



NINTH ITEM ON THE AGENDA

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

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1. The Programme, Financial and Administrative Committee of the Governing Body met on 8, 9, 17 and 23 March 2005, chaired by Mr. P. Séguin, Chairperson of the Governing Body. Mr. B. Botha (Employer spokesperson) was the Reporter.
2. The Chairperson welcomed Samoa as the 178th member State of the ILO as of 7 March 2005.

Programme and Budget for 2004-05 (First item on the agenda)

3. The Committee had before it two papers¹ on the position of accounts as at 31 December 2004 and the collection of contributions from 1 January 2004 to date.

(a) Position of accounts as at 31 December 2004

4. Mr. Blondel, speaking on behalf of the Workers' group, regretted that the effect of changes in the exchange rate had been used as an argument, considering that the impact of exchange rate fluctuations was sometimes negative but sometimes positive, and noted that the budget for 2004-05 would be fully spent. Concerning the issue of States that had lost the right to vote, he wondered whether certain States were taking advantage of existing arrangements to recover the right to vote without having settled their contribution for the current year, thus perpetuating the situation. He also wondered whether the case of States that had lost the right to vote but continued to benefit from substantial technical assistance would be discussed. He requested clarification concerning the derogation from Chapter V of the Financial Regulations decided by the International Labour Conference to finance the contributions due from two countries, as well as on the "Other budgetary provisions" amounting to US\$11 million. He called on member States to pay their contributions on time to enable the smooth running of the Organization's programmes.
5. Mr. Botha, speaking on behalf of the Employer members, supported the comments made by the Workers.
6. The representative of the Government of Canada requested clarification concerning the "special measures" implemented by the Director-General which had kept expenditure within budgetary limits and resulted in an excess of income over expenditure of about US\$31 million. He noted the inclusion of the Income Adjustment Account with the Working Capital Fund, which stood at 37 million Swiss francs, and asked if that was an area that could generate future income.
7. The representative of the Government of Japan stated that his Government had paid its contributions for 2004 in full and encouraged other member States to pay promptly. He welcomed the savings made by the Office at the end of the first year of the biennium and noted that they represented about 10 per cent of the total assessed contributions received in 2004. He stated that his Government supported a zero growth budget for the 2006-07 biennium and hoped that the Office would continue making savings to absorb any future cost increases.
8. The representative of the Government of Germany inquired about the costs of the Commission of Inquiry concerning Belarus, which at US\$577,000 seemed high.

¹ GB.292/PFA/1/1 and GB.292/PFA/1/2 and Add.

9. The Treasurer and Financial Comptroller (Mr. Johnson) explained that there was an official procedure to follow when a member State in arrears of its contribution requested financial arrangements to recover the right to vote. Once the Conference had approved an arrangement under which arrears of a Member were consolidated and payable in annual instalments over a period, the Member would be permitted to vote provided that, at the time of the vote, it had fully paid all instalments under the arrangement, as well as all financial contributions that were due before the end of the previous year. Any Member which, at the close of the Conference, had not fully paid all instalments and current year contributions due before the end of the previous year, would lose the right to vote. The loss of voting rights did not prevent a member State from receiving technical cooperation from the ILO.
10. Regarding the write-off of the amount due by the former Socialist Federal Republic of Yugoslavia, he reported that the ILO would follow the decision of the United Nations General Assembly. The credits given to two member States from the Working Capital Fund constituted a decision in derogation of Chapter V of the Financial Regulations that had no precedent. The amount shown in table 2, under "other budgetary provisions" (US\$11 million), was made up of four principal elements: annuity on the headquarters building; contributions to the United Nations common system bodies and inter-agency committees; the Joint Medical Service; and contributions to the health insurance of retirees. With reference to the expenditure of less than half of the biennial budget as at 31 December 2004, he explained that the result was consistent with results in previous biennia, where higher expenditure always occurred in the second year of the biennium. The special measures adopted by the Director-General were initially to seek restraint in delivery and then, in the latter part of 2004, to withdraw allocations in order to ensure the approved appropriations were not exceeded.
11. The Income Adjustment Account was created in 1993 as a cash-flow mechanism when the role of the Working Capital Fund had been reviewed and its size decreased from 53.6 million to 35 million Swiss francs. He explained that the figure given for the Commission of Inquiry concerning Belarus was a budgetary estimate and that a full breakdown could be made available if required.
12. Mr. Blondel pointed out that certain expenditures were and should remain incompressible. Commissions of inquiry were exceptional and the decision whether or not to set up such a commission should be based on whether it was useful and effective to do so, not on financial considerations. Moreover, there was much more work involved than met the eye and it included a great deal more than just a trip to the country concerned.

(b) Collection of contributions from 1 January 2005 to date

13. The Treasurer and Financial Comptroller informed the Committee of collection of member States' contributions since the publication of the document.

Contributions received

| 2005 | Arrears | Total in Swiss francs |
|------------|-----------|-----------------------|
| Argentina* | 2 470 000 | 2 470 000 |
| | 2 470 000 | 2 470 000 |

* Argentina has now regained the right to vote.

Total contributions received to date therefore amounted to 98,298,713 Swiss francs comprising 86,817,341 Swiss francs for 2005 contributions and 12,481,372 Swiss francs for arrears of contributions. The balance due as of 8 March 2005 was 362,032,488 Swiss francs.

