for UN-wide contracts in areas such as travel, computer equipment and software.
99. The representative of the Director-General (the Chief Internal Auditor) pointed out that paper GB.289/PFA/6 was the Office paper and it was the Office's responsibility to ensure that there was follow-up and effective implementation of his recommendations. When external offices reported that they had implemented his recommendations, he did not necessarily regard this as effective implementation. Weaknesses identified in a sample of offices pointed to those weaknesses being present in other offices. Mr. Juneja was planning to require periodic reporting from external offices on the effective implementation of the recommendations and on consistency in their application region-wide. There were systemic or systematic weaknesses. There were even offices who progressed well in internal control and three years later demonstrated deterioration in standards. The Office had undergone many changes as a result of decentralization, and deserved support.
100. The Committee took note of the Office papers.

Technical meetings reserve for 2004-05 (Eighth item on the agenda)

101. The Committee had before it a paper⁹ on the technical meetings reserve for the current biennium.
102. Mr. Blondel said that, with regard to the two additional technical meetings, the Workers' group considered that updating the list of occupational diseases was the main priority, followed by the meeting on child labour, subject to revised wording which should include concepts covered by Conventions Nos. 138 and 182, since the present wording might imply that only hazardous work was unacceptable, when in fact the ultimate objective was a general prohibition of all child labour.

⁹ GB.289/PFA/8.

- 103.** Mr. Botha said that the Employers found few topics that really created enthusiasm. They preferred to support meetings dealing with specific regional crises. Part of the difficulty was that there was no real prior discussion on the content of the meetings. He preferred delaying the decision on the meetings proposed, in order to further discuss the meetings required.
- 104.** The representative of the Government of South Africa, speaking on behalf of the Africa group, gave his choices as (c) and (e). Meeting (e) was particularly important for ensuring that labour and employment concerns were given proper consideration in the formulation of government economic and social policy.
- 105.** The representative of the Government of Kenya also preferred meetings (c) and (e).
- 106.** The representative of the Government of Japan was in favour of (c), Decent work and local development. This meeting involved cooperation across three sectors – employment, social protection and social dialogue – and reflected the policy of the Japanese Government which was one of decentralization to the field. He could also support meeting (a).
- 107.** The representative of the Government of Germany gave his preferences as (b) and (c). As for meeting (b), he recommended that the considerations made by the Worker spokesperson be taken into account. He believed that meeting (c) represented a kind of follow-up to the report of the World Commission on the Social Dimension of Globalization.
- 108.** The representative of the Government of France said that his country would prefer the proposed symposium on decent work and local development, which was consonant with the conclusions of the World Commission on the Social Dimension of Globalization stressing the importance of development strategies that were closely linked to the needs of the population. Furthermore, the proposal involved a number of different departments and was thus a good example of removing internal barriers.
- 109.** The representative of the Government of India was in favour of meetings (c) and (d).
- 110.** The representative of the Government of Canada requested clarification as to whether funding had been set aside for follow-up activities to the World Commission. He wondered whether decisions taken now on meetings would preclude such follow-up activities and commented that such activities could be expected to complement several of the meetings currently on offer. He also questioned whether resources should be used in the preparation of colour brochures about the meetings; simple printed pages would suffice.
- 111.** The representative of the Government of Norway preferred meeting (d) and stressed the importance of inviting two experts on occupational diseases to attend. He also believed that the World Commission on the Social Dimension of Globalization could generate the need for follow-up meetings and that the question of funding for this should be considered. He therefore recommended that the decision on a second choice be deferred pending the outcome of the World Commission.
- 111bis.** The representative of the Government of the United Kingdom recalled that, at its last meeting, the Committee had agreed to defer decision on the use of the remaining balance in order to be able to respond to any new proposals arising from discussion of the World Commission's report. The United Kingdom continued to support such an approach if a clear consensus could not be reached on the selection of two meetings from those listed in the paper.

