



TENTH ITEM ON THE AGENDA

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

1. The Programme, Financial and Administrative Committee of the Governing Body met on 12 and 13 November 2002, chaired by Lord Brett, Chairperson of the Governing Body; Mr. Blondel (Worker spokesperson) was the Reporter.

I. Programme and Budget for 2002-03
(First item on the agenda)

2. The Committee had before it a paper¹ containing information on the 2002-03 regular budget account and the position of the Working Capital Fund as at 30 September 2002, as well as an addendum giving details of contributions received to November 2002.
3. The representative of the Director-General (the acting Treasurer and Financial Comptroller) reported that since the preparation of the Office paper a contribution had been received from the following member State:

Member state	Swiss francs
Republic of Korea	7 058 780
Total	7 058 780

This amount represented the Republic of Korea's full contribution for 2002.

4. Mr. Botha, speaking on behalf of the Employer members, noted that this was a routine document; it indicated that the ILO was not in financial difficulties. He thanked those countries that had paid their contribution for 2002 in full, as well as those 18 member States that had made contributions against their obligations for 2003 contributions. He noted that the list of countries which had lost the right to vote had decreased and that the Working Capital Fund was fully exhausted.

¹ GB.285/PFA/1 and GB.285/PFA/1(Add.).

5. Mr. Blondel, speaking on behalf of the Workers' group, recalled that the routine document in question was essential for an understanding of the situation of the Organization. The figures were similar to those for 2001. The Workers welcomed the fact that a number of African countries had paid their contributions for 2002. On the other hand, they were concerned that 25 countries had lost the right to vote. It was necessary to ask about the reasons for non-payment, in order to ascertain whether it was due to specific circumstances or indicated a refusal to honour international commitments. With regard to countries in arrears with their contributions, the trend was worrying, since it concerned major contributors; while technical exchange-related factors could lead to some countries falling into arrears, this should not be allowed to recur, since quite apart from the financial aspects of the issue, there was a moral commitment on the part of countries to programmes which the ILO could not implement without those contributions. Lastly, he asked if there had been any improvement with regard to the situation of the Working Capital Fund, which had been exhausted by 30 September.
6. The representative of the Government of the Islamic Republic of Iran stated that all arrangements had been made for payment of his country's contribution, including arrears.
7. The representative of the Director-General agreed that in recent years there had been a tendency towards later payments by some member States, although there had also been a tendency to phase these payments over the course of the year. He added that the Office had been informed by the two largest contributors that payments were imminent, which would address the temporary deficit on the Working Capital Fund.
8. The Committee took note of the reports.

II. Review of article 18 of the Financial Regulations (Second item on the agenda)

9. The Committee had before it a paper² describing possible changes to the Financial Regulations for which the Director-General was seeking guidance from the Committee.
10. Mr. Botha referred to the paper as a continuation of the debate which had begun in March 2002 when the Committee had discussed the exceptional surplus which had arisen as the result of the payment of arrears. The paper presented two ways of dealing with article 18 according to whether a surplus had arisen from under-expenditure of the budget, in which case it would be dealt with under the old rules, or from arrears of the type discussed in March. The Employers had always believed that this issue was really one for the Government members to decide upon as they were the contributors to the Organization. However, the debate in March had shown that it was important to take a position with regard to the treatment of the surplus. The Employers had always stressed the need for sound financial management and adherence to the rules but, in March, they had supported making an exception to article 18. They were inclined to support the proposal and understood that the issue was to be finalized at the Governing Body meeting in March 2003.
11. Mr. Blondel congratulated the Office for the clarity of the paper before the Committee. The Workers regretted that, in view of the delay in the payment of some contributions, the Office had not applied the provisions in the Financial Regulations for implementing the

² GB.285/PFA/2.

budget in full; this had resulted in programme cutbacks in response to reduced expenditure, and consequently an artificial budget surplus. With regard to the question of an amendment to article 18 of the Financial Regulations, the Workers considered that there was no reason to reimburse member States for a budget surplus resulting from payments of arrears, and emphasized that the measure should go hand in hand with a willingness on the part of the Office to implement fully the available budget.

12. The representative of the Government of the Russian Federation supported the retention of the existing regulations concerning the use of surpluses to reduce future contributions from member States. This principle applied throughout the UN system and was based on the fact that international organizations were made up of member States which provided the finance and on whose behalf expenses are incurred. If income was higher than expenses, the member States had a right to a reduction in their future contributions. This saved time and resources and formed part of the normal budgetary process, enabling the smooth operation of activities within the budget and avoiding any unforeseen highs and lows. The rule facilitated the promotion of financial responsibility amongst the member States since Members failing to fully pay their contribution did not receive a reduction in their future contribution. Experience had shown that the principle was not absolute and could allow for exceptions. Such exceptions could not, however, become the rule. No necessity existed for changing the Financial Regulations but – in the spirit of compromise – the Russian Federation would not object if the secretariat could report on the experience of other international organizations with regard to amendments made to financial regulations and the ways in which they had incorporated unforeseen income into their budgets.
13. The representative of the Government of Japan believed that the repeated derogations to the Financial Regulations constituted a way of harming financial discipline. He supported amending the Financial Regulations in order to avoid such derogations in future. The document posed two basic questions. The first appeared to propose that a surplus arising from the payment of arrears should be retained by the Organization. This would suggest that the Director-General had never fully spent the budget available to him within the provisions of article 21. It was not clear whether the Office intended to revise these provisions or not and, if it did not, the arrears of the second type should be more clearly defined. The second question related to the need for further clarification of how the Office would operate the Special Programme Fund. Would time limits be set for the Fund's spending and what was the significance of the words "Special Programme"? If the Office were to go ahead with the Special Programme Fund, further information would be required about the relationship between the Fund and the regular budget.
14. The representative of the Government of Norway expressed concern at the increasing number of member States which were late in paying their contributions and urged Members to pay contributions in full and on time. He believed that a surplus arising from an underspend of the budget should be returned to member States. More often, however, the situation was that a surplus, such as that of 2000-01, arose as the result of late payment of contributions and such a surplus should not be distributed to member States. There was no reason why those Members paying late should be rewarded by the return of a percentage of their contribution. He looked forward to the presentation of a draft amendment to article 18, to be made at the March 2003 session.
15. The representative of the Government of South Africa, speaking on behalf of the African group, thanked the Office for distributing documents in a timely fashion. The African group had expected that there would be an agenda item relating to the 2004-05 programme and budget proposals. Such preliminary discussions would have allowed the Office and the member States more time to consider policy directions, the strategic focus of the Organization and the priorities for the next biennium. He expressed the hope that attention could be given to this matter during the course of the current Programme, Financial and

Administrative Committee meeting and that a guideline could be established to ensure that budget proposals for the next biennium would become a standard item on the November agenda when appropriate. He welcomed the proposals with regard to the review of article 18 and supported the view that a surplus arising from an underspend should not necessitate a change to the Regulations. Article 18(2) dealt adequately with such a situation. He also supported the view expressed in paragraph 14 which argued for a retention by the Organization of surpluses arising from the late receipt of contributions and stressed the need for member States to pay on time.

- 16.** The representative of the Government of Mali expressed support for the statement made by the previous speaker which had clearly represented the position of Africa with regard to this issue. He believed that the proposed changes to the Regulations were necessary and would ensure that a surplus was put to the best possible use.
- 17.** The representative of the Government of the Republic of Korea welcomed the document which, he believed, adequately addressed the questions which had been raised in response to this issue during the March 2002 session. The Financial Regulations, as currently stated, did not deal with every kind of surplus but he did not believe it necessary to amend them or to create a new fund in response to a particular kind of surplus. No rule could possibly address or anticipate every possible situation and the current Regulations already clearly stated what should be done in the event of a shortfall or a budget surplus. Article 18.2 stipulated that a surplus, whether the result of underspending or the receipt of arrears or both, should be applied in reducing the contributions of member States. Where an urgent need arose to spend some or all of a budget surplus in response to a crisis or emergency, the Office should first present details of its proposed spending, together with information about its effects and expected outcome to the Governing Body. The Governing Body could then evaluate the merit of such a proposal and commit the required resources, having taken into account the context of the proposal within the strategic budget, the nature of the crisis and the financial and geographical implications. He supported the basic principle of the ILO's strategic framework not only in terms of the use of its regular budget but also in terms of the use of any surplus.
- 18.** The representative of the Government of France expressed concern with the rising trend for contributions being paid late which could compromise the running of the Organization. He could not support the proposed changes to article 18 for various reasons. The Regulations, as currently written, had never prevented the use of surpluses arising from the late receipt of contribution. This year the Conference had reached agreement on the use of the surplus by derogating from article 18.2 which demonstrated how the Financial Regulations allowed exceptions to be made, exceptional circumstances being treated on a case-by-case basis. He believed it possible that the proposed changes would render the financial management of the Organization more complicated. The Conference had resolved that contributions should be paid in full, on time and without conditions. Changes to the rules could possibly encourage Members to pay in arrears on a regular basis. However, despite these reservations, he did not wish to stand in the way of consensus on this issue were it to emerge. He nevertheless wanted to stress that the Governing Body should consider the impact of the proposed changes not only on the Organization but also on the UN system as a whole.
- 19.** The representative of the Government of the United Kingdom welcomed the document and, acknowledging that the Office had made significant improvements in the management of its resources, commented that member States should reciprocate and ensure that problems did not arise as the result of late payments. However, the argument for changing article 18 was not persuasive. Surpluses had arisen in previous biennia but were, nevertheless, exceptional and should not be incorporated as a norm within the regulations. It should remain the prerogative of the Governing Body to assess each exceptional

circumstance on its merits. She had hoped to see a number of options put forward for discussion but, in fact, such options as there were seemed to have been discarded, with the result that only one recommendation had been presented. The suggestion in paragraph 17 concerning the possible establishment of a special programme fund was crucial to the argument for the ILO to retain surplus funds. If such a situation were to occur again, she would wish to see the surplus allocated to the core business of the Organization and not to a wish list unconnected with agreed objectives. Further consultations on the issue with all the ILO constituents would be welcomed.