14. Mr. Blondel welcomed the improvement in the situation with respect to the previous year registered in the document and thanked the governments that had paid their contributions on time.
15. Mr. Botha appealed to Members to pay as early as possible and was concerned about the volume of arrears and those countries which had lost the right to vote.
16. The representative of the Government of Canada was disappointed to see outstanding assessments of 362 million Swiss francs.

Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2003 (Second item on the agenda)

17. The Committee had before it a paper² on the follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2003.
18. Mr. Blondel was pleased to see that, following the audit requested by the Treasurer and Financial Comptroller, the Office had introduced stricter competitive bidding procedures. He also invited the Office to take suppliers' corporate social responsibility into consideration when issuing invitations to tender. The Workers' group, which had suggested an audit of field offices, had expressed satisfaction that those that had participated in the audit had provided comprehensive reports of action taken in response to the recommendations made.
19. Mr. Botha was satisfied that the recommendations had been applied. He remarked that there was still a concern with suspense accounts. Regarding the bidding process, he stressed that corporate social responsibility was a highly complex issue and often applied in a subjective fashion. It would be useful to discuss that matter in the Governing Body to ensure that any bidding process for socially responsible firms was applied objectively and independently.

Report of the Chief Internal Auditor for the year ended 31 December 2004 (Third item on the agenda)

20. The Committee had before it a paper³ containing the report of the Chief Internal Auditor for the year ended 31 December 2004.
21. Mr. Blondel paid tribute to the Chief Internal Auditor, who would be leaving the Office in a year. The question would then arise whether it was preferable to recruit externally or to seek someone who was already familiar with the Organization. Careful thought should be

² GB.292/PFA/2.

³ GB.292/PFA/3.

given to this issue, although the Workers tended to be in favour of the latter option. Consideration should also be given, on the one hand, to the shift in the role of the Chief Internal Auditor, which appeared to be changing from one of control and investigation to a more advisory role, and, on the other hand, to the resources allocated to this work.

22. Action should be taken quickly to give effect to the Chief Internal Auditor's recommendations, in particular those concerning suspense accounts. The speaker requested additional information on IPEC's approach to the process of selecting implementing partners, and supported the recommendation concerning the funding of post-project evaluation. Concerning the Turin Centre, he recalled that, in the agreement signed between the ILO and the Government of Italy, the latter had requested the ILO to increase its contribution to match its own. Lastly, the speaker supported the Chief Internal Auditor's proposal to establish a dedicated investigation unit.
23. Mr. Botha shared the Workers' views and welcomed the fact that there was no material weakness in the overall system of internal control. He noted that some audited projects had been identified while others had not and asked the reason for that. The audit of the ILO Programme on HIV/AIDS and the World of Work had revealed no problems. In the area of technical cooperation, he voiced his concern that the Office was asking a donor to cover the loss arising from an unstated expense and was worried that that would affect credibility with donors.
24. Referring to the IPEC projects in Bangladesh and Pakistan, he asked how the ILO selected implementing partners. He stressed the importance of involving the social partners in the selection. Regarding the Islamabad Office, he wondered why a firm of civil engineers from Geneva rather than a local firm had been commissioned to assess the damage to the roof of the auditorium. He requested information regarding the results of the IRIS questionnaire. Regarding the Turin Centre, he noted that the Italian Government had requested that the ILO contribution to the budget be equal to its own. He commented on the length of time taken in Turin to raise invoices and asked whether it was not possible to raise them as soon as an activity commenced.
25. He supported the idea of a dedicated investigation unit on fraud and requested more details regarding the costs involved and asked whether they had been taken into account in the budget. Referring to the External Auditor's report, he inquired about the preparation of the Internal Audit Manual and use of an electronic audit package, querying how the package had been received and how it was being used.
26. The representative of the Government of the United States noted that an external firm had been contracted to conduct one of the internal audit investigations.
27. The representative of the Government of Canada suggested that in future reports an annex for the items requiring follow-up would be useful, showing action taken. With regard to the establishment of a dedicated investigation unit, he reiterated the need for more details on costs, number of cases and the time spent by the Internal Auditor on the cases.
28. The representative of the Government of Italy hoped that other governments would participate in the funding of the Turin Centre. He shared the concerns regarding the use of an external firm in an internal investigation.
29. The representative of the Government of the Russian Federation raised the issue of violations of financial discipline in a programme in Africa. The Chief Internal Auditor had remarked that it was not possible to calculate the losses accurately and he wondered how that situation could be resolved. Rather than the suggested improvements to training, he recommended more attention be paid to the recruitment of suitable staff. Regarding the

Islamabad Office, he also requested clarification as to why it was not possible to use local engineers.