112. The representative of the Government of Argentina was also in favour of deferring a decision until the World Commission report had been received. If one meeting had to be selected now, with a second to be chosen later, he could support meetings (c) and (g).
113. The representatives of the Governments of Ecuador, Mexico and Brazil wished to defer the decision. If a complete deferral were not possible and one meeting had to be chosen, the representative of the Government of Mexico wished to select meeting (b) whilst the representative of the Government of Brazil preferred (c).
114. The representative of the Government of Pakistan suggested joining (c) and (g) together to form one meeting and gave meeting (d) as his second choice.
115. The representative of the Director-General (Director of the Bureau of Programming and Management) explained that there were currently no resources available for a meeting on the follow-up to the World Commission. The only resources were those in the Technical Meetings Reserve.
116. Mr. Niles (Employer member) wondered whether it would be better to defer the decisions until June or possibly November.
117. The representative of the Director-General (Director of the Bureau of Programming and Management) noted that there was no clear consensus as to which two meetings were to be selected.
118. Mr. Blondel, speaking on behalf of the Workers' group, emphasized that the choice of meetings should not be dictated by the argument for follow-up on the World Commission on the Social Dimension of Globalization. This merited separate follow-up in its own right, but it would nevertheless be inappropriate to tap into the Organization's budget to the detriment of programmes already under way. The Workers reiterated their support for the proposed meetings on updating the list of occupational diseases and on hazardous work and working children, subject to a change in the title of the latter.
119. Despite allowing time for further consultation, no clear consensus emerged and it was agreed to further discuss this item at the meeting to be held during the following week for the adoption of the Committee's report.

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

(Ninth item on the agenda)

120. The Committee had before it a paper¹⁰ on delegation of authority to the Officers of the Governing Body at the 2004 International Labour Conference.
121. The Committee decided to delegate to its Officers (the Chairperson and spokespersons for the Employer and Worker members of the Committee), for the period of the 92nd Session (June 2004) 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 69th financial period ending 31 December 2005.

¹⁰ GB.289/PFA/9.

- 122.** *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 2002-03 (Tenth item on the agenda)

- 123.** The Committee had before it a paper¹¹ and an addendum¹² on programme implementation in 2002-03.

124. Mr. Blondel, speaking on behalf of the Workers' group, said he would go through the paper in chronological order. With regard to the section on "Regions in review", he regretted that it contained a number of assertions without any real information on expenditure at regional level, on impact or on implementation processes. In the area of decent work, a concept that had been adopted five years ago by the Conference, it would be desirable to know what the situation was at the national level in order to be sure that this was not simply a slogan used at headquarters. The Workers were concerned at the growth in extra-budgetary resources compared to regular budget, and wished to see studies undertaken on the repercussions of this development on the ILO's programme. Tripartism and the normative function were generally considered to be the ILO's unique assets, and it would be useful to know the measures taken by the Office to make the most of them. Thus, despite the repeated requests by the Workers for measures to strengthen normative activities, the Office appeared to be giving ever lower priority to labour legislation, to the extent that certain governments were turning to private consultants for advice on drafting such legislation and for technical advice on questions relating to minimum wages, collective bargaining, and so forth. Strategic Objective No. 1 concerning labour standards was of particular importance to the Workers, who welcomed the results of the campaign for the ratification of the fundamental Conventions but recalled that, although most States had ratified these instruments, less than half the world's workers were covered by the Conventions on freedom of association; qualitative indicators were just as necessary as quantitative ones. Strategic Objective No. 2 concerned the promotion of employment, an area in which the alarming world situation forced one to ask about the ILO's real impact on major policies; it was essential for the Organization to make its voice heard, for example, with the international financial institutions. The Workers actively supported the Global Campaign on Social Security and Coverage for All, but were opposed to the link between child labour and occupational safety and health: removing children from hazardous work could not be more than a first step towards the general abolition of child labour. With regard to social dialogue (Strategic Objective No. 4), the Workers' group attached great importance to the follow-up to the resolution concerning tripartism and social dialogue adopted by the Conference in June 2002. Lastly, he was surprised that Venezuela was listed among the countries that had adopted legislation based on ILO standards with the participation of the social partners, since as far as he knew there had been no social dialogue on the issue in Venezuela.