- 20.** The representative of the Government of New Zealand confirmed his support for the view previously expressed that all surpluses be returned to member States. Given the current situation of a surplus generated by the payment of arrears, he recognized the importance of appropriate incentives both with regard to clearing arrears and with the efforts of the Office to stay within its budget. He was therefore prepared to consider proposals for alternative options for the use of surpluses in addition to the current provisions which provided for the replenishment of the Working Capital Fund or the return to member States. These alternative uses should constitute an appropriate fit with the core programme and budget, offer value for money and clear deliverables and should avoid creating ongoing financial or programme delivery expectations. Through various reforms, including strategic budgeting, the ILO had taken major steps in recent years to improve its performance. Proposals that encouraged expenditure or initiatives based upon short-term windfall gains would be a backward step. He suggested that the proposals to be put forward in March, relating to the establishment of a special programme fund or any other initiative and related financial regulation changes, be contrasted clearly with the current provisions relating to the treatment of surpluses.
- 21.** The representative of the Government of Turkey expressed support for the proposals outlined in the document and reminded the Committee of decisions taken during the March 2002 session.
- 22.** The representative of the Government of Belgium supported the retention by the Organization of surpluses arising from late payment for use in supplementary programmes. This seemed logical as some programmes had been reduced in previous years in order to ensure that the Organization remained within budget. The Governments of Belgium, the Netherlands and Portugal welcomed the proposals to change article 18 and to create a Special Programme Fund, use of which would be submitted to the Governing Body for approval.
- 23.** The representative of the Government of China commented that the treatment of a surplus arising from the payment of arrears should be different from that of a budget surplus. He therefore supported the contents of paragraph 14 and believed that a surplus arising from the payment of arrears should be used to finance technical cooperation programmes. There was no need to establish a Special Programme Fund as such a large surplus, resulting from arrears, was an unusual occurrence in the history of the Organization. If, in the future, there was a similarly large surplus, it would be for the Governing Body to decide upon its use according to priorities at the time.
- 24.** The representative of the Government of Germany expressed support for the comments of the representative of the Government of South Africa concerning the fact that an overview of 2003-05 had not been included on the agenda. In common with several of the previous speakers, he did not accept the proposals for the amendment of the Financial Regulations and believed that surpluses should be returned to member States. He was particularly concerned about the idea of setting up new funds which, experience had shown, acted as a magnet to resources. Acknowledging that it was a particularly pessimistic viewpoint, he expressed concern that there would possibly be a tendency within the Organization to hope

that Members would pay late so that the eventual payment of their arrears would boost the new fund.

25. The representative of the Government of the United States accepted the distinction drawn between the two types of surplus and the possibility of a mixed type of surplus. He wished to retain an open mind on the issue and consider the points raised by other members of the Committee. The comments made by the representative of the Government of New Zealand were worth further consideration as were those of the representative of the Government of Japan who had indicated the interrelationship between article 18 and article 21.2. Future proposals needed to take account of article 21.2.
26. The representative of the Government of Argentina, speaking on behalf of GRULAC (the Group of Latin American and Caribbean countries) recalled that, during the Governing Body meeting in March, GRULAC had drawn attention to the fact that this was the fourth time in six biennia that recourse had been made to the flexibility of the Financial Regulations. GRULAC believed that a review and reform of the Regulations was necessary in order to ensure that the Office and the ILO constituents had a clear and predictable framework of reference when dealing with this type of situation. The proposals made in paragraphs 13, 14 and 15 provided a good foundation for further work in connection with this issue. There were clearly two distinct types of surplus and it seemed appropriate that a surplus arising from a delay in payment of contributions be used to finance additional programme activities. The discussions which had taken place on the use of the 2000-01 surplus perhaps indicated that the suggestion of a Special Programme Fund was the best one, as such a fund would allow some flexibility when determining the allocation of a surplus.
27. The representative of the Government of India explained that the 2000-01 surplus represented expenditure that had been planned but which had never materialized because assessed contributions had not been received. This reflected a prudent approach by the Office. Article 21, as amended by the 89th Session of the International Labour Conference, allowed for more flexibility in the use of the Working Capital Fund so that income shortfalls resulting from late payments did not immediately trigger additional assessments for the second year of the subsequent biennium. For the amended article 21 to be implemented, one of three cases had to apply. Expenditure would have to be restricted to those contributions actually received, a substantial line of short or long-term credit should be available or substantial surpluses should exist within the Organization in order to enable internal borrowing. The third case seemed to represent the current situation with 101 million Swiss francs being used as a second tranche of working capital. He wondered if the Organization should not therefore consider a significant increase in its Working Capital Fund. He could not understand how a borrowing from the Working Capital Fund to meet expenditure corresponding to arrears in contributions, which was then repaid upon receipt of the contributions, did not eliminate the surplus. He requested clarification on how a surplus could arise, other than from underspending. The circumstances surrounding the generation of the surplus should not remove the need to carefully determine how the surplus should be used. If the Governing Body believed that a Special Programme Fund would be the best use, then such a fund would have been proposed even had there been no surplus. If no such fund would have been suggested, then the proposal to review article 18 would merit special scrutiny.
28. The representative of the Government of Canada supported previous statements that contributions should be paid in full, on time and without conditions. The 2000-01 surplus was an exception and its existence meant that programmes had been reduced. He commented that the representative of the Government of India had raised some interesting points about the Working Capital Fund which allowed some flexibility but not enough. As this issue generated a prolonged debate every time it was raised, he joined with those

speakers who had requested a further paper on the subject. The paper currently under discussion raised a number of questions, such as how change could be brought about without making it easier than ever to pay late. He was not in favour of establishing more funds but believed that, as the surplus represented programme money which was not paid in time, a programme fund thus established would have to have a direct link with the programme budget. The issue was not simply article 18 but other areas of the Financial Regulations also and so caution was needed. The Committee would not wish to create greater problems for itself in trying to deal with something which is an exception.

29. The representative of the Director-General commented that a number of the points raised could best be responded to in the paper to be presented in March but some questions could be answered immediately. Concerning article 21, rather than automatically invoking the provisions of the article, reductions were made in expenditure when there was considerable uncertainty as to the receipt of contributions in the short to medium term. Any such reductions were made only after consultation with the Governing Body and were made in the context of the prudent financial management to which some members had referred. Where the Office was reasonably certain that there would only be a short-term delay in receipt of contributions, then the use of article 21 was considered appropriate and consistent with the practice of sound financial management. With respect to the linkage of article 21 to the proposed changes he advised that any retention of arrears would only be possible if there had not been an application of article 21. If article 21 were applied, then arrears subsequently received would first be used to replenish the Working Capital Fund or to cover any borrowings and only the arrears which remained available after this had been done would contribute to any income surplus. The use of the word "special" in the name of the proposed fund reflected the exceptional circumstances that would give rise to such a surplus. The Office had reviewed the financial regulations of other agencies and derogations from these financial regulations which their governing bodies had approved. It was not just a question of looking at the financial regulations elsewhere but also of investigating their respective accounting policies. Whilst all UN agencies applied UN accounting standards, those standards provided sufficient flexibility for each agency to manage its operations in a manner that was appropriate for that agency. The policy regarding the recognition of income was particularly relevant to the current discussion. If full accrual accounting were applied, income surpluses would not arise. The ILO, in common with a number of other agencies, adjusted its income for unpaid assessments to ensure that it was always living within its means. Over the years, the ILO had concluded that, due to the unpredictability of the timing of receipt of contributions, this more conservative approach to the recognition of income was desirable. A similar issue existed with regard to the accounting policy on expenditure. Expenditure was recognized in accordance with the delivery principle which was considered to provide a better indication to the Governing Body of activities during the reporting period. As a result, the ILO was much more likely to have an underspend or a budgetary surplus than some other agencies which recognize expenditure on the basis of obligations, that is, upon the signature of contracts. Some agencies contacted had addressed the question of the budgetary underspend; they had provisions to carry forward unobligated allocations into a subsequent financial period or provisions whereby a maximum percentage of the budget could be carried forward into a subsequent period and placed in a special reserve. These two examples dealt with the kind of surplus for which the Director-General had not proposed any changes. The one example that could be cited from an agency with regard to the treatment of an income surplus was, unfortunately, from an agency which employed partial accrual accounting and so again was not directly comparable. This agency placed arrears into a special fund which could be used, and had been used, to finance one-off increases in their programme and budget – an approach not too dissimilar to the current proposal. In response to the representative of the Government of India, he stated that the ILO was fortunate that the large surplus from 2000-01 was available to cover expenditure pending receipt of contributions. However, there was no possibility of using these resources to

increase, on a permanent basis, the Organization's Working Capital Fund as there were other proposals before the Governing Body which would consume the available surplus. He further advised that future income surpluses could arise from two sources. As there were currently large outstanding arrears which reflected programme reductions made in the past, if these arrears were to be paid and current contributions continued to be paid on time, there could be an income surplus in the biennium. In addition, where considerable uncertainty existed regarding the future receipt of contributions, there could, in consultation with the Governing Body, be reductions in programmes and, once contributions were eventually received, this could again lead to an income surplus.

30. The Director-General, referring to the comprehensive answer provided by his representative, addressed the question put to him by Mr. Blondel concerning his attitude to the use of resources which the Office might possibly have available under the present regulations. He explained that he supported the position of maintaining financial caution but accepted the point made by Mr. Blondel that the Organization should always endeavour to implement the entire budget as it had been mandated to do. These two goals were entirely compatible. A budget was established with a certain number of programmes to be carried out but where it became apparent that funding was not necessarily going to be received, this necessitated a review of the programmes on a case-by-case basis. The receipt of arrears and the fact that arrears seemed to be increasing also clearly required further examination. The mandate to carry out a particular series of programmes and the determination to be financially prudent argued for an ability to predict income streams. Some things were not easily predictable but one way of increasing predictability was to create the Special Programme Fund which would enable the use of surplus funds to be considered and approved by the Governing Body in a more orderly manner. In this way the Governing Body would retain all of its powers of approval and, at the same time, the Office would achieve increased stability as the Fund would bring an element of predictability to the use of surplus funds. This seemed to be the most prudent financial approach which would ensure stability throughout the Organization. Addressing the point raised by the representative of the Government of Germany and the representative of the Government of South Africa, speaking on behalf of the African group, about the lack of a review of the next budget on the agenda, he admitted to having asked the same question. The answer given was that the move from an administrative budget to a strategic budget had involved setting a strategic policy framework for the four years 2002-05. During that period the Organization was aiming to put the Decent Work Agenda into practice. The framework agreed upon sought to propose strategies as to how the ILO could achieve its objectives and to identify means of strengthening the Organization's capacity to implement such strategies. This was to be carried out over the four-year period. Strategic budgeting was a constant which ran across individual budget periods and so, although the Governing Body received regular updates on the operation of the strategic policy framework, this kind of budgeting had removed the need to examine the aims of each budget period in isolation. Obviously, within the strategic budget, there were specific programmes which required examination and review on an annual basis and during the analysis of the budget. However, the move to strategic budgeting had foreseen that certain objectives would only be achieved over a four-year period and that they should be evaluated on that basis.

31. Mr. Blondel thanked the Director-General for his explanations. He was in agreement with regard to the importance of the predictability and stability to which the Director-General had referred. He recalled that, in view of the budget surpluses resulting from payments of arrears, the Governing Body had decided to examine the question dispassionately; it was necessary calmly to seek a solution that would satisfy everyone. Another point was that cuts in programmes did not necessarily mean a corresponding reduction in expenditure, and for that reason the Workers considered that, in a situation of revenue deficit, the Office might be able to resort to a loan, rather than cut its activities. On the other hand, by contrast with the situation in other institutions, decisions at the ILO were taken on a

tripartite basis. Non-payment of contributions by certain governments penalized the decisions taken by the Employers and Workers. The Workers therefore stressed the need for governments to pay their contributions in good time, and again regretted that some major contributors were in arrears with their payments; they considered that measures were needed to ensure that an artificial surplus did not arise again.

32. The Chairperson commented that the Director-General had certainly received guidance with regard to the proposals. Certain member States had seen no need for change whilst others, together with the Employers' and Workers' groups, had welcomed the proposed changes. However, there did seem to be a clear majority in favour of examining the issue further and the Committee looked forward to receiving a paper on the issue in March 2003.