30. The representative of the Government of Pakistan stated that the auditorium in the Islamabad Office was being used not only for United Nations activities but also for tripartite activities. There was adequate technical expertise in Pakistan to repair the roof of the auditorium.
31. The representative of the Government of the United Kingdom also supported the idea of an annex on follow-up action to recommendations, similar to that prepared by the External Auditor. She requested a copy of the Internal Audit Manual. Regarding the establishment of a dedicated investigation unit, she suggested that a paper be prepared on the subject. Following the audit of two field offices, the Internal Auditor had commented on the lack of a rolling maintenance plan for buildings. That issue was of concern and one that she would raise during the Building Subcommittee.
32. The Chief Internal Auditor (Mr. Burton) explained that the investigation in Africa was ongoing. The situation had come to the attention of the Office in late 2004 and an on-site visit would be made in the period following the Governing Body to gather more information. He offered to present a paper at the November session regarding the dedicated investigation unit requested. He believed that it would require a staff of three Professionals and one General Service grade to reinforce the capacity of the Office – within the IAO Unit – for investigation work.
33. There had been a high response rate (70 per cent to date) to the questionnaire on the IRIS project but as the IRIS roll-out was the top priority for the Office, the final report would be temporarily deferred. The questionnaire had been introduced to assist the Office in identifying issues and was to be used as a guide for future audits. The Internal Audit Manual had been completed on the recommendation of the External Auditor in compliance with standards applicable within the United Nations common system. It was designed to assist audit staff and provide guidance on all audit functions. He suggested inviting the Institute of Internal Auditors to evaluate the extent to which the ILO applied auditing standards. The Manual had a restricted distribution but had been released to the Director-General and the External Auditor, while audit staff had been briefed on each section. The Manual could be shown to delegates but not retained by them.
34. The Executive Director and Director of the Turin Centre (Mr. Trémeaud), in reply to the questions on the time taken by the Centre to raise invoices and receive payment for its activities, explained that the Centre faced a number of constraints over which it had little control. For example, the accounts had to be closed first, which, in the case of activities that did not take place in Turin, required going through UNDP or ILO offices that took an average of three months to one year to forward the accounting documents. Some governments or funding institutions required invoices and proof of payment to suppliers to be sent first before they would pay. Others, including the European Union, one of the Centre's key partners, would only pay after an audit of expenditure, which might take place six months or more after the end of the activities. However, two consultants had been recruited to identify ways in which the Centre could influence certain factors in order to speed up the entire process. Concerning advances, the Centre normally required donors to pay a sum in advance. However, in accordance with the recommendations of the Chief Internal Auditor, any exceptions to this would henceforth have to be justified in writing by the Treasurer of the Centre.
35. The Executive Director, Standards and Fundamental Principles and Rights at Work Sector (Mr. Tapiola), said that guidelines for choosing implementation partners existed and efforts would be made to improve them. Advertising for partners had proved time-consuming and

had not led to a better quality of partner. Priority was given to social partners also because of the need for capacity building and the process was not therefore entirely based on competition.

36. The Treasurer and Financial Comptroller said that the Office would, in accordance with established practice, provide a comprehensive report at the March 2006 session on action taken on all the points raised in the report of the Chief Internal Auditor. Concerning the issue of the technical cooperation project, there had been no loss, merely a delay in reporting expenditure incurred to the donor. Reimbursement was being sought from the donor.
37. Regarding suspense accounts, he stated that the Office had followed up with the regions and set up a new reporting system which provided for a more regular review of those accounts. As part of that process there had been a very close review of suspense accounts in a particular region, which had resulted in ending the direct use of those accounts within a number of offices. Since 2002, the balance of the suspense accounts had been reduced by 30 per cent, but that was still not enough.
38. The services of a consultant engineer from Geneva had been employed to prepare the technical specifications required to resolve the leak in the Islamabad Office roof. A competitive bid was under preparation to include local and international suppliers to find the cheapest solution. Lastly, in relation to the absence of rolling maintenance plans, there were within each regional budget funds for ongoing maintenance, but no provisions existed for renovation or refurbishment work.

Follow-up to the report of the External Auditor on the accounts for 2002-03 (Fourth item on the agenda)

39. The Committee had before it a paper⁴ on the follow-up to the External Auditor's report for 2002-03, which contained recommendations and the ILO's response.
40. Mr. Blondel welcomed the follow-up to the recommendations of the External Auditor for the 2002-03 financial period, although he regretted the somewhat imperative approach of certain recommendations. On the IRIS system, the use of external consultants had decreased and a comprehensive training plan was being set up, but the total cost of the system was still not known, despite repeated requests by the Workers' group. The speaker again insisted on the need to know the total cost of the operation. Concerning property management, an accommodation strategy would be developed, but with regard to funding sources for refurbishment work, the Workers wished to see a discussion in the Building Subcommittee before taking a decision on the possibility of using private financing. Turning to the human resources strategy, the speaker was pleased to see that negotiations were planned between management and the Staff Union, but made it clear that the Workers would oppose any attempt to call the job evaluation system into question and downgrade qualifications. Lastly, he welcomed the new requirements concerning financial training in field offices.
41. Mr. Botha strongly supported the Workers' comments on obtaining answers to cost questions. He was aware that ILO staff were not included in IRIS costs, but believed that the word "costs" was used rather loosely, the costs of the African Summit in Ouagadougou being an example. He was convinced that when calculating costs, there should also be a

⁴ GB.292/PFA/4.

provision for in-house costs. Some of the Office responses to the External Auditor's recommendations could have been stated more clearly and the answer to recommendation 16 seemed inappropriate. The Employers would like to see the cost-benefit figures. Similarly, the Office's reply to recommendation 19 concerning inventory returns did not provide sufficient assurance.

42. The representative of the Government of Japan found it regrettable that progress was slow in tackling issues. Recommendation 16 regarding the human resources strategy had been submitted in June 2004 and discussed in November, but only an outline solution was to be provided at the current session.
43. The representative of the Government of the Russian Federation stated that the report reflected the concerns of his country. He asked when the business process re-engineering study would be completed and whether its findings would justify the investment in IRIS.
44. The Treasurer and Financial Comptroller reported that, under Recommendation 13, the Office had agreed to consider all financing options, not only private financing. Regarding recommendation 19 on inventory returns, the accounting system was up to date. What was missing was the physical inventory report for 13 of the 46 offices. He added that responses to the questions on IRIS would be provided under item 5 on the agenda.
45. The Director of the Human Resources Development Department (Mr. Ng Gek-Boo) explained that the recommendations were a major issue for the human resources strategy (HRS) and would be raised in the HRS paper. Regarding job evaluation, extensive research had been completed which would be useful to the entire United Nations system. Discussions were under way with line managers and the Staff Union to revise performance appraisal methods. As regarded costs and benefits of the HRS, the strategy had come to be regarded as too ambitious and was estimated by the External Auditor to cost US\$5 million a year. The strategy had therefore been reviewed and scaled down. Discussions were regularly held with the External Auditor to set priorities.