- 125.** Mr. Botha welcomed the report which provided a good overall analysis and was more objective than reports provided in the past. He heeded the warning given in the report that, unless there was a reinvigoration of the Office's own capital in terms of its knowledge, personnel and products, there was a risk that the opportunities presented by the Decent

¹¹ GB.289/PFA/10.

¹² GB.289/PFA/10(Add.).

Work Agenda might not be fully realized. The format of the report was appreciated and he wondered whether the style of presenting results, highlights, strategies, etc. could not also usefully be applied to cross-cutting and support areas. The report talked of greater tripartism in the regions and yet nobody within the Employers' group seemed to have had any involvement in this. Venezuela was reported as having adopted legislation with the involvement of the social partners, but he could confirm there had not been any consultation with the Employers. He called for greater tripartism and asked why the work of the Employers was supported by the Office to a lesser extent than that of the Workers. The resources should be equal.

- 126.** The World Commission featured strongly in the overview and was also referred to in the report. The Employers believed that the World Commission report should not establish ILO policy. It was for the Governing Body and the Conference to determine policy and all follow-up activities to the World Commission should be decided upon after a policy discussion on follow-up which would take place in November. Furthermore, the Employers wished to see a breakdown of the costs of the World Commission.
- 127.** The report would benefit from more personalized input. Each of the Executive Directors could provide a summary of their areas; problems encountered, lessons learned whilst the Director- General should provide a vision statement. Independent evaluation could also be usefully included. He wished to see more detail on the roles of the Turin Centre and the International Labour Institute. Only 20 per cent of course participants in Turin were drawn from the social partners which seemed very low and the report further referred to funding problems and research weaknesses at the Centre. More information was needed on these points.
- 128.** Mr. Botha was concerned to see that some indicators and targets had been achieved through the use of extra-budgetary funds which threw into question the sustainability of such activities. This was particularly the case for Strategic Objectives Nos. 1 and 3. It was not clear how TC-RAM operated or whether use of this system had brought improvements. Given current financial constraints, he believed that the Governing Body should be fully involved in the definition of priorities, including the choice of programmes. The regional review section of the report was too restrictive and more details were required on the Decent Work Pilot Programmes.
- 129.** With regard to Strategic Objective No. 1, he stressed that the Organization was not simply a standards body. Ratification of Conventions was important but was not an aim in itself; follow-up to ensure application was required. There was a need to modernize the approach towards standards with greater involvement of social partners and the introduction of supervisory mechanisms. He was concerned to see that there were still 30 countries which had not ratified Convention No. 182 and that there was no information on follow-up to child labour activities. The situation in Myanmar suggested that little had improved and illustrated the need for a more modern monitoring system.
- 130.** The report on Strategic Objective No. 2 had not placed sufficient emphasis on employment policy although he was pleased to see that the idea of reducing poverty through job creation was included, an argument the Employers had consistently maintained. There was reference to results achieved, notably in Madagascar, but unfortunately no evidence had been included. Similarly, there was a lack of detail given on the use of the ILO knowledge base and of ILO policy advice. The lack of information made it difficult to measure the scale of ILO assistance and there was a need to supplement quantitative indicators with qualitative measures.
- 131.** Strategic Objective No. 3 gave rise to concerns previously mentioned concerning the role of extra-budgetary funding. The Employers would have welcomed more information on

large projects, such as the Global Campaign and the Social Trust Fund and again felt, as with Objectives 1 and 2, that insufficient detail had been provided on outcomes.