III. Appointment of the External Auditor (Third item on the agenda)

33. The Committee had before it a paper³ containing information on the appointment of the External Auditor for a period of four years from 1 April 2000.
34. Mr. Blondel endorsed the point for decision in paragraph 6 regarding the procedure for appointing the External Auditor. However, the Workers did not support the Office proposal to extend the mandate of the current External Auditor to 2008, and instead suggested an extension of two years, after which time the new procedure would be applied. He requested further details regarding the appointment of a Deputy Auditor and the Auditor's annual fees.
35. Mr. Botha agreed with the process but requested that the need for the External Auditor to be of the highest possible standards of competence be stated in the selection process. Regarding the appointment itself, he thanked the current External Auditor, Comptroller and Auditor-General of the United Kingdom, who continued to do an excellent job. The Employers were in agreement that the appointment be made for a four-year period.
36. The representative of the Government of Canada, speaking on behalf of the IMEC group, supported the proposed recommendation that the Comptroller and Auditor-General of the United Kingdom and the Deputy Comptroller and Auditor-General of the United Kingdom be reappointed as External Auditor and Deputy External Auditor respectively for a period of four years as from 1 April 2004. The IMEC group also fully supported the recommendation that the Governing Body approve the new procedures for selection and appointment of the External Auditor and that these procedures be introduced as of 1 April 2008. The IMEC group wished to underline the important role of the External Auditor and that the primary consideration in appointing an External Auditor and Deputy External Auditor must be to ensure the highest possible standards of quality and competence. The reappointment of the current External Auditor and Deputy External Auditor, as well as proposed new procedures for selection and appointment, fully reflected the principles mentioned and the previous discussion of this matter in this Committee.
37. The representative of the Government of South Africa, speaking on behalf of the African group, believed that consideration should be given to rotation of the post of External Auditor. Each region had Auditors-General and rotation would not compromise the essential requirement that the primary consideration be to ensure the highest standards of quality and competence. A further concern of the African group had stemmed from the fact

³ GB.285/PFA/3.

that most of the advertisements of these positions were not placed in accessible media in developing countries. The African group would like to see more of these advertisements in local newspapers of developing countries. The African group endorsed the proposed procedures provided that they included rotation as a criterion in the appointment of the External Auditor and also endorsed the proposal for the reappointment of the External Auditor from the United Kingdom and that the new procedures take effect from 1 April 2008.

- 38.** The representative of the Government of the Republic of Korea, speaking on behalf of the Asia-Pacific group, thanked the holder of the office of Comptroller, the Auditor-General of the United Kingdom, for serving as the ILO External Auditor since the reappointment in March 1999. He noted that sound and transparent reviews of the External Auditor have clearly brought significant additional value and improvement to the work of the Office. He declared that the primary consideration when appointing the External Auditor must be to ensure the highest possible standards of quality and competence and that any changes to the selection process should not compromise this essential requirement in any way. The Group believed that the essential criteria for an External Auditor should be outstanding technical competence, independence and credibility. The Group also believed, however, that it was appropriate for geographical representation to be taken into account when selecting the External Auditor. He supported the selection and appointment of the External Auditor as well as the reappointment of the current External Auditor.
- 39.** The representative of the Government of India supported the statement made by the Asia-Pacific group. This was the second discussion on the subject but the Office's intention was not clear. A decision could have been taken in March 2000 by the Governing Body without waiting for a time closer to the expiry of the current mandate of the External Auditor, and thus the question of reappointment of the same current External Auditor as proposed in the present paper would not have arisen. Since 1937 the Auditor-General of only three member States, namely Sweden, Norway and the United Kingdom, had held the office of External Auditor. The ILO, as an international organization, should be ensuring that each and every member State received an equal opportunity to put their claim for the position. More importantly, the whole process of selection and appointment should be transparent, especially because the External Auditor is an important functionary. The ILO should revert to the principle of rotation in the appointment of the External Auditor as was the case in other international organizations of the UN system. If the principle of rotation did not obtain a consensus, India would endorse the existing arrangement. He requested information on the fees paid to the External Auditor including the reimbursement of expenses.
- 40.** The representative of the Government of Norway supported the IMEC statement and agreed that the primary consideration applicable to the appointment of the External Auditor must be to ensure the highest possible standards of quality and competence. Regarding the proposal that the External Auditor should be selected not only among Auditors-General of member States but also among other persons of high competence, in all other organizations of the UN system, only an Auditor-General of a member State or officer holding the equivalent title could be appointed External Auditor. This requirement was a guarantee for appointing persons with the highest possible standards, quality, competence and integrity, and Norway was not convinced that this important post should be open to others.
- 41.** The representative of the Government of the Russian Federation supported the statement made by the African group and the Asia-Pacific group.
- 42.** The representative of the Government of Mexico supported the statements made by the Governments of South Africa and the Republic of Korea. It is incomprehensible to limit

the appointment to such an important post as External Auditor to a certain number of countries. The Mexican Government supported the proposed procedure of rotation in respect of the post of External Auditor.

43. The representative of the Director-General, Mr. Johnson, advised that the Deputy Comptroller and Auditor-General of the United Kingdom was currently the Deputy External Auditor of the ILO. With respect to the budgetary provision for the external audit, information could be made available to those members who required it. Regarding advertising for the position of External Auditor, the intention was to contact all member States directly through a letter of invitation rather than relying on advertisements in international media. In reply to the question raised by the Government of Norway, since 1919 the position of External Auditor had always been held by an Auditor-General of a member State and he saw no need to depart from this practice. The reference in the proposed procedures merely repeated the text contained in the Financial Regulations.
44. *The Committee recommends to the Governing Body that it approve the procedures for the selection and appointment of the External Auditor set out in Appendix I to the Office paper.*
45. *The Committee recommends to the Governing Body that the holder of the office of Comptroller and Auditor-General of the United Kingdom and the holder of the office of Deputy Comptroller and Auditor-General of the United Kingdom be reappointed as External Auditor and Deputy External Auditor, respectively, for a period of four years from 1 April 2004, and that should the Governing Body approve the new procedures for the selection and appointment of the External Auditor set out in Appendix I to the Office paper, the application of these procedures be introduced as from 1 April 2008.*

IV. Report of the Building Subcommittee (Fourth item on the agenda)

46. The Committee had before it a paper⁴ which reported discussions at a meeting of the Building Subcommittee held on 11 November 2002. The Chairperson, Ms. Gomes dos Santos was invited to present the paper.
47. The Chairperson explained that the Building Subcommittee had discussed documents relating to the construction of the regional office in the Americas as well as the question of the use of space in headquarters and that of the temporary building at headquarters. Various technical details had been examined and agreement had been reached between the Subcommittee and the Office. Referring to document GB.285/PFA/BS/1, she explained that the Subcommittee had received an update from the Office with regard to the development of the Lima project and had noted with satisfaction the interest of the Government of Peru in giving concrete support to the construction of the new regional office in Lima. The Subcommittee had been happy to see that progress had been made with regard to the project within the conditions previously agreed upon and had found the proposed construction to be well structured, functional and attractive. The Subcommittee had confirmed that the budget for the new building would remain between the limits agreed by the Governing Body in March, namely between US\$1,750,000 and US\$2,000,000. The assessment of tenders for the construction of the regional office was

⁴ GB.285/PFA/4.

planned for February 2003 and the results of their evaluation, together with the conclusions thereon from the Subcommittee, would be submitted to the Governing Body at its next session. Document GB.285/PFA/BS/2 had dealt with issues arising from the use of space in headquarters and with the need to bring the building into line with Swiss safety standards. This paper had been accompanied by a presentation by the Office on the subject of new land planning proposals from the Geneva authorities and their potential impact upon the Organization's ability to expand and construct upon its own property. The Subcommittee had requested the Office to undertake negotiations urgently with the Swiss authorities, in order to obtain more information with regard to this issue and to ensure that the ILO would retain complete flexibility concerning its rights to build. The Subcommittee had also requested that a detailed proposal regarding the refurbishment of headquarters, complete with cost estimates, be prepared for its next meeting. The final paper GB.285/PFA/BS/3/1 had presented the Office's reasons for the additional costs incurred in the construction of the temporary accommodation at headquarters. The extra amount of 383,000 Swiss francs had been spent in order to comply with the increased safety standards demanded by the Swiss authorities and was to be charged to the Building and Accommodation Fund.

- 48.** Mr. Ahmed (Worker member and Vice-Chairperson of the Building Subcommittee) thanked the Chairperson for her report and expressed his gratitude to the Government of Peru for their support and assistance with regard to the construction of the regional headquarters. The Workers supported the recommendation regarding the continuation of this building project. Referring to the issue of the use of space at headquarters, the Workers would appreciate information on the numbers of people working in headquarters and of those in the field offices. He acknowledged that there was an urgent requirement to protect the Organization's rights with regard to its properties and rights to build and supported the view that the Director-General should continue to negotiate with the Swiss authorities in this respect. There was clearly a need to provide additional accommodation for staff and to bring the safety standards of headquarters up to Swiss and European standards. The Workers looked forward to receiving a paper on these issues at the next session. The temporary accommodation at headquarters clearly provided useful space as well as training facilities and accommodation for specific projects and the point for decision was supported by the Workers' group.
- 49.** Mr. Lima Godoy, speaking for the Employers' group, agreed with Mr. Blondel that the Subcommittee had agreed on an expenditure ceiling of \$1,850,000 for the Lima building. The corrigendum gave a different higher number, thus reflecting a decision in March by the Governing Body. The increase was not great but he hoped, nevertheless, that the architect would be able to stay within \$1,850,000 as he had confirmed during the Subcommittee meeting. The corrigendum was accepted. He supported the view that it was vital to continue negotiations with the Swiss authorities with regard to their planning proposals. Referring to the overspend on the temporary accommodation at headquarters, he expressed his surprise at the amount involved. The construction was after all temporary but its cost suggested something of a more permanent nature. He believed that better planning at the start of the project could possibly have avoided this problem but the money had now been spent and nothing further could be done.
- 50.** The representative of the Government of Peru, having thanked the Building Subcommittee for its work, explained that Peru felt honoured to be the location of the ILO's Regional Office for the Americas. The Peruvian Government was very committed to ensuring that the ILO would have premises which would meet its current and future needs and which would enable the Organization to strengthen its presence in the region. She hoped that the project would be completed on time and that the Governing Body would give its support to the continuation of the project.