Information Technology Systems Fund (Fifth item on the agenda)

46. The Committee had before it a progress report on IRIS.⁵
47. Mr. Botha asked whether additional functionality costs were included in the original contract. He also noted that user acceptance testing was not yet complete and asked whether training would need to be rerun as a consequence. He wanted to see IRIS deployed to the field as a matter of urgency.
48. Mr. Blondel emphasized the importance of communication and training to overcome certain misgivings concerning IRIS and encourage a positive approach among users. He wondered about the quality of the training that had been dispensed and called for special modules adapted to the different tasks, as well as practical support for users by instructors. However, irrespective of the activities provided, some people might not come on board; from the human resources standpoint this problem should be taken into consideration, since it should not be allowed to result in early retirements in addition to the large number of retirements already planned in the coming years. The speaker again wished to know what the total cost of the IRIS system would be and stated that the financial summary contained in the document did not answer all his questions.

⁵ GB.292/PFA/5.

49. The representative of the Government of the United Kingdom, speaking on behalf of IMEC, noted the latest information (which had been very late in arriving) and expressed serious concern about ongoing and future costs. The focus on roll-out was impeding progress on achieving efficiencies. She asked what efficiencies would accrue to the Human Resources Development and Financial Services Departments as a result of the go-live at the end of March. She wanted to know how additional savings were being identified and by whom. She asked how and where the Office would be taking advantage of the more timely information resulting from IRIS. She hoped that both the Internal and External Auditors had endorsed the decisions to have no systems available during the transitional period and to decommission the legacy system post go-live.
50. The representative of the Government of El Salvador, speaking on behalf of GRULAC, was concerned about the high cost of IRIS and its impact both on programmes (especially technical cooperation) and on strategic objectives. He urged the continued search for savings on IRIS which could then be transferred to technical cooperation as of 2006-07.
51. The representative of the Government of Japan supported the IMEC statement. Recommendation 3 concerned upgrading but the current document did not mention the costs of upgrades. He requested a document on the cost of future upgrades to allow a discussion. The External Auditor had recommended a full process review and the Office had responded that savings were expected post go-live. Those savings had not been shown in the staff costs within the programme and budget and he asked where he could find them.
52. The representative of the Government of Germany supported the IMEC statement and asked if the Office could guarantee that the costs of IRIS as stated in the summary would not be exceeded.
53. The representative of the Government of Canada inquired about the timing of the cost-benefit exercise and if the task force referred to in the paper would be continued. He asked if training at headquarters was complete and if training modules would be used in the field.
54. The representative of the Government of the United States, while supporting the IMEC statement, appreciated the fact that expenditure on IRIS had not drawn on the contingency fund.
55. The representative of the Government of the Russian Federation asked when the report on business re-engineering processes and efficiency gains derived from the implementation of IRIS would be finalized.
56. The IRIS Project Sponsor and Executive Director, Social Dialogue Sector (Ms. Paxton), said that no extra costs would be incurred for additional functionality in release 1.1. Rather, the Office was looking to incorporate small changes as part of continual improvements to the system. Only one user acceptance test had not been completed and training had been deferred in that area. She agreed that the faster IRIS could be introduced in the field the better, although a review of field systems was first required. She reported that 220 business processes had already been mapped and savings identified. Some business re-engineering had been implemented and current training took that into account. She was cautiously optimistic regarding progress on IRIS to date.
57. As regarded user participation and training, staff had been increasingly involved through the Stakeholders Committee, the IRIS Board, the web site, etc. An individual training plan had been drawn up which would involve half-day training periods over a span of eight weeks. To stagger training, priority 1 users were being identified. Some 550 persons were due to be trained by the end of March. All headquarters training would conclude in July.

End-user support would involve identifying key users in each section to provide first-line help, backed up by additional specialized support.

58. She agreed that there was a need to focus on savings after go-live but said that the current focus had to be on the go-live itself. Business re-engineering would help achieve more efficiencies and the travel module was a good example. The programme and budget data for 2006-07 was also a product of IRIS. As to the cost of upgrading, she reported that no decision had yet been made on the following upgrade; industry standard was a five-year cycle for a major release. On the issue of expenditure, there were two main components of funding shown in the table: the first was core design to mid-November 2004 (just under US\$40 million); the second, projections of US\$11.9 million from November 2004 to the end of 2005. Allocations totalled US\$10.4 million for that period, but she was certain that savings would allow the difference between the two figures to be made up. Expenditure came under close scrutiny and was monitored weekly. When calculating costs, ILO project staff were included but not the time of non-project staff. Where savings were concerned, US\$7.5 million in recurring staff costs had been identified in the current and the following biennia. She confirmed that the task force would be kept in place. Although there was an ongoing dialogue with the External and Internal Auditors (for example, following the recommendation for payroll parallel), no prior approval was sought for cutover procedures or decommissioning the legacy system. Instead, the project and business units worked out careful processes to ensure accurate recording and reconciliation of transactions during the cutover period. Legacy data would be archived and thus available if needed. Training materials were being developed and training would ultimately be carried out by ILO staff. She believed that business re-engineering processes never came to an end. However, she expected that by the end of 2005 or during 2006 the Office would benefit from improved management processes as a result of IRIS implementation.