132. Mr. Botha underlined the Employers' support for social dialogue with respect to Strategic Objective No. 4. The concept of social dialogue should be applied throughout the ILO's policies. Paragraph 75 of the report referred to "actors" whilst paragraph 94 described a "network of ILO partners" and he sought clarification as to the identity of these parties.
133. The Employers were doubtful about the quality of decent work statistics and appealed for the Governing Body to be involved in the discussions on decent work indicators. They also called for informal consultations to take place, prior to the policy discussions in November, in order to better define programmes, their evaluation and reports, with the possible inclusion of genuinely independent evaluation.
134. He expressed support for the Bureau for Gender Equality and was pleased to see that there had been increasing interest in its work on the part of ILO constituents. He also welcomed the improvements in in-house communications and the efforts made by the Relations, Meetings and Document Services Department which had contributed significantly to the more efficient operation of the Governing Body and the Conference.
135. Finally, Mr. Botha commented that the analysis of what the ILO did well and less well was much appreciated and should continue. The report stressed the need to fully involve the social partners and the Employers felt that this should be done throughout the ILO and not just at the national level.
136. The representative of the Government of the Russian Federation was pleased to see the progress made on all four strategic objectives during 2002-03 but wished to propose three things. First, all target and outcome indicators should include not only additional achievements (like ratified Conventions), but also the status of objective accomplishment. In the case of ratifications, he asked for the percentage of Conventions ratified compared to the total number of member States. Such information would allow the comparison of the results of work between different time periods, the rate of moving ahead, in implementation of decent work for example, as mentioned by Mr. Blondel, as well as conducting perspective planning to achieve future targets, exceeding the two-year period.
137. Secondly, the representative of the Government of the Russian Federation emphasized the need to assess the effectiveness of the Organization by tracing the causality between the work carried out and its results. He understood that the national-level results were achieved by tripartite participation but, as rightly mentioned by Mr. Botha, it was possible, at least subjectively, to assess the level of ILO involvement in achieving final results. He would also welcome further information about the results obtained in Madagascar. Thirdly, he noted that the efficiency of work in terms of value for money was not seen in the report or the programme and budget. He suggested that the budgets should assess the financial resources needed to achieve certain targets. It was difficult to know the total expenditure on the elimination of child labour, for example, but it was possible to assess the work of the Office by calculating unit costs, for example cost by seminar, as well as productivity of staff by the work-years indicator. He invited feedback from the Committee on this and asked for his proposals to be taken into account in the draft Programme and Budget for 2006-07.
138. The representative of the Government of India, speaking on behalf of the Asia and Pacific group, was concerned that the performance indicators were too narrow. Most of them focused on the number of States which had taken a particular action but it was not always clear how the ILO's activities had contributed to this action being taken. There was no qualitative element to the indicators. He wondered whether it would be more worthwhile to

focus performance measurement on improvements in social conditions as these represented the ultimate goal of the ILO's activities. He urged the Office to continue to refine its performance indicators and suggested that a performance information guide be prepared, which would set out the criteria for selection of individual performance indicators and targets whilst also clarifying the link between ILO programme outputs and final outcomes. The financial information contained in the report provided little indication of how efficient the ILO had been in the use of its resources in achieving its objectives. The report also made various references to management reform but there was no specific information given. He recommended that further work be done on the targets established for governance, support and management, thus ensuring that such targets would act as a driver of management change.