51. The representative of the Government of the United Kingdom, speaking on behalf of IMEC, stated that she, too, recalled the establishment of an expenditure ceiling of \$1,850,000 for the Lima building but was happy to accept the corrigendum which referred to a decision made by the Governing Body in March 2002. IMEC supported the recommendation of the Building Subcommittee that the Director-General should seek clarification from the relevant authorities for the proposed redevelopments in the vicinity of the headquarters building. The Director-General should stress that the Governing Body required the Organization to retain its present building rights. IMEC would consider the outcome of the proposed review of the requirements for refurbishment of the headquarters building in order to satisfy local legislation and other essential safety measures. IMEC also supported the inclusion within the review of possible recommendations to ensure better use of existing offices and open-plan offices where feasible. These issues appeared to be linked to the safety standards of the current office partitioning but she hoped that the Building Subcommittee would be presented with detailed and prioritized options which might permit a phased refurbishment of the building as funds allowed. The existing cost estimates for reconfiguring office space gave cause for concern and she hoped that the review would include details of current space standards of the ILO office together with comparisons with other UN organizations. IMEC wished to reiterate its request for a longer term coherent ILO building strategy which took into account possible increases in staffing levels in regional and country offices linked to possible reductions in staffing levels at headquarters.
52. The representative of the Government of Argentina, speaking on behalf of GRULAC, thanked the Building Subcommittee for its report and for the work done in respect of the office in Lima. He was happy with progress made to date with regard to the new construction and hoped that the project would continue.
53. *The Programme, Financial and Administrative Committee requests that the Governing Body:*
- (1) *congratulate Mr. Boracino, on the quality of his project; express its wish to continue the project in accordance with the stated estimate of US\$1,850,000 and not exceeding the maximum decided by the Governing Body in March 2002; require that the result of the bidding evaluation process for the construction of the building be submitted to the next session of the Governing Body in March 2003 for decision;*
 - (2) *instruct the Director-General to:*
 - (a) *continue negotiating with the competent Swiss authorities and obtain, as a matter of urgency, explanations concerning the plans known as Le Jardin des Nations and La Campagne du Grand Morillon;*
 - (b) *if necessary, inform the authorities of the ILO's wish to retain complete flexibility with regard to the building rights attached to its properties, including the right to envisage extensions to the headquarters building or the construction of new buildings; and*
 - (c) *produce a detailed proposal for the refurbishment and use of the internal layout of the ILO building, taking into consideration Swiss and European standards regarding fire and other safety measures, as well as new technologies, ergonomics and provisions with respect to open-plan offices, including specific details of costs, numbers of people using*

the building and the stages involved in both the installation of security and the reorganization of internal space.

54. *The Programme, Financial and Administrative Committee recommends to the Governing Body that it agree that the additional cost of 383,000 Swiss francs (some US\$216,300) for the construction of the temporary office building be charged to the Building and Accommodation Fund.*

V. Information Technology System Fund (Fifth item on the agenda)

(a) Enterprise Resource Planning Project

55. The Committee had before it a paper⁵ concerning this item.
56. Mr. Botha noted the contents and recommended that members of the Governing Body make the effort to view the presentation made to the Workers' and Employers' groups, which he found very useful.
57. Mr. Blondel noted the information provided in the document and stressed that the new systems should be operational by the beginning of 2004 at headquarters and by the end of 2004 in field offices. Nevertheless, the Workers stressed that, in order to avoid any risk of interruption, the previous system should not be abandoned immediately the new one was implemented.
58. The Committee took note of the paper.

(b) Financial arrangements for the replacement of the electronic voting system

59. The Committee had before it a paper⁶ on this item and was called upon to make recommendations regarding its financing.
60. Mr. Blondel was surprised at how fast the electronic voting system had become obsolete. The Workers agreed that the system should be replaced, subject to the approval of the LILS Committee, requesting the Office to avail itself of all possible guarantees as to the smooth operation of this very modern system. Furthermore, the speaker asked that, before making the electronic distribution of documents automatic, the Office ensure that all addressees had access to electronic mail and that, if need be, it continue to send printed documents for a certain period.
61. Mr. Botha supported the proposed point for decision, pending discussion in the LILS Committee.

⁵ GB.285/PFA/5/1.

⁶ GB.285/PFA/5/2.

62. The representative of the Government of South Africa endorsed the proposal to replace the electronic voting system.
63. *The Committee recommends to the Governing Body that should it approve the proposed transfer of funds from the surplus for 2000-01 to the Information Technology Systems Fund, it approve the use of up to US\$600,000 from the Fund for the replacement of the electronic voting system and for further development of information technology at the Conference.*

VI. Appointments to the Investment Committee of the ILO (Sixth item on the agenda)

64. The Committee had before it a paper⁷ relating to the renewal of appointments to the Investment Committee.
65. Mr. Botha supported the proposal to renew the appointments. The individuals concerned had served the Organization well over a long period of time for which the Organization was grateful. However, he stated that the role of the Investment Committee did not relate directly to the ILO as a whole and he believed that its title should be changed.
66. On behalf of the Workers, Mr. Blondel supported the point for decision in paragraph 4 of the document.
67. *The Committee recommends to the Governing Body that it renew the appointments of Mr. Yves Oltramare, Baron Sirtema van Grovestins and Mr. Jean Pierre Cuoni as members of the Investments Committee of the International Labour Organization for a further period of three years, expiring on 31 December 2005.*

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

68. The Committee had before it a paper⁸ describing the contributions and gifts received by the Institute.
69. The Chairperson stated that this paper was for the information of the Committee at this stage, and would be discussed in detail once a paper was available from the Board of the Institute containing its recommendations on this subject.
70. Mr Blondel stated that, subject to approval by the Board of the Institute, the Workers would support making a recommendation to the Governing Body.

⁷ GB.285/PFA/6.

⁸ GB.285/PFA/7/1.

71. Mr Botha expressed the Employers' appreciation to the employers' confederations of Denmark, Finland, Norway and Sweden for their contribution to the Institute to finance an internship for an employers' candidate and confirmed that the Employers would also, subject to the approval of the Board, support making a recommendation to the Governing Body.
72. The Committee took note of the Office paper.

VIII. International Training Centre of the ILO (Eighth item on the agenda)

Report of the 64th Session of the Board of the Centre (Turin, 5-6 November 2002)

73. The Committee had before it the report⁹ of the 64th Session of the Board of the Centre.
74. Ms. Sasso Mazzufferi (Employer member) stressed the Employers' keen interest in the Centre, took note of its current performance and hoped for a continuation of the development of recent years. The Employers' group approved the report. She regretted the small amount of time available for discussion. She drew attention to paragraph 19 of the paper, which laid out the Employers' position. Balancing the budget was the Employers' top priority. The Centre should be competitive on the international market to guarantee its future development. To this end, the ILO needed to increase its contribution to the Centre. She asked for activities to be better balanced between the Employers and Workers. She requested that a specialist be made available to EMPACT, Turin, to strengthen the team and allow it to better use funds in hand and seek additional funding. On the question of Italian personnel pensions, although the problem was difficult, she stated that the current procedure for funding a solution was the correct one. She drew attention to paragraph 1 of the paper, in which the Director-General specifically stated that all ILO units had been asked to consider positively the possible contribution of the Centre to surplus items. She wished to underline the word "positively".
75. Mr. Blondel congratulated the Director-General on his wish to strengthen cooperation and integration between the ILO and the Centre. It was now necessary to find the means to achieve those objectives quickly and efficiently. The future of the Centre, as presented by its Director, seemed to be a cause for some concern, and the Workers wished to know the share of the regular budget that would be allocated to these activities. On the matter of trade union training in general, the speaker asked if it would be possible to consider, in the framework of the Turin Centre, the training of exiled trade unionists. For a more detailed analysis of the document, he gave the floor to Mr. Rampak.
76. Mr. Rampak (Worker member) made two points. The first was that the Turin Centre should ensure the promotion of a whole set of international labour standards. Core Conventions should be a minimum common denominator in all training courses. The second point he stressed was regular budget technical cooperation (RTBC), which was not sufficient to fund the Centre's projects. He also brought up the issue of the Centre using outside facilities for training, when there were no grounds for this. Funding was being made for the Centre, but courses were being conducted elsewhere. He urged the Office to make full use of the Centre's facilities in order to generate income. The Workers were

⁹ GB.285/PFA/8/2.

concerned that the Centre might become privatized one day and the site would be lost. He also raised the issue of course duration, which was often too short for those participants arriving from far-off destinations. Mr. Rampak then moved to the question of the regional manager positions, which had not been settled despite long discussions. He also urged the Office to meet with the Staff Union to find a solution to the question of pensions for Italian officials at the Centre. On the issue of the three posts to be filled as part of the financial integration of the Centre and headquarters, he also called for discussions with the Staff Union. Regarding the question of tenders, he called for more transparency, via the appointment of a tender committee. He called for the participation of Workers in seminars to be increased.

77. Mr. Anand (Employer member) called for the work of the Centre to be seen as a multiplier of training culture throughout the world, rather than as a unitary institute for training courses for the trade unions or even for the employers' executives exclusively. The Turin Centre had the potential of being a springboard for supporting the skill and training cultures all across the world and should develop regional linkages, given the cost of travel. A policy direction was needed regarding the future mission of the Centre. Regarding the pensions issue, Mr. Anand was of the opinion that it was an internal matter and not for discussion in the Committee or the Governing Body.
78. Mr. Lambert (Employer member) reminded the meeting that the Turin Centre experienced a significant problem when it introduced a new financial system without operating the old system in parallel. This was something the Office should learn with respect to its own planned introduction of a new system in Geneva.
79. Mr. De Arbeloa (Employer member) stressed that it was extremely important to coordinate all Turin activities with the needs of the constituents. He also called for the Employers' interests in management training to be better consolidated in Turin activities. He was of the opinion that a crucial activity for the Turin Centre should be related to the universal application of the Declaration. Donors with the economic potential to do so should come forward to fund specific programmes in accordance with needs.
80. The representative of the Government of South Africa called for enhanced access to the Centre's facilities and activities, particularly for all constituents from Africa, given the ongoing need to develop and strengthen skills in order to build capacity of the constituents.
81. The representative of the Government of the United Kingdom, speaking on behalf of the IMEC group, was in favour of the Turin Centre developing relations with organizations outside the ILO. This demonstrated the high quality of the training services provided by the Centre. There was nevertheless concern that an excessive share of commercialized services could weaken the core mandate of the Centre in the promotion of ILO principles and rights at work. IMEC favoured exploring the possibility of increasing the number of ILO activities to be entrusted to the Centre for implementation. IMEC looked forward to seeing specific proposals concerning ILO financial support to the Turin Centre activities as a component of the overall discussion on the next biennium's budget.
82. The representative of the Government of France supported the IMEC group position for greater integration of the Centre with the ILO. He welcomed the Director-General's undertaking to promote full utilization of the Centre's capacities in support of ILO activities and urged the Governing Body to support the Director-General in his efforts to increase the resources made available to the Centre during the 2004-05 biennium.
83. The representative of the Government of the Republic of Korea encouraged the Office to explore the possibility of developing more regional programmes by subject matter and to

set up a Regional Office of Turin which would be closer to the constituents and more accessible to the regional countries.