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

59. The Chairperson of the Building Subcommittee presented the report⁶ of the discussions held by the Subcommittee on Monday, 14 March. Concerning the two construction projects, he advised that the building of the Santiago Office would be complete by May 2005 and that the contract for the construction of the office in Dar es Salaam had been successfully renegotiated within the budget limits; building would commence in April 2005. As regards the accommodation strategy, despite concerns expressed at the lack of progress, the Subcommittee had been able to identify the main areas of work to be undertaken by the Office before November 2005.
60. Mr. Botha supported the point for decision.
61. Mr. Khurshid Ahmed (Worker member and Vice-Chairperson of the Building Subcommittee) stressed that the ILO was alone in the United Nations system in owning land. He expressed his expectation that sufficient resources would be dedicated to building maintenance, especially modernization, and looked forward to the Swiss Government's generosity in providing interest-free long-term loans. He supported the point for decision.
62. *The Committee recommends to the Governing Body that:*
- (a) *it note the policy and practices currently governing accommodation decisions, and request that they be compiled in a compendium to be*

⁶ GB.292/PFA/6.

regularly updated by the Office, as a first step towards a more comprehensive accommodation strategy;

- (b) it request that the Office monitor and update its accommodation standards, as appropriate, according to evolving needs, especially in the area of safety and health;*
- (c) it request the Office to prepare and distribute before the November 2005 session an accommodation strategy which sets out clearly the details of all ILO established offices, their running costs, the countries they cover, the staff they employ, whether the premises are owned, rented, provided by the host country or are United Nations common premises, as well as a prioritized list of any urgent security, health and safety and renovation work requirements;*
- (d) it request the Office to evaluate the accommodation arrangements relating to technical cooperation projects and to report to the Building Subcommittee in November 2005;*
- (e) it request the Office to commission as soon as possible an independent technical survey of the headquarters building as a first step towards a ten- to 15-year investment plan, and to consider possible sources of financing of such an investment plan for the updating and modernization of the headquarters building and the field offices, including possible changes to the rules governing the use of the Building and Accommodation Fund.*

Report on programme implementation in 2004 (Seventh item on the agenda)

- 63.** The Committee had before it a paper⁷ on programme implementation in 2004.
- 64.** The Executive Director, Management and Administration Sector (Ms. O'Donovan), explained that several corrections to the implementation report would be issued in the form of a corrigendum. Particular changes would include a name change in box 15 and placement of references in paragraphs 94, 96, 97, 98 and 102, where the present text gave rise to some confusion.
- 65.** Mr. Botha noted that the report was part of the strategic process, and that a full report on implementation and results would be discussed in 2006, whereas the mid-term report covered in practice only the first nine months of the biennium. While the report was better than that of two years earlier, it required further improvement, particularly to incorporate financial information, interim performance information and proposed adjustments for the guidance of the Governing Body. He expressed his frustration at the lack of consistent information on activities and their impact. The Employers had noted the useful examples provided, in particular the examples presented in boxes 14 and 17, although in general they would prefer to see more extensive coverage of activities, noting beneficiaries and impact. In the report on the full biennium, the Employers would be interested in having more complete financial information, including expenditure per item, the use of regular and

⁷ GB.292/PFA/7.

extra-budgetary funds, and any adjustments that had been made to resource levels during the biennium.

66. Mr. Botha noted the references to the ILO Office circular concerning decent work country programmes and requested a copy. He observed that very few programmes seemed to have started. Constituents who had participated in decent work country programmes were very enthusiastic, while others knew very little about them. Mr. Botha emphasized the importance of inter-agency collaboration but asked for more information on the impact of that collaboration. He raised concerns as to whether technical cooperation activities were adequately linked to priorities of constituents. For the Employers, employment should be at the heart of the ILO's work and that should be reflected in extra-budgetary work. He called for greater clarity in the social dialogue context and in particular on steps taken to follow up the 2002 resolution concerning tripartism and social dialogue.
67. Mr. Blondel emphasized the importance of the report on programme implementation in 2004. The information it contained should make it possible to achieve an informed projection for 2006-07. The first of these reports in 2002 had registered preliminary results enabling the Office to validate or adjust its approach, while the second was more descriptive than analytical and did not enable a real examination of the strategies applied. It would have been useful to have financial data for each strategic objective.
68. The speaker was pleased to see that the strategic budgeting had been facilitated by the IRIS system, in particular its "Strategic Management Module". However, he urged caution in interpreting statistics produced by IRIS, as they sometimes failed to distinguish between the allocation of real resources by the Office to the activities of strategic sectors on the one hand and, on the other, the working time of staff who contributed voluntarily to achieving objectives outside their own structure. The circular on decent work country programmes should be revised to refer to the resolution concerning tripartism and social dialogue.
69. Concerning developments in the regions, there were some serious omissions in the document relating to the progress achieved on workers' rights and the work being done by the Governing Body and the Office in certain countries, which were regrettably not named. The general assertions concerning growth in Asia were inaccurate, and the widening gap between rich and poor was not mentioned. In conflict-affected areas the Office should play a special role and promote the peace process through technical cooperation on social dialogue and labour legislation. The speaker would welcome more specific information on the progress made in each country and on the resources allocated, in particular to Palestine and Colombia.
70. The speaker regretted that the document did not mention constituents' proposals concerning the report of the World Commission and that of the Director-General entitled *A fair globalization: The role of the ILO*, despite the fact that there was near-unanimity on the policy coherence initiative on growth, investment and employment. This would enable the ILO to analyse and discuss the impact of macroeconomic and other economic policies on the decent work objective. He wondered whether the ILO had plans to follow up on the Extraordinary Summit of the African Union on Employment and Poverty Alleviation in Africa to take advantage of the momentum generated by that event.
71. Promotion of decent work as a global objective called for collaboration among different institutions and, in this respect, the speaker commended the efforts made by the Office, and the Director-General's approach in particular. However, he regretted that United Nations agencies, the Bretton Woods institutions and the donor community were selective in their approach to decent work and paid little heed to the values of freedom of association and the right to collective bargaining. He referred to the decisions made by the Governing Body and the International Labour Conference on equality between men and women,