- 139.** The representative of the Government of South Africa, speaking on behalf of the Africa group, hoped that the Office would continue to refine the operational objectives in order to assist member States to achieve the Decent Work Agenda. He believed that more proactive strategies could be found which would raise the ILO's profile. Programme content should not be determined by donor wishes but by the challenges faced by member States and more needed to be done to ensure that African concerns on employment creation and labour market policies were addressed. The review of Strategic Objective No. 1 suggested that promotional activities had concentrated on the fundamental Convention on child labour. This was obviously important but more promotional work was also required for other Conventions. He urged the ILO to continue to assist member States with both the pre- and the post-ratification of Conventions.
- 140.** With regard to Strategic Objective No. 2, employment creation was a priority objective for the African continent and the ILO should ensure that this was reflected in future budgets. More forward-looking programmes were required and he repeated his call for the Office to extend the scope of its work in relation to the Poverty Reduction Strategy Papers. Work on HIV/AIDS required increased attention and he hoped for the establishment of an InFocus HIV/AIDS programme. With regard to Strategic Objective No. 4, the work done by the Office in the area of social dialogue was to be commended and he asked that the ILO continue to promote the importance of such dialogue to other institutions, such as the World Bank and the IMF.
- 141.** He congratulated the Office for its efforts to mainstream gender issues and hoped that gender equality would translate into ILO recruitment policies, including at senior level. He emphasized the need to appoint a director for the International Labour Institute.
- 142.** The representative of the Government of France congratulated the Office on the clarity of the paper before the Committee. Four important conclusions could be drawn from it. First, a very welcome fact was that most of the targets set under the strategic objectives had been achieved or even surpassed. That result was especially encouraging with regard to the Global Campaign on Social Security and Coverage for All, to which the Government of France gave great importance, and the question of migrant workers, which would be discussed at the next session of the International Labour Conference. However, the question as to how the Office would be able, given budget constraints, to meet the ever growing number of requests for technical assistance in the standards-related area was a matter for concern. Secondly, the ILO's studies on decent work were acquiring greater visibility; however, it was important to continue along the path of integration of the Office's activities and breaking down internal barriers.
- 143.** Thirdly, integration and breaking down of barriers were especially important if the ILO was to have any influence on the major global debates. Lastly, the Government of France advocated a debate on the appropriate relative importance and roles of extra-budgetary and

regular budget funds in the Organization's activities. This question was crucial to achieving the ILO's core objectives.

- 144.** The representative of the Government of the United Kingdom, speaking on behalf of the IMEC group, welcomed the report as a chance to take stock of the progress made in implementing the Strategic Policy Framework for 2002-05. Its findings should make a useful contribution to discussions on the Framework for 2006-09. After two cycles of results-based planning, there was a need to refine the process. Many of the targets now seemed quite random and an explanation of their context, rationale and relevance was required. She was concerned to read that the Office believed that its capacity to deliver was being weakened not only by financial constraints but also because of a lack of staff, expertise and management tools. Obviously, IMEC supported the need to focus on strategic objectives but these would never be achieved without the right staff or management structures. IMEC encouraged ILO senior management to show greater leadership in resolving the management and staffing issues identified in the report.
- 145.** The report referred to participation by the ILO in various meetings but did not explain what had resulted from such meetings or what kind of working relationship had been established. She wondered how the Director-General's chairmanship of the UNDG working group had affected ILO input into the PRSP process. Acknowledging the increase in ratification rates, she urged the Office to pursue universal implementation of core labour standards. Increased ratifications led to an increased workload for supervisory mechanisms and addressing how to deal with this was essential.
- 146.** IMEC believed that the ILO should place greater emphasis on the message that employment creation was a vital means of reducing poverty. More information was needed about the advances made in employment creation by those countries which had sought or applied ILO advice. Similarly, more detail was required on how the ILO had enhanced social protection. The report did not make clear to what extent one strategic objective had an impact upon another and whether areas of work were competing with each other for resources. Indicators which were more outcome-focused were required and she encouraged more independent external evaluations. She encouraged the Office to concentrate on those areas where it could clearly add value and reduce or complete those activities which were now of a lower priority. High rates of delivery would feed through to increased visibility and credibility for the ILO and a greater ability to attract additional funding.
- 147.** The representative of the Government of Kenya welcomed the report as a guide to lessons learned which could be usefully applied when deciding upon future priorities. The report highlighted the need for the ILO to do more to help Africa to realize the New Partnership for African Development (NEPAD). It also referred to the Organization's involvement in the definition of the Jobs for Africa programme and he asked that the Office provide a clear and precise progress report on this programme.
- 148.** Efforts to improve the effectiveness of the supervisory system should continue to be directed at providing advice and at training governments and social partners in reporting procedures. Whilst aiming for ratification of Conventions, the ILO should also give greater support towards the resolution of implementation problems encountered by various supervisory bodies. He also urged the Office to intensify its efforts in assisting various member States to plan and manage social protection initiatives. This could be done through training and by facilitating the transfer of knowledge and methodology to financial planners in member States.
- 149.** The representative of the Government of China supported the statement made on behalf of the Asia-Pacific group and was pleased to see the increase in ratifications, particularly with regard to the elimination of child labour. The problem of employment creation was a

priority and he hoped that the Organization would invest further resources in this area. He also called for proposals from the Office with regard to the provision of social protection for those engaged in agriculture and the informal economy. Recognizing that many senior ILO staff were due to retire in the next few years, he asked that greater attention be paid to achieving improved regional and gender representation.