84. The representative of the Government of Japan called for an increase of field activities of the Turin Centre, mainly in connection with increasing the number of training participants from the Asia-Pacific region.
85. The representative of the Government of the United States fully endorsed the IMEC statement. It was his Government's strong belief that no matter what training Turin was engaged in, whether it is for representatives from the World Bank or the IMF or anyone else, the ILO core principles and objectives should be key to that training.
86. The representative of the Government of Belgium supported the IMEC group proposal to strengthen cooperation between the Centre and the ILO. He expressed surprise at learning that the Centre was facing financial difficulties and found it odd that the Centre might not have the budget to fulfil its mission while resources were available in Geneva. He trusted that the ILO would take the necessary steps to correct this situation.
87. The representative of the Government of Brazil expressed satisfaction with the integration which has been taking place between the Turin Centre and the ILO.
88. The representative of the Government of China was of the opinion that the Centre should improve the instruments at its disposal in the area of training and the effectiveness of training and ultimately the objective of such improvements would be a corresponding improvement in the level of training to meet the needs of all of the constituents who benefit from the Centre's activities and in order to do this we believe that the ILO should allocate the necessary financing for the budget of the Training Centre and should start looking for funds outside of the Centre and the ILO to improve the effectiveness and the quality of the Centre.
89. The representative of the Government of El Salvador supported the integration taking place between the International Training Centre and the ILO.
90. The representative of the Government of Italy expressed thanks to all those who had made statements as well as to the national and local Italian authorities for their support for the Centre. He stated the Italian Government's commitment to the Centre for the future.
91. The representative of the Director-General, Mr. Tremeaud, on the subject of the activities in the regions, commented that 50 per cent of the Centre's activities were already taking place in member States. The Centre attempted to work as closely as possible with local institution, such as CINTERFOR in Latin America and APSDEP in the Asia-Pacific region. Internet distance training was also developing. As to the use of the Centre by trade unions in exile, he gave the undertaking that this was feasible and was the prerogative of Workers to select participants. On the issue of creating or enabling posts, the medium-term outlook called for great prudence. However, the regional post for Africa was vacant and discussion was already under way with the field programmes in Africa as to the job description. Concerning tenders, a maximum effort was made so that the projects for which the Centre itself bids are chosen within the framework of the ILO mandate and match the Centre's capabilities. On the pensions issue, the Centre would proceed according to the rules and by the Board's decision taken at its last meeting.
92. The Director-General noted that he was in Turin only a few days ago to discuss the work between the Centre and the ILO. Training was at the heart of the ILO's strategic objectives and could not be overlooked. The first source of resources for Turin was the regular budget. But the regular budget operated under a zero-growth constraint, meaning that extra

money for Turin would mean less for other activities and programmes. This was a real and inescapable problem. The space for a significant shift from the regular budget to the Turin budget of the regular contribution and the zero-growth budgetary rules was limited. He believed that the only way forward in terms of regular funding was to add more developed countries to the core funding of the ILO. These countries were in favour of the Turin Centre and wanted to see more progress towards integration. They could become core funders of the Turin Centre. This should not be very difficult because development cooperation programmes and policies approved by parliaments in all of the donor countries gave an important space to capacity building and to training. He suggested that the Government of Italy convene a donors' meeting to explore the possibilities of further countries becoming core funders. That would be a practical way of approaching the problem of the core funding. The second level that called for close analysis was how to fund the activities. ILO resources were the first answer. In the last biennium, these represented about US\$11.6 million and the Office was looking at how this could be increased in the 2004-05 budget. A special effort would be made to identify activities to be executed by the Turin Centre in support of work funded by the surplus. Better linkage was required between Turin and regional activities and the Office was seeking the best institutional ways of doing this. Technical cooperation agreements were another avenue that needed to be explored. It would not be difficult to add a training and a capacity building component as a sort of standard. The fourth avenue should involve the tripartite structure contacting the organs of governments to investigate two things: current international cooperation agreements, so that training and capacity building funding could be linked to the ILO agenda. The actors there would be the governments, the employers and the workers locally, addressing their governments in relation to that government's international cooperation agreements. The second point to be explored would involve the tripartite structure contacting each country in terms of its education budget to make funds available to Turin. These would be valuable initiatives by the Office, the tripartite structure, members of the Turin Board and the Governing Body itself. The objective should be agreed on and responsibilities assumed. Collective action was required.

93. Mr. Blondel, taking the floor again with regard to the Turin Centre, began by congratulating Italy on its support of the Centre. Taking up the Director-General's remarks, he stressed that the Centre should not be considered as a service provider. The training it provided should relate to the general activities of the ILO and its areas for action. The Workers stressed that looking for new donors should at no time compromise the independence of the Turin Centre.
94. The Director-General noted that the budget limits were not set by the Director-General but by the Governing Body. He found it obvious that the ILO would not provide training on non-ILO subjects; the ILO should not go beyond its constituents. A strategic view was required to use the Turin Centre to expand and enhance the presence of the ILO and promote the four strategic objectives of decent work
95. The Committee took note of the report.

IX. Use of the 2000-01 surplus (Ninth item on the agenda)

96. The Committee had before it a paper¹⁰ on the use of the 2000-01 surplus.

¹⁰ GB.285/PFA/9.

- 97.** Mr. Botha noted the reduction of the Maritime Session and the inclusion of US\$900,000 in the standards allocation. On the response to crisis and emergencies, he supported the allocation of US\$8 million. Both employers' and workers' organizations could play an enormously powerful role in crisis situations. The Employers were grateful for the points under tripartism and social dialogue, but were supportive of the Global Compact though pleased that both employers' and workers' organizations would be assisted in participating to an increased extent in the process. He asked the Director-General how monies would be allocated under this point and how priorities would be determined. He requested the representative of the Director-General (Mr. Thurman) to provide details of the Global Compact programmes in the Arab countries, southern Africa and Latin America. The Employers sought continuing consultation on programmes and projects and had hoped for the provision of more detail on tripartism and social dialogue. On the programmes themselves, more breakdown was required on how the World Commission had moved from an initial US\$700,000 to US\$2.8 million.
- 98.** Mr. Blondel thanked the Director-General for the consultations on the use of the surplus and expressed his support for the various adjustments proposed. He was pleased to see that the new item "tripartism and social dialogue" had been added, but he emphasized that the funds should be used to promote true integration of social dialogue at all levels of the Organization, in close collaboration with the Bureaux for Workers' and for Employers' Activities. Moreover, the Workers would like to have more information on the links with the Global Compact. Finally, he asked whether it would be possible to designate a part of the large sum allocated to external communications to the Turin Centre's programmes.
- 99.** The representative of the Government of the Russian Federation noted that, as requested by his Government, resources had been allocated to specific projects and that more detailed reasons for the allocation had been given. He also noted a redistribution from auxiliary sections of ILO headquarters to some substantive activities in the regions, the funding of certain projects in the interests of certain countries in the Commonwealth of Independent States, such as Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, and the selection of useful projects for the Russian Federation, including one on the social aspects of globalization, on the social impact of assessment of accession to the World Trade Organization, as well as appropriate measures concerning decent work for the north-west part of his country. His Government agreed to the adjusted proposals.
- 100.** The representative of the Government of the United Kingdom, speaking on behalf of the IMEC group, welcomed the paper which gave useful details, particularly on how the proposed use of the surplus was linked to the strategic objectives of the Organization. IMEC also welcomed the opportunity for this Committee to discuss the Director-General's proposals to adjust some of the items contained in his original proposal for using the surplus. The Office should continue to focus these proposals on the criteria set out in paragraph 2 of the paper that the surplus be used for time-bound projects that do not create ongoing obligations. The reallocation of funds reflected changing circumstances and allowed the ILO greater flexibility in its response to them. She was pleased that the contribution of the surplus to the 2004-05 programme and budget would be highlighted in the next programme and budget proposals. IMEC supported the proposed reduction in the contributions from the surplus to the Maritime Session of the International Labour Conference and continued to believe that this Conference should be funded from the Regular Programme and Budget. IMEC also supported the reduction in funds to be transferred to the Building and Accommodation Fund. IMEC welcomed the greater emphasis on response to crisis and emergencies, while believing that some of the indicators could be further strengthened. It was important that funding under this item help contribute to crisis alleviation. The additional funding proposed for the Colombia Technical Cooperation Programme was welcomed. IMEC, however, had significant concerns about the new item proposed under the heading of Tripartism and Social

Dialogue, which involved a large sum of money, but appreciated that it was a new item proposed by the social partners and that the Office had less time to prepare the proposals under this heading. It was also appreciated that this was aimed at following up the ILC resolution which noted that follow-up would be undertaken within the existing resources, but IMEC was disappointed that consultations with governments appeared to have been limited. IMEC governments were not aware of this proposal until this paper appeared. From the limited information available, it was not clear that all these items met the criteria set out in paragraph 2 of this paper. Whilst, in principle, IMEC supported the proposals on the Global Compact and the informal economy, it was surprised that these should appear under the heading of Tripartism and Social Dialogue. IMEC noted the requests for funding for capacity building to enhance the involvement of workers and employers in the poverty reduction strategy paper (PRSP) process. Where possible, this should take place before the start of the 2004-05 programme and budget period since PRSP processes were ongoing. More information was required on the amounts proposed to be funded from the surplus. Note was taken that, in the US\$10 million proposed for regional services, one of the key indicators is better response to overall UN system approaches such as PRSP. In addition, a number of IMEC countries had received separately proposals for extra-budgetary funding for this purpose. A coherent overall assessment of the total financial requirements and of additional resources which will make future ILO involvement in the PRSP process more successful was required before a decision could be reached. IMEC supported the points for decision in paragraphs 9, 10, 13 and 16 and required further information from the Office before reaching a decision on the proposals in paragraph 18.

- 101.** The representative of the Government of the Republic of Korea, speaking on behalf of the Asia-Pacific group, stated that, regarding 2000-02 and a possible future surplus, the priority should be programme, with an immediate concern for time-bound programmes, with the next priority dialogue on the strategic budget framework. The financial and geographical implications should always be taken into account as currently observed in all technical meetings. The Asia-Pacific group welcomed the proposal on tripartism and social dialogue, which was not only a fundamental principle of association, but also a newly adopted resolution at the 90th Session of the International Labour Conference. However, the Asia-Pacific group did not welcome the fact that there was not enough time to conduct in-depth consultations and government was not a partner in prior consultation with the Office. The report broadly represented the need to increase participation of the employers' and workers' organizations and provided significant substance, such as clear objectives and targets for the Turin Centre prospective allocation framework. But there was also redundant factors such as an item on response to crisis and emergencies, business service and gender equality. It was the firm belief of the group that another resolution of the 90th Session of the ILC features on decent work and the informal economy should receive its share of recognition in apportionment of the surplus. In the area of response to crisis and emergencies, his Government wished to know how the Office had determined the basic indicator. In the area of investment and management capacity the Government did not believe that supporting basic language training was of urgent concern. In the area of regional service it was important to observe the geographical distribution established in the ILO technical cooperation programme for 2001 and 2002; he urged setting the targets in poverty reduction and promoting youth employment. The Asia-Pacific group was pleased to note that the Asia-Pacific Skills Development Programme would receive funding from the Asian Regional Service. The Asia-Pacific group supported the statement made by the IMEC group regarding the point for decision.
- 102.** The representative of the Government of France supported the IMEC group position, especially regarding the positive development since the initial discussions on the issue of the 2000-01 surplus. Regarding the World Commission on the Social Dimension of Globalization, he commented that the estimate of US\$2.8 million in the 2001-02 budget required in-depth details.