equality of remuneration and maternity protection, migrant workers and human resources development, and called for further information on programme implementation.

72. With regard to technical cooperation, he emphasized that the zero growth referred to in paragraph 35 was nominal rather than real growth. He cautioned the Office against allowing ILO priorities to drift according to donor interest. It would be desirable to have a debate that took full account of employers' and workers' views and to review strategy in this respect.
73. Concerning Strategic Objective No. 1, Mr. Blondel welcomed the acceleration in ratification of fundamental Conventions, but wished to see more specific information concerning their application and an update on ratification of all the fundamental Conventions.
74. Concerning Strategic Objective No. 2, he wondered why the concept embodied in the term "decent" was now being translated by "*convenable*" in French. He pointed out that the expression "decent work" in English had become a watchword connoting work that was fairly remunerated and accompanied by a contract, social protection and occupational safety. Concerning paragraph 68, the Workers insisted that entrepreneurship should be expressed both in public and in private investment. The public sector should play an important role in the light of demographic trends, the ageing of societies, education and health needs, and support for disadvantaged groups. Concerning box 8 under operational objective 2b, the Workers pointed out that cooperation and partnership with NGOs should be left to the discretion of workers' and employers' organizations, and that these organizations could not take the place of trade unions.
75. Concerning Strategic Objective No. 3, Mr. Blondel requested more extensive information on the Global Campaign on Social Security and Coverage for All, and on the progress achieved concerning wages, hours of work, family responsibilities and maternity protection. He commended the work that had been done for migrant workers and, in this connection, paid tribute to Mr. Abella.
76. Concerning Strategic Objective No. 4, the speaker considered that this was the most vague part of the report, with an overall approach containing errors in attribution.
77. The Workers strongly supported the operational objective concerning international partnerships, as well as the integrated economic and social policies that promoted decent work within the United Nations system and other multilateral agencies, referring to the World Commission.
78. The speaker concluded by reaffirming the importance of the document for the forthcoming discussion on the programme and budget proposals. The Workers were still very keen on the concept of a budget, which enabled the definition of ILO policies and enhanced the Governing Body's influence. The exercise of this influence should not be taken as criticism but in a spirit of constructive participation.
79. The representative of the Government of South Africa, speaking on behalf of the Africa group, emphasized the importance of ILO regional meetings as a critical checkpoint for the regions, and called for the decisions taken at regional meetings to be implemented appropriately. The value of that approach was reflected in the ILO Programme on HIV/AIDS and the World of Work which was informed by a regional decision. He noted that the implementation report was the basis for the following budget, and the Africa group's comments on it highlighted the critical areas for Africa under each strategic objective.

- 80.** On Strategic Objective No. 1, the Africa group called for all standards to be promoted, with more emphasis on application and supervision, and supported the need to strengthen the supervisory mechanisms. The group had already called for more resources for standards to be translated into Arabic, and reiterated that request. On Strategic Objective No. 2, the Africa group requested that the Office focus on youth employment, decent work in the informal economy and local economic development programmes, as critical elements to eliminating poverty, and inquired about the lack of reference to the Jobs in Africa programme, calling for information on the current programme and budgetary status. It was also noted that adequate resources were needed to provide support when natural disasters impacted on livelihoods.
- 81.** The key challenges in Africa under Strategic Objective No. 3 were extension of coverage to the informal economy, HIV/AIDS in the world of work, capacity building in labour inspection and labour administration, and effective occupational health and safety policies. The postgraduate programme on the financing of social protection was particularly relevant to African needs.
- 82.** The Africa group noted that many of the existing performance indicators overlapped, for example two under Strategic Objective No. 1 and another under gender equality spoke to ratification of the same Conventions. That could indicate potential for greater collaboration and resource sharing. Baseline information should be used to look at actual achievement on each indicator. Finally, the Africa group supported the strengthening relationships with extra-budgetary donors, and the transfer of resources to the regions.
- 83.** The representative of the Government of Mexico called on the ILO to adjust its activities to the needs of each region, and supported the idea of country-country exchange of best practices where full programmes were not possible. As an example, she indicated that the Americas had identified unemployment, particularly of young people and women, as a critical area, and said that the regional strategy of seeking a fair globalization and positive environment for job creation should be oriented towards creating jobs for those most affected by unemployment. She observed the need to prioritize use of the funds available for technical cooperation. On the shared policy objectives, she noted that there were a number of duplicated indicators.
- 84.** The representative of the Government of Japan recalled the information in the Global Employment Trends report of February 2005, noting a decline in the worldwide unemployment rate for the first time since 1994, while acknowledging regional differences. In this context, she observed that job creation and eliminating decent work deficits were important objectives. She affirmed the support of the Government of Japan for the creation of greater opportunities for young men and women, noting that youth were a valuable asset for the future. That point had been made at the Symposium on Globalization and the Future of Youth in Asia held in Tokyo in December 2004, which included the participation of the ILO and the United Nations.
- 85.** The representative of the Government of Kenya, supporting the statement of the Africa group, drew the attention of the Committee to the Extraordinary Summit of Heads of State and Government on Employment Creation and Poverty Alleviation held in Burkina Faso in September 2004, where Africa was able to define a coherent strategy to address its major challenges. The ILO was called upon to assist in translating those decisions into concrete action within the context of the New Partnership for Africa's Development (NEPAD). He listed some areas of ILO support in Kenya, including labour law review and strengthening labour relations.
- 86.** The representative of the Government of Canada observed that implementation reporting was an integral part of results-based management, which was still a work in progress at the