- 150.** The representative of the Government of New Zealand supported the statements made on behalf of IMEC and the Asia-Pacific group. The report represented an opportunity to learn from experience to date and to consolidate and prioritize activities accordingly. It was not easy to demonstrate how particular activities and interventions contributed to desired outcomes but this was an important exercise. She therefore urged the Office to continue to develop outcome-focused performance indicators and to undertake further impact evaluations of key programmes and initiatives. The ILO needed to have the right staff; systems and processes on their own were not sufficient and addressing such capacity issues should be a priority for the Office.
- 151.** The representative of the Government of Nigeria supported the statement made on behalf of the Africa group. She also encouraged the Office to upgrade its HIV/AIDS activities into an InFocus programme.
- 152.** The representative of the Government of Japan supported statements made on behalf of IMEC and the Asia-Pacific group. He wished to draw attention to the problem of youth unemployment which represented an important challenge both for his Government and for the ILO.
- 153.** The representative of the Director-General (Director of the Bureau of Programming and Management) was pleased that the Programme Implementation Report had led to such a rich discussion. He acknowledged that there was still more to do on performance measurement and results-based management. The feedback provided would not only guide the format of future implementation reports but would also influence programme implementation in 2004-05, the Strategic Policy Framework for 2006-09 and the Programme and Budget for 2006-07. Several members had requested the inclusion in the report of more timely financial information but this was simply not possible with the existing accounting system. IRIS would permit more timely and better quality information. Many members had focused on the question of outcomes and impact measurement and it was clear that there would have to be significant improvements in the upcoming Strategic Policy Framework and programme and budget proposals. Similarly, the relationship between regular budget and extra-budgetary resources would also be considered during the development work. For 2004-05, there would be specific indicators on partnerships and, within a year, it would be possible to assess the impact of the ILO on such partners as the UNDG.
- 154.** The representative of the Director-General (Executive Director, Standards and Fundamental Principles and Rights at Work) confirmed that the Office was committed to dealing with the large number of first reports on the child labour Conventions Nos. 182 and 138 by the end of the year. This implied cooperation between the Standards Department and IPEC, improvements in the methods of treating reporting were being sought. Eleven time-bound programmes to eliminate the worst forms of child labour had been started and seven additional programmes had similar goals. Paragraph 72 was not supposed to give the impression that safe working conditions were being sought for children who should not be engaged in work. There was a high number of children over the established minimum age who were engaged in hazardous work. They could not return to school given their age and it was important to focus on making workplaces safe.