- 103.** The representative of the Government of South Africa, speaking on behalf of the African group, noted that the African group supported in March 2002 and in June 2002 the decisions on the retention of the 2000-01 cash surplus. Paragraph 4 of the document before the Committee stated that extensive consultations on the use of the surplus had taken place and were continuing and that consultations were undertaken primarily in the regions. The African group was of the view that these consultations had been very limited and not as extensive as it would have hoped for. The African group welcomed the new item proposed on tripartism and social dialogue, and in particular the enhancing of the capacity of representatives of employers and workers to participate in the PRSP process. The African group agreed that the Committee recommend that the Governing Body endorse the adjustments as proposed in paragraphs 9, 10, 13, 16 and 18.
- 104.** The representative of the Government of Kenya endorsed the position of the African group as stated by South Africa on the use of the 2000-01 cash surplus. He emphasized the point that the cash surplus under discussion belonged to the entire ILO membership since it was part of the assessed contributions to the Organization and which were simply paid late, hence the surplus. He stated his belief that it was in view of this fact that the 90th Session of the International Labour Conference decided to retain part of the above cash. Expanded visibility had increased the demand for services by the ILO member States. His Government commended the Director-General for the extensive consultations which have taken place and were ongoing on the use of the surplus for 2000-01. His Government particularly welcomed the fact that the primary beneficiaries of the surplus would be the regions through the development of a more detailed and resource-based set of projects. His Government supported the proposal by the Office to utilize 100 per cent of the cash surplus for 2000-01 on priority programmes as listed under Appendix I of the document, and especially such activities as the newly established World Commission on the Social Dimension of Globalization, international labour standards, promotion of gender equality, activities aimed at strengthening skills development, employment generation, tripartism and social dialogue, and improvements on security and safety of staff. His Government endorsed the points for decision.
- 105.** The representative of the Government of Argentina, speaking on behalf of GRULAC, found the information in the appendices, particularly Appendix II, to be extremely useful. The group also welcomed the consultations that had taken place in the regions as the regions are where the needs arise and need to be satisfied. With respect to the changes that the document recommends, GRULAC believed that the changes reflected appropriately the discussion of the Governing Body in March and in the recent International Labour Conference. GRULAC believed that the allocation to regional services in Latin America was very important, particularly the creation of regional and subregional national networks for decent work and employment promotion. Finally, GRULAC stressed the importance which regional governments attach to the increase of the allocation to crises and emergencies. This included activities in Colombia to protect the lives of union officials and ensure freedom of association and also in Argentina to attenuate the effects of the economic and social crisis.
- 106.** The representative of the Government of Indonesia stressed her Government's belief that the 2000-01 surplus should be used for the benefit of all. Her Government associated itself with the statement made by the Asia-Pacific group, welcoming the allocation of funds towards developing an integrated approach to decent work in Asia and the Pacific and to strengthening regional capacity. Her Government, however, inquired whether it was still possible for the surplus to be used for projects under the Youth Unemployment Network, which was in line with efforts to move forward the Global Employment Agenda.
- 107.** The representative of the Government of Saudi Arabia endorsed the statement on behalf of the Asia-Pacific group. The proposals contained in the document consisted of contributing

more than US\$1 million to the Palestinian Fund which was approved during the Conference. His Government wished to thank the Director-General for having taken into account the situation within the Gulf Cooperation Council because a part of the surplus would go to the drafting of standards for establishing statistics within the Gulf Cooperation Council. His Government would have liked to have seen some of the surplus set aside for support for translation of some documents into Arabic. His Government proposed a review of the allocation of the surplus into two administrative items totalling US\$9.5 million in order to put some of it aside for translation or vocational training.

- 108.** The representative of the Government of Sudan supported the statement made on behalf of the African group and the call for an allocation to the Palestinian Fund.
- 109.** The representative of the Government of Japan fully supported the Asia-Pacific group statement made by the Republic of Korea as well as the IMEC statement made by the United Kingdom. His Government awaited proposals for the 2004-05 programme and budget with keen interest and the expectation that stringent standards of prudence and budgetary discipline would be exercised in order not to increase the burden of contributions.
- 110.** The representative of the Government of Italy supported the view of the IMEC group, but proposed to use part of the surplus to improve the Centre's technology base, particularly in the fields of information and remote learning.
- 111.** The representative of the Government of Peru fully supported the comments of the delegate of Argentina, made on behalf of GRULAC. Her Government was pleased to see that there were projects under development related to Peru.
- 112.** The representative of the Government of the United States supported the IMEC statement but expressed the concern that a number of the items presented in the paper did not seem not to meet the criteria of one-time projects that do not create ongoing obligations. There were also concerns regarding the proposed expenditures for investment in management capacities. His Government strongly supported the ILO's move to results-based budgeting with measurable targets and indicators and effective independent evaluation. During consideration of the 2002-03 programme and budget, his Government had expressed concerns that training of managers on the application of strategic budgeting would be dependent upon extra-budgetary funding rather than provided for within the regular budget. The current allocation of surplus funds to improve management and evaluation raised the same concerns. This was a critical function that must be provided for in the regular budget process in the future. His Government was surprised by the proposal to use surplus funding to achieve current commitments to the Young Professional Programme and was unclear as to how current commitments, as opposed to unanticipated new commitments qualified when they should be funded through the regular budget. The strengthening of regional capacities was also a very worthy goal but further clarification was needed as to how the items met the criteria of unanticipated time-bound projects and what would be accomplished in this area with these additional funds that would not otherwise be accomplished. He noted that the proposal in the area of gender equality seemed to have evolved from the original proposal for gender audits in a number of countries, to broader activities with implications for future funding commitments. While strongly supporting the ILO's work to promote gender equality, given that gender equality constitutes one of the cross-cutting issues that the ILO is attempting to mainstream into all of its activities, he could not understand how this met the criteria of unanticipated time-bound projects. His Government strongly supported the transfer of the US\$5 million to the Information Technology Systems Fund, in particular the upgrade of the electronic voting system to be used at the Conference. This one-time expenditure was a necessary cost that would create future benefits rather than obligations. His Government would welcome input

from the Office in the form of further explanations of how some of the items that it was concerned about belonged there.

- 113.** The representative of the Government of Morocco supported the statements by representatives of the Governments of Saudi Arabia and Sudan on the setting up of a Palestinian Fund and also approved the points for decision.
- 114.** Mr. Anand (Employer member) remarked that India had taken a substantial initiative with regard to social dialogue, but that, due to lack of resources, though not for want of enthusiasm from workers' and employers' organizations, this initiative had slowed down and even lapsed. He therefore pleaded for an allocation, out of the allocation reserved for social dialogue and tripartism to go to South Asia so that the work could be continued and prevented from withering away.
- 115.** The representative of the Director-General, Mr. Thurman, stated that careful note had been taken of the various comments during the debate. These would guide the ILO's technical programmes and regions in working out projects and resource allocations. Regarding the questions concerning the procedures for allocation of resources under the new item and, in particular, the role of ACTRAV and ACT/EMP, the new item was expressly in response to the need to strengthen the role of the social partners in critical areas of the Global Compact, PRSPs and the informal economy. This meant that the very first parts of the Office to be consulted were ACTRAV and ACT/EMP, even though, as was pointed out by the United Kingdom and a number of others, these items were of wider interest. Mr. Thurman assured the meeting that as the process of the allocation of resources under the surplus moved forward, the Office would continue to report to the Committee in the results-based framework format used in Appendix III. The Director-General would use flexibility under items such as communication to provide additional resources for the Turin Centre. The criteria set forward in paragraph 2 of the paper in Appendix II would be rigorously applied. It was extremely clear that these were one-time expenditures that were not to be used to create expectations of future resource increases under the regular budget. As regards the new item, which was not as well developed as the others, the Office would be particularly careful to ensure that results-based criteria are followed. He pointed out that in 2002-03 there was a specific performance indicator on the strengthening of employers' and workers' organizations' capacity to influence social policy (indicator 4(a)(iii)). This would provide a link to the strategic budget and help to ensure that the results of activities under the new item were measurable. One reiterated point related to how the surplus is linked to the regular budget and to extra-budgetary resources. The Office would, in the Programme and Budget proposals for 2004-05, under each operational objective, clearly indicate what it expected to accomplish under the regular budget, under the surplus and through extra-budgetary funding. It needed to be understood that action under all sources of funding should be taken in an integrated way. This touched all four of the ILO's strategic objectives and the work of essentially all units of the Office. It was an area in which the ILO's capacities were manifestly insufficient relative to demand. The proposals to enhance the capacities of employers' and workers' organizations were part of a larger strategy. The resources proposed were quite modest and would be combined with regular budget and extra-budgetary resources to cover other countries and to cover countries in greater depth. Responding to the question about the budget of the World Commission, Mr. Thurman stated that information was provided at the last session of the International Labour Conference in the report submitted to the Finance Committee which considered this item. The initial estimates that were made for the World Commission in 2001 were made at a time when the Office was under considerable time pressure, when the level of interest in the Commission was not known, when the Working Party on the Social Dimension of Globalization had not yet indicated a number of areas that it wanted explored, on which it wanted research to be done, and when the commissioners themselves had not yet been named and had not yet been able to express their own ideas as to how the

work of the Commission should be carried out. The Commission secretariat would be happy to provide further information on request. Mr. Thurman recognized that, under the area of strengthening of management capacities, there was a certain amount of heterogeneity in the proposals and a need to tighten them. That was one of the reasons why detailed indications were not presented in Annex III at this session of the Governing Body. It would not be presented until the Office was sure that all activities were clearly results-based and met all the criteria that had been promised to the Governing Body. On the question of the Information Technology Systems Fund, none of the resources could be spent without prior Governing Body approval. The Governing Body was in a position to decide, for example, that part of those resources could be used for the Turin Centre. The Director-General had, on a number of occasions, indicated that he would use the flexibility available to him to increase the expenditure of the surplus for the benefit of developing countries. As the Government of France had pointed out there were almost US\$30 million of projects under development. Within this amount, ways to accommodate such matters as youth employment networks, translations into Arabic, and other items mentioned by the delegates could certainly be found.

116. The representative of the Government of the Libyan Arab Jamahiriya supported the points for decision concerning the surplus and also supported the use of the surplus for the Palestinian Fund.
117. The representative of the Government of the United Kingdom felt that the position of IMEC would be that it would not want to block consensus. She welcomed the explanations provided by Mr. Thurman, and looked forward to further consultations on this particular issue and was prepared to join the consensus.
118. *The Committee recommends to the Governing Body that the contribution from the surplus to the Maritime Session of the International Labour Conference be reduced to US\$900,000.*
119. *The Committee recommends to the Governing Body that, since these resources support the development of an integrated approach to standards setting, they be placed under the item on international labour standards (item 3 of Appendix I of the Office paper).*
120. *The Committee recommends to the Governing Body that the allocation of surplus resources to the Building and Accommodation Fund be further reduced to US\$2,750,000.*
121. *The Committee recommends to the Governing Body that the allocation of surplus resources for response to crises and emergencies be increased to US\$8,000,000.*
122. *The Committee recommends to the Governing Body that US\$2,900,000 be allocated to a new item which will give effect to the resolution concerning tripartism and social dialogue adopted by the Conference at its 90th Session (2002).*

X. ILO evaluation framework

(Tenth item on the agenda)

(a) Evaluation of the InFocus Programme on Promoting the Declaration

(Eleventh item on the agenda)

(b) Evaluation of the InFocus Programme on Safety and Health at Work and the Environment (SafeWork)

(Twelfth item on the agenda)

123. The Committee had before it three papers¹¹ on evaluation. The representative of the Director-General, Mr. Thurman, presenting the papers, explained that they followed up on commitments made in the ILO's evaluation strategy paper considered in November 2000, as well as calls from Members for strengthened and more systematic evaluation.