ILO. He shared the frustration expressed by the Employer spokesperson concerning the purpose and the substance of the report, chiefly the difficulty of relating budget expenditure to achievements. He called for future reports to show the current level of results and expenditure, and regional expenditures compared against budget to inform further programme and budget decisions. On the issue of expenditure of the 2000-01 surplus, he regretted the lack of a summary and overview, and noted that in general there appeared to be a considerable amount unspent. He suggested that those funds might be considered in terms of some of the requests made in the proposals for 2006-07.

- 87.** The representative of the Government of Malawi supported the statement of the Africa group, and added that the ILO was today close to its constituents in many parts of the world, in particular in Africa. He appreciated the work of the Director-General to make the ILO more visible in the region and called for increased resources for decent work in Africa. In respect of southern Africa in particular, he identified a need to ensure that the ILO offices had the necessary expertise to meet local constituents' needs.
- 88.** The representative of the Government of the United Kingdom stated that the paper gave a good indication of what the ILO was doing and how, but would prefer it to be even more concise. He particularly noted progress being made on strategic budgeting to ensure ILO programmes were relevant at the country level and that they were integrated within broader national and international frameworks. Noting the role of the ILO in the Extraordinary Summit, he indicated interest in details on the ILO's plan of action and resources for follow-up. On the non-binding multilateral framework for migrant workers, he noted that the United Kingdom called for a full discussion of the issue by the Governing Body before it was referred to the Meeting of Experts, and asked for clarification on the Office's intended next steps.
- 89.** On the strategic objectives, with respect to standards he noted the rise in ratifications but indicated that he would like more information about the impact on the supervisory system and how that was being addressed. He commented favourably on the details in the information boxes, describing them as tangible outcomes that helped bring the ILO's work to life. On employment, he affirmed the United Kingdom's support for sharing good practices and for integrated approaches, especially integration with PRS processes, and the focus on youth employment and decent work for women. He found the examples under social protection and strengthening tripartism positive, and welcomed the continuing focus on workers in the informal economy and on partnership approaches.
- 90.** He noted that the final report on implementation would be expected to include information on quantitative and qualitative results, an analysis of the effectiveness of implementation, and an assessment of lessons learned for both policy and budgetary decisions in the future. Finally, he supported the points made by the representative of the Government of Canada on the need for clearer information on the expenditure of the 2000-01 surplus.
- 91.** The representative of the Government of the United States thanked the Office for some useful information on concrete results but observed that much of the information provided was vague. In particular she requested more information on impact and relevant financial data on actual versus estimated expenditure. She commended the Office on its efforts to collaborate with other United Nations agencies, but observed that mainstreaming decent work at the regional level required emphasis on regional partnerships and requested more information on that matter. She joined others in calling for a further review of unspent 2000-01 surplus funds.
- 92.** The representative of the Government of the Philippines recognized Mr. Abella for his valued work on migration issues. Referring to the coming discussion on a framework on labour migration, she suggested that the Tripartite Meeting of Experts be held by

September 2005 with the presence of at least three sending countries, two receiving countries and one country that both sent and received migrant workers. She noted that the Philippines was a major sending country and would be honoured to take part.

- 93.** The representative of the Government of China indicated his satisfaction with the implementation of the programme for 2004, and noted the contributions the ILO had made to the global community, for example through the World Commission on the Social Dimension of Globalization. He supported the progress made in realizing decent work, and identified follow-up on Conventions, labour inspection and maternity protection as particular areas to be addressed. He particularly welcomed the reference to countries exchanging examples of good practice.
- 94.** The Executive Director, Management and Administration Sector, thanked the Committee for their detailed comments, feedback and constructive criticism in the spirit of dialogue between the Office and the Governing Body. The Office had taken note of the requests for additional information as well as the improvements required in certain areas and the need for more complete financial information in subsequent reports. She noted that many of the points raised during the discussion would be picked up during the debate of the Programme and Budget proposals for 2006-07 and confirmed that the respective Executive Directors would provide further technical information on specific points. Turning to questions raised during the discussion, she clarified that data in the report under discussion was pre-IRIS and that IRIS had been used to produce the Programme and Budget proposals for 2006-07. She observed that implementation of decent work country programmes as contained in the Programme and Budget proposals for 2006-07 would provide the opportunity to track and report on ILO work within country frameworks. She stated that the ILO Office circular concerning decent work country programmes would be made available at the distribution desk.
- 95.** The Director-General referred to an expression used by the representative of the Government of the United Kingdom, “bringing the ILO’s work to life”, that brought out the difficult choice between presenting a much longer report and a report of some 40 pages. He emphasized that the ILO was doing much more than what appeared in the programme implementation report, sharing the frustration expressed by both Mr. Botha and the representative of the Government of Canada. He stated his conviction that the implementation of decent work country programmes and of IRIS would allow the ILO to better track and report on what was being done in each country, although it would still be challenging to provide that information without going into a lengthy report. He agreed with the need for reports on progress against indicators and more complete financial information. He invited the Committee to work together with the secretariat to identify what would be needed in terms of the amount of information and type of presentation required to meet the Governing Body’s needs, and reiterated his appreciation for the Committee’s comments and many useful suggestions.
- 96.** Mr. Blondel recalled that their position was not intended as criticism but rather in a spirit of active participation. In reply to the questions raised by the Director-General, and along the lines of what had been said by Mr. Botha, he pointed out that the document should merely give information on the work achieved and the cost involved.