- 155.** The representative of the Director-General (Executive Director, Employment Sector) appreciated the need for full tripartite involvement and cited the development of the Global Employment Agenda as an example of intensive tripartite consultations. The Global Employment Agenda was now coming into operation at the national level and he recalled that the Committee on Employment and Social Policy (ESP) would debate many of the results of this initiative. The main objective of the Global Employment Agenda was to put employment at the heart of economic and social policies but it was difficult to assess its impact, particularly over a short time period. Countries appearing under indicator 2a.2 could be regarded as an achievement of pursuing the Agenda. Macroeconomic policy was also important in terms of its employment impact and this would be the subject of debate in the ESP Committee in November. In response to questions about Madagascar, this was an employment-intensive programme which had enjoyed considerable success. A training centre had been established with NORAD funding and its findings concerning the unit costs and employment rates of labour-intensive programmes had encouraged the World Bank to provide US\$50 million for road construction and training within small and medium-sized enterprises. Some 120 SMEs had received training as a result.
- 156.** The representative of the Director-General (Executive Director of the Social Protection Sector), replying to Mr. Blondel, said that a post for a minimum wage specialist had been created at the express request of constituents. With regard to the question of child labour, he emphasized that we faced a dilemma: we could either leave children in the worst forms of labour while we waited for the eradication of such work, or we could develop ways and means of making their work more decent. Removing children from hazardous work was indeed to be considered only as a first step, while we awaited the elimination of child labour in general. With regard to statistics, these were coordinated by the Policy Integration Department. He also explained that the STEP programme relied to a large extent on extra-budgetary funds, as the Employers' representative had noted, but that this was a temporary state of affairs, until such time as these activities could be financed out of the regular budget. With regard to the issue of HIV/AIDS, activities had been boosted, in particular the decentralization of programmes. The speaker agreed with the representative of the Government of France as to the importance of activities relating to social security and migration, the latter being due for discussion at the Conference in June 2004. Lastly, he endorsed the remarks of the representatives of the Governments of Kenya and China regarding the necessity of developing national capacities for social protection in the informal and rural economy.
- 157.** The representative of the Director-General (Executive Director, Social Dialogue) acknowledged that there was more work to be done to demonstrate the value added by social dialogue in addressing substantive issues. Efforts had been made to establish not only national and subregional-level components but also to work with units within headquarters in order to ensure that tripartism was fully operational. During the last biennium, the Office had received 21 requests for labour administration assistance and 22 requests for labour laws assistance and most, if not all, of these had all been met. If any request received in the field had been turned down, she was not aware of it. Collective bargaining had now moved into the InFocus Programme on Social Dialogue, Labour Law and Labour Administration but this did not mean that its functions had disappeared. They were very much a part of the work of that unit and all of the social dialogue experts had expertise in collective bargaining. Finally, she apologized for the misleading entry in the report on Venezuela. The Office had indeed provided labour law assistance but this had been in response to a direct request received from the Venezuelan Government and had not included social partner involvement. The entry should therefore have appeared in the second paragraph of 4b.2.
- 158.** The representative of the Director-General (Director, Policy Integration Department) explained that work was still being done on the Decent Work Pilot Programme which was

attempting to develop methods and approaches at the national level to support the implementation of the Decent Work Agenda. The pilot programme was intended to feed into the decent work country programmes and an update would be provided to the ESP Committee. With regard to the PRSP process, the Policy Integration Department played the role of facilitator and catalyst, bringing together different parts of the Office and other concerned organizations. An example was a workshop which had taken place in the previous autumn, attended by technical staff from the regions, staff from the Office and the manager of the PRSP process at the World Bank. The Department had also been supporting the work of the World Commission and the work of the Working Party on the Social Dimension of Globalization. On statistical questions, the Department was working to bring the statistical work of the Office more in line with the policy agenda, with the goal of improving the capability of the Office to measure progress on the different dimensions of decent work. There was no proposal to develop a decent work index. The Governing Body would be consulted on the development of this work.

159. The Committee took note of the Office paper.

Review of the ILO's collaboration with the United Nations Joint Inspection Unit: Update (Eleventh item on the agenda)

160. The Committee had before it a paper¹³ on ILO collaboration with the JIU.

161. Mr. Botha supported the point for decision.

162. Mr. Blondel, speaking on behalf of the Workers' group, endorsed the proposal to defer discussions to the March 2005 session of the Governing Body, by which time progress would have been made on the question of reforming the Joint Inspection Unit (JIU). He thanked the Chairperson of the JIU for contacting the Workers' group to inform it of developments.

163. The representative of the Government of India, speaking on behalf of the Asia-Pacific group, strongly supported the point for decision, saying it was wise to delay a final decision until the impact of improvements in the JIU's working methods were apparent.

164. *The Committee recommends to the Governing Body that the discussion on this matter be deferred to the 292nd (March 2005) Session.*

Geneva, 22 March 2004.

Points for decision: Paragraph 82;
Paragraph 122;
Paragraph 164.

¹³ GB.289/PFA/11.