124. Evaluations, an essential part of strategic budgeting, provided an in-depth look at the relevance, effectiveness and sustainability of programmes and projects and were then used to refine strategies, improve management and inform resource allocation decisions. The evaluation framework was based on international best practice and was consistent with developments within the UN system. Once approved by the Governing Body, it was the Director-General's intention to issue detailed guidance to all ILO units with regard to evaluating programmes. Self-evaluation through performance reporting would ensure that all ILO programmes were evaluated regularly in a cost-effective way. Independent evaluations had been carried out on the InFocus Programmes on Promoting the Declaration and on SafeWork. Both of these programmes were at the core of the ILO's mandate. Findings related to programme focus, comparative advantage, links with other programmes and the availability and use of extra-budgetary resources. These evaluations were the first ones to have been carried out and he looked forward to receiving feedback from the Committee, including on the length and format of the evaluation papers. The Office would also work with the management of both InFocus Programmes to establish an implementation plan based on the guidance of the Committee.

125. Mr. Blondel recalled that strategic budgeting was a relatively new practice that entailed evaluation of the results and impact of activities rather than of the activities themselves. This approach posed certain problems with regard to objectives and indicators and, at the March session of the Governing Body, the Workers had asked for more quantitative information. They wished to thank the Office for its efforts to provide that information in the documents submitted. He was pleased to see that the process of evaluation in the context of strategic budgeting was drawn from the standards and rules recommended in the United Nations system, but the unique position of the ILO in the United Nations system, as a result of its tripartite composition, should not be disregarded. This quality should be taken into account with the inclusion of all the constituents, as well as ACTRAV and ACT/EMP, in the process. The Workers supported the initiatives in the area of "relevance, effectiveness and efficiency", but asked that more attention be paid to the promotion of the fundamental Conventions and the protection of workers' rights, including in the informal economy. The ILO could strengthen the national approach to strategic planning through,

¹¹ GB.285/PFA/10, GB.285/PFA/11 and GB.285/PFA/12.

for example, decent work programmes. Finally, Mr. Blondel expressed his support for the point for decision, but cautioned the Office against developing an overly bureaucratic approach, recalling that the purpose was not the evaluation of programmes but the programmes themselves.

- 126.** Mr. Botha supported Mr. Blondel's comments about tripartite integration and the importance of the paper on the evaluation framework. The Employers had appreciated the fact that the framework identified evaluation as a tool to be used by the ILO and one which complemented strategic budgeting. The framework should continue to evolve so that recommendations made in connection with future evaluations could feed through to the framework itself. It was important to ensure that those words used when explaining the evaluation process – relevance, effectiveness, efficiency and so on – were actually put into practice. He wondered how the Organization intended to ensure transparency and also wished to know how those evaluations presented to the Committee would be selected. Additional resources were required to implement the framework, particularly in connection with the evaluation of technical cooperation. He was keen to ensure that there would be no confusing overlap of responsibilities with regard to technical cooperation between the Programme, Financial and Administrative Committee and that of the Committee on Technical Cooperation. The Employers were also interested to know what proportion of project cost was to be allocated to evaluation. Training was reliant on the one-time investment resulting from the use of the 2000-01 surplus but this seemed insufficient. Further training would be necessary and should be included within the regular budget. Information was required about the method for selecting interviewees and whether this ensured that selection was random and wide-ranging. This issue was relevant to the reading of the paper on the InFocus Programme on Promoting the Declaration which was more in the style of a narrative than an evaluation. It needed to be more critical and more specific in terms of the advice given. The evaluation was based on interviews and seemed to be rather complimentary to the Organization. The Employers believed that much needed to be done to make the Declaration more relevant and concrete, hence their question about the choice of interviewees. The paper on SafeWork also seemed overly narrative in style and required more analysis of effects in the workplace. However, in response to the request for feedback, the report length seemed reasonable, its format good but more critical content was required.
- 127.** The representative of the Government of the Russian Federation raised a question about the existence of a mechanism which would ensure that those conducting the evaluations were accountable and objective. He wondered what would ensure that the evaluations were independent. The evaluations would lead to recommendations and those responsible for the evaluation were also charged with preparing a plan for the implementation of their recommendations. This seemed something of a paradox. Would it not be more appropriate for the directors of the programme to produce such a plan? He would also appreciate, within future evaluation reports, the inclusion of a cost benefit analysis of the evaluation carried out. Evaluations should bring benefits which outweighed the costs of the exercise.
- 128.** The representative of the Government of South Africa, speaking on behalf of the African group, reiterated the group's support for both internal and external evaluation of ILO projects, including that carried out by the tripartite constituents. This did not mean that the group was advocating micro-management of projects but that it favoured an all-inclusive process. The group welcomed the Director-General's commitment to promote accountability and to protect evaluation processes from pressure and influence. Acknowledging that policies and priorities did change, the African group warned against undermining projects as had happened with the Jobs for Africa programme and consequently welcomed the proposals regarding the periodic, strategic and thematic review of policy issues. He was also pleased to read that the framework proposed the establishment of rules regarding the timing and nature of projects that required evaluation.

Goals at country level could only be achieved if the capacity of area offices and multidisciplinary teams was strengthened. He welcomed the proposal to involve the tripartite constituents in assisting with the further development of the evaluation methodologies and that of negotiating with donors that a part of the evaluation resources currently built into project budgets be reserved for a central project evaluation facility. With regard to SafeWork, the African group had been very encouraged to see that the African Union Heads of State had agreed in July 2002 to include social protection and work safety in national development priorities. The lack of protection and of preventative measures in safety and health policy in the workplace needed appropriate policy interventions in order to reverse the trend of occupational hazards and related deaths. An integrated approach to occupational health and safety would require adequate resource mobilization for the InFocus programme. Given these problems, the African group was very concerned to see the decline in funding for SafeWork.

129. The representative of the Government of the United Kingdom, speaking on behalf of IMEC, thanked the Office for the work which had gone into the paper on the evaluation framework. IMEC attached particular importance to the ongoing development of results-based budgeting: reporting and evaluation were integral parts of the regular budget cycle. In March, the Governing Body had considered an important document¹² regarding the issue of reporting against agreed indicators and targets. The development of an agreed evaluation mechanism was the next obvious step and should be an invaluable tool in measuring the performance of individual programmes and the Office as a whole. In some respects, it was remarkable that a modern evaluation system had to be funded from the surplus. Evaluation was an essential core responsibility of management at every level. A more detailed explanation was required of the proposals in paragraphs 44 and 45, in particular the suggestion that project funds could be reserved for essential evaluation capacity. Donors already covered the 13 per cent overhead charge which was included in all projects and she questioned whether the Office was proposing a further increase in this amount. It would also be useful to know where the proposed small central oversight capacity was to be located and to whom it would report. In general, IMEC agreed with the objectives of evaluation as set out within the framework document, particularly that of the entrenchment of independent evaluation. However, the inference of the objectives, that programmes should continue forever with appropriate adjustments, gave cause for concern. There had to be a reasonable expectation that some programmes would, on evaluation, be discontinued and the question of whether a particular programme should continue ought to form an integral part of the evaluation process. Programmes should be discontinued when they were no longer meeting their objectives, when they were no longer in line with the Organization's objectives or when all their objectives had been met. For this reason, evaluation mechanisms had to provide for comparative assessments between programmes and this requirement had not been addressed in the paper. Evaluation was not easy work but was essential and IMEC looked forward to the development of fully integrated reporting and evaluating mechanisms which would combine the type of reporting which had been included in the programme implementation paper in March 2002 with an evaluation mechanism which allowed managers and stakeholders to review what had been done and what remained to be done.

130. The representative of the Government of France supported the views expressed by the representative of the United Kingdom on behalf of IMEC. He believed that the evaluation framework was lacking in two respects. Firstly, there did not seem to be a sufficient structure for coordinating or implementing the evaluation policy. These responsibilities had been given to the head of the different departments and programmes. Certainly, those

¹² GB.283/PFA/9.

responsible for programmes needed to be involved with the evaluation process but it was essential to have a central team with the necessary authority which could develop a strategy across the Organization and respond to demands from the Governing Body, the Members and the social partners. Secondly, there was little mention of the communication of or the review of the results of the evaluations. He believed that it would be useful for each committee to examine those recommendations which fell into its area and a table, showing evaluations carried out or to be undertaken, should be submitted to each meeting of the Governing Body.

- 131.** The representative of the Government of Argentina, speaking on behalf of the Latin American and Caribbean group, congratulated the Office on the objective way in which information from various sources had been analysed without any interventions by the managers of the programmes concerned. The results had revealed the need to improve certain design, coordination and conceptual aspects pertaining to enhanced communication roles in connection with the InFocus Programme on Safety and Health at Work. Account should be taken of the international factors which made it difficult to overcome the decent work shortage in developing countries. Several widely available documents had described the asymmetries and injustices within the globalization process and their detrimental effects upon poverty levels and employment in developing countries which included the members of GRULAC. He felt it was worth recalling the resolution on decent work and the informal economy that had been adopted at the 90th International Labour Conference which had noted the fact that “current globalization processes are insufficiently inclusive and insufficiently fair. Trade, without export subsidies that distort the market, without unfair practices or the application of unilateral measures, would help living standards to be raised and conditions of employment to be improved in developing countries, and would reduce decent work deficits in the informal economy.” (paragraph 15 of the resolution). This resolution should serve as a guideline to the Governing Body and to the Office when carrying out the InFocus programme and should steer its research activities, technical cooperation and communications with governments, social players and the public.
- 132.** The representative of the Government of Norway endorsed the statement made on behalf of IMEC and reiterated his support for strategic results-based budgeting in the ILO. This kind of budgeting required an evaluation system which provided both the Organization and its constituents with a basis for assessing the results of its activities. It was most important for evaluations to be independent and impartial in order that they were then credible. Transparency was just as important for, without this, donors and other stakeholders were unable to judge the results of evaluations. He looked forward to the establishment of an evaluation system which was credible and which allowed everyone to understand what had been done, to review the results and thus to assess the effectiveness and efficiency of programmes. He supported the point for decision but hoped that the process for improving the evaluation mechanism would be an ongoing one.
- 133.** The representative of the Government of Japan expressed support for the statement made on behalf of IMEC. The evaluation system was one of the most important parts of the results-based budgeting process. As demands upon the ILO’s resources increased, it was essential to have effective tools for judging priorities and he supported the idea, put forward by IMEC, of carrying out comparative assessments between programmes. He also supported the inclusion of a “termination” clause into certain programmes so that, depending on the nature of the programme, it could come to an end automatically unless additional special needs arose.
- 134.** The representative of the Government of New Zealand confirmed that, in general terms, he was happy with the evaluation framework proposed but that he was disappointed that it had taken two years of Governing Body discussions to reach this stage. The Organization should press on and implement the framework quickly. He wished to see, in all future

programme proposals which came before the Committee or the Governing Body, an explanation of how and when the programme would be evaluated. This would ensure that all evaluations were planned and costed alongside the proposals and not as an afterthought.