Proposed expenditure on the headquarters building

(Ninth item on the agenda)

97. The Committee had before it a paper⁸ on the proposed expenditure on the headquarters building.
98. Mr. Botha believed that the ILO should establish a fund to deal with future property maintenance costs. The costs indicated seemed high and he hoped that the Office would carry out a competitive bidding process for the selection of the supplier and report on the matter to the Building Subcommittee in November 2005.
99. Mr. Blondel expressed deep concern at the general state of the ILO building and asked whether the piecemeal repairs envisaged would be sufficient. Concerning the interpreters' booths the intention was to renovate the booths in rooms I, VI, VII and XI, but he wondered whether there was not a more fundamental problem affecting all the booths. Was this not the first stage of a broader programme involving additional expenditure? Similarly, concerning the escalators leading to the parking lots, given the state of the parking lots themselves, should this not be all included in one renovation item? Lastly, on the subject of fire protection, the speaker wondered whether the present installations were in conformity with the requirements of insurance companies and acknowledged the need to move quickly. He explained that, subject to the replies to these questions, the Workers' group supported the point for decision.
100. The representative of the Government of Canada stressed the importance of having an overall strategic accommodation plan for the ILO. He asked the Office to clarify whether the proposed expenditure on the headquarters building would be funded from the 2000-01 surplus, which was transferred to the Building and Accommodation Fund in 2003.
101. The representative of the Government of the United Kingdom stressed the need for an overall strategic accommodation plan. She asked why the question of the proposed expenditure on headquarters had not been referred to the Building Subcommittee and requested the Office to clarify whether the proposed expenditure would be the only such proposal in 2005.
102. The Treasurer and Financial Comptroller explained that the proposed expenditure on renovation was based on estimates provided by a single supplier and he confirmed that the Office would carry out a competitive bidding process. The Programme and Budget for 2006-07 included a provision of funds for other building maintenance work. With regard to the transfer of US\$2.75 million from the 2000-01 surplus to the Building and Accommodation Fund, that had been intended to cover the construction costs in Santiago and Dar es Salaam. However, once the amount was transferred, it was merged into the Building and Accommodation Fund with other income, such as contributions from the regular budget or rental of space. With reference to the reason why the item had not been referred to the Building Subcommittee, he recalled previous discussions in the PFAC where the Office had been requested to submit all funding decisions initially to the PFAC and subsequently to the Building Subcommittee. The proposed expenditure on headquarters was the only one known to date for 2005.
103. *The Committee recommends to the Governing Body that it agree that the cost of urgent repairs and refurbishment to be carried out on the interpreters'*

⁸ GB.292/PFA/9.

equipment and booths, the escalators and fire protection equipment in the headquarters building, estimated at 2,334,000 Swiss francs, be charged to the Building and Accommodation Fund.

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

(Tenth item on the agenda)

104. The Committee had before it a paper⁹ concerning the delegation of authority under article 18 of the Standing Orders of the International Labour Conference.
105. *Should the need for such delegated authority arise, the Programme, Financial and Administrative Committee delegates, for the period of the 93rd (June 2005) Session of the Conference, to its Officers (i.e. the Chairperson and the spokespersons for the Employer and Worker members of the Committee) the authority to carry out its responsibilities under article 18 of the Conference Standing Orders in relation to proposals involving expenditure in the 69th financial period ending 31 December 2005.*
106. *The Committee recommends to the Governing Body that it make a similar delegation of authority to its Officers under article 18 of the Standing Orders of the Conference.*

Review of the ILO's collaboration with the United Nations Joint Inspection Unit

(Eleventh item on the agenda)

107. The Committee had before it a paper¹⁰ on the review of the ILO's collaboration with the United Nations Joint Inspection Unit.
108. Mr. Blondel recalled that the Workers were paying close attention to this issue; they had already inquired as to the cost of participating in the JIU and made contact with it to inform themselves of its activities. What they wished to know now was the nature of the reform of the JIU. The Workers supported the point for decision on deferring discussion of the matter to November 2005.
109. *The Committee recommends to the Governing Body that the discussion on this matter be deferred to the 294th (November 2005) Session.*

⁹ GB.292/PFA/10.

¹⁰ GB.292/PFA/11.

Other financial questions (Twelfth item on the agenda)

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

110. The Committee took note of a paper¹¹ containing financial information on the organizations in the United Nations system.

Geneva, 18 March 2005.

(Signed) B. Botha,
Reporter.

Points for decision: Paragraph 62;
Paragraph 103;
Paragraph 105;
Paragraph 106;
Paragraph 109.

¹¹ GB.292/PFA/12/1.