135. The representative of the Government of the United Kingdom supported the comments made by her colleague on behalf of IMEC regarding the evaluation framework. She thanked the Office for the clearly presented report on the evaluation of the InFocus Programme on Promoting the Declaration. The report had indicated a number of important findings and conclusions which had implications beyond the InFocus Programme. The mainstreaming of the Declaration within the work of all technical cooperation units was fundamental to the fulfilment of the Decent Work Agenda. The benefits and the need for greater integration in technical cooperation work had been a theme apparent in other papers presented at the Committee on Technical Cooperation and she strongly endorsed this approach. She had been particularly struck by Finding No. 4 in the report which stated that, in the initial development of projects, quality had been given a lower priority than speed in order to procure funding. This highlighted the need for the speedy implementation of new procedures to strengthen project design, appraisal and the allocation of resources which were currently being taken forward through initiatives such as the technical cooperation resource allocation mechanism. The assurance that robust procedures were in place was likely to encourage the greater flexibility in donor funding which was sought in the conclusion to Finding No. 5. She wished to strongly endorse the conclusions of Finding No. 8 regarding the value of promoting the core labour standards in the policies and procedures of major international organizations. This was a broad recommendation which would require careful prioritizing.

136. The representative of the Government of Kenya endorsed the statement made by the representative of South Africa on behalf of the African group. He welcomed the paper on the evaluation framework which clearly described the systems which the ILO intended to put in place within the strategic budgeting framework. The goal was to introduce a comprehensive and coherent framework with the aim of ensuring more effective programme and project planning, monitoring and reporting. It was timely for the Office to move forward with its plans for the evaluation framework, given the importance of evaluation in decision-making, planning and design and implementation of programmes. He endorsed the strategic budgeting adopted by the ILO which was an interactive process allowing input into the planning process from many different levels within the Organization. He agreed that an evaluation system constituted a key management tool to be used in determining the success of a strategic budgeting approach. Such a system could also aim to improve performance by disseminating the lessons learned from evaluations. The results of evaluations should lead to actions which were accountable and transparent. The Office should also ensure that evaluation exercises were structured to answer specific decision-making needs and that they provided opportunities to reassess programmes in the light of new policies and priorities. He welcomed the fact that the evaluation of the InFocus Programme on Promoting the Declaration had aimed to develop a greater understanding of how the programme was achieving its intended outcomes and of what new measures could be employed to further enhance its effective implementation. This paper recalled the primary purpose of the 1998 Declaration of the ILO which was to assist member States to promote, respect and realize the fundamental principles and rights enshrined within the ILO Constitution. In this respect, he was pleased to see that the ratifications of fundamental Conventions numbered 1,173 at the end of August 2002 and that eight member States had ratified all eight fundamental Conventions with 23.7 per cent of Members having ratified at least one among each of the four categories of Conventions. He wished to encourage the technical cooperation programme of the InFocus Programme on Promoting the Declaration to redouble its efforts in assisting the member States to ratify and fully implement the eight internationally recognized core labour standards. On the

whole, he was totally satisfied with the manner in which the InFocus Programme on Promoting the Declaration was being implemented.

- 137.** The representative of the Government of the United States strongly supported the statement made on behalf of IMEC. She had appreciated the explanation of how self-evaluation would work and joined with those other delegates who had urged the Office to move forward quickly with its plans to implement the framework. She was pleased to see that the InFocus Programme on Promoting the Declaration was collaborating with technical units throughout the Office. The involvement of the appropriate officers and experts would continue to be critical in ensuring the success of the Programme. Finding No. 6 was particularly important. The development and use of measurable targets and indicators would permit useful monitoring, sound evaluations and appropriate adjustments to further activities. It was critical that such indicators be developed promptly for review by the Governing Body, thus enabling a clearer understanding of what the InFocus Programme on Promoting the Declaration intended to accomplish in the future and how well it would meet its objectives. She commended the broad outreach to ILO constituents, staff, partner organizations and donors which had been a part of the evaluation of the InFocus Programme on Safety and Health at Work. However, the resulting evaluation failed to address the issue of progress made towards achieving the Programme's four major goals. Nor did the evaluation indicate the degree to which the targets and indicators set out in the programme and budget had been met. She commended the use of partnerships in the occupational safety and health field as a way of strengthening the Programme. The role played by headquarters, field coordination and communication were all critical to both this and all ILO programmes. Funding was important to the successful functioning of the InFocus Programme on Safety and Health at Work and all ILO programmes but she was concerned to read that technical cooperation targets of US\$3 million which had been set for the Programme may not be sustained. Care should be taken not to set technical cooperation targets in terms of the money to be spent as opposed to what needed to be done. Consideration should first be given to the substantive objectives to be met. Only then could a determination be made as to what it would cost to achieve those objectives.
- 138.** The representative of the Government of Mexico supported the statement made by the representative of Argentina on behalf of GRULAC with regard to the InFocus Programme on Promoting the Declaration. However, she wished to stress certain aspects of some of the Findings. In Finding No. 3, the Office had concluded that it was important to bear in mind Conventions 81, 129, 144 and 150 in designing and carrying out programmes for technical assistance on fundamental principles and rights at work in order to establish gradually the foundations for their effective implementation. At first sight, the Office's suggestion seemed simple and appropriate. Nevertheless, legal and practical implications meant that this proposal should be considered carefully within the framework of LILS. The ILO Declaration promoted eight core Conventions which did not include Nos. 81, 129, 144 or 150. The Office's proposal presupposed a linkage with the implementation of other Conventions, forgetting that the mechanism of the Declaration should not replace those monitoring mechanisms which had already been set up. She believed that alternative means should be found in order to avoid setting precedents which might include certain Conventions from the Declaration since all the Conventions were interrelated with one or the other of the fundamental principles and rights at work. Including new Conventions in the framework of the Declaration could make following up on results more difficult.
- 139.** The representative of the Director-General thanked the Committee for its tripartite support for strategic budgeting and the role of evaluation, and for the thoughtful comments made. Both Mr. Blondel and Mr. Botha had stressed the importance of their respective groups in the evaluation process. The Office had established the practice of consulting ACTRAV and ACT/EMP with regard to the selection of interviewees but more could and would be done. Mr. Blondel's support for decent work country programmes was appreciated. Country

programming was considered by the Office to be a critical means of more closely associating the constituents in all stages of the programming cycle: planning, programming, implementation and evaluation. There were a number of measures which were being developed in order to ensure transparency in the evaluation process. It was planned to put the results of all independent evaluations on the Internet site and to use the Intranet site to provide advice and help to those who were carrying out evaluations at various levels. Current ILO guidance required all ILO technical cooperation projects with a value exceeding US\$350,000 to include an evaluation component, but there was no requirement related to the amount of resources to be allocated for evaluation. From a programming and management point of view, he believed that this element was often too small but donors could ask that more project resources be reserved for evaluation. Regarding the proposals for using project resources to provide central support for design and evaluation, there was no intention to increase support costs to donors. Rather, the intention was to suggest that a certain proportion of the project funds allocated to evaluation be set aside in order to ensure that the lessons arising from the evaluations were learned and spread widely and that they were taken into account in the ILO's evaluation training. Questions regarding the termination of programmes that had been completed or were no longer relevant would certainly be incorporated into future evaluations. Various valuable suggestions had been made regarding the way in which evaluations were planned, and the role of a central unit for evaluation. These comments would be taken into consideration within the limits of the resources available. The entire strategic budgeting process of the ILO, including evaluation, would be subject to an independent external review for submission to the Governing Body in 2005.

140. Mr. Botha thanked the Director-General's representative for his comments. He wished to reiterate a point which had been made frequently with regard to the Declaration which was that the Declaration, and the programme supporting it, was about the promotion of principles and it was important to ensure that the programme's implementation did not become confused with the other work of the Organization in promoting labour standards.
141. *The Committee, in the light of its discussion, recommends to the Governing Body that it request the Director-General to apply the evaluation framework found in the Office paper in the ILO's future work.*
142. *The Committee recommends to the Governing Body that it request the Director-General to take into consideration the conclusions presented in the Office paper, together with the deliberations of the Committee, in the further implementation of the InFocus Programme on Promoting the Declaration.*
143. *The Committee recommends to the Governing Body that it request the Director-General to consider the conclusions presented in the Office paper, together with the deliberations of the Committee, in the further implementation of the InFocus Programme on Occupational Safety and Health at Work and the Environment.*

XI. Other financial questions

(Thirteenth item on the agenda)

(a) Financial arrangements for a Meeting of Experts on Labour Standards in the Fishing Sector

144. The Committee had before it a paper¹³ discussing the cost of a proposed three-day Meeting of Experts.

145. The Employers and the Workers gave their support to the paper.

146. *The Committee recommends to the Governing Body that should it decide to approve the proposed composition of the Meeting of Experts on Labour Standards in the Fishing Sector, the cost estimated at US\$85,000, be financed from cost savings identified in the provision for sectoral meetings in Part 1 of the Programme and Budget for 2002-03.*

(b) Report of the Joint Inspection Unit of the United Nations on its activities for the year ended 31 December 2001

(c) Reports of the Joint Inspection Unit

147. The Committee had before it papers¹⁴ concerning the work of the Joint Inspection Unit carried out during the year ended 31 December 2001 and the resulting reports.

148. The representative of the Government of the Russian Federation stated that a system for monitoring the implementations of the Joint Inspection Unit was required. This need had been discussed in the past and he was aware that other UN organizations had either created such a system or were currently negotiating with the Joint Inspection Unit with a view to achieving this. He did not wish to see the ILO as the only organization without this kind of arrangement. The experience of other organizations demonstrated that, with an agreement in place, the Joint Inspection Unit would take on additional duties, such as providing data about the financial consequences of their recommendations. This would be a useful service and so he requested that an attempt be made once more to negotiate with the Joint Inspection Unit with a view to preparing pragmatic proposals which could be submitted to the Governing Body.

149. The Chairperson reminded the meeting that the papers were for information only and did not give rise to any points for decision. He recalled that the suggestion put forward by the representative of the Government of the Russian Federation had been debated in the past by the Governing Body and had not received majority support. However, the Government of the Russian Federation could consider putting forward a proposal at a future meeting if it so wished.

¹³ GB.285/PFA/13/1.

¹⁴ GB.285/PFA/13/2 and GB.285/PFA/13/3.

150. The Committee took note of the Office paper.

Geneva, 18 November 2002.

(Signed) M. Blondel,
Reporter.

Points for decision: Paragraph 44;
Paragraph 45;
Paragraph 53;
Paragraph 54;
Paragraph 63;
Paragraph 67;
Paragraph 118;
Paragraph 119;
Paragraph 120;
Paragraph 121;
Paragraph 122;
Paragraph 141;
Paragraph 142;
Paragraph 143;
Paragraph 146.