



**Second item on the agenda  
Programme and budget proposals  
and other financial questions**

**Report of the Finance Committee of  
Government Representatives**

1. The Finance Committee of Government Representatives met on 11 and 14 June 2002 with Mr. B. Jonzon (Sweden) as Chairperson and Reporter and Mr. Ledezma Vergara (Panama) as Vice-Chairperson.

**Request of the Government of Guinea-Bissau, under paragraph 4  
of article 13 of the Constitution of the International Labour  
Organization, for permission to vote**

2. The Committee had before it a request (document F.C./D.7) from the Government of Guinea-Bissau for permission to vote at the Conference. This request was referred to the Finance Committee as a matter of urgency in accordance with paragraph 1 of article 31 of the Standing Orders of the Conference. The text of the request, dated 12 June 2002, is as follows:

Republic of Guinea-Bissau  
Ministry of Public Administration and Labour  
Office of the Minister

Geneva, 12 June 2002

Mr. Juan Somavia  
Director-General  
ILO

Subject: Settlement of arrears; right to vote of Guinea-Bissau

Dear Mr Somavia,

I have the pleasure and honour to inform your Excellency that despite the enormous difficulties the Government of Guinea-Bissau is experiencing, every effort has been made so that we may begin settling our arrears and recover our right to vote, in order to participate actively in the work of the Organization.

As you are aware, in addition to the various difficulties affecting the country since the early 1980s, which led it to adopt a stringent structural adjustment programme with the International Monetary Fund, Guinea-Bissau found itself involved in a fratricidal war in

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1998-99, a situation which has prevented it from fully discharging its international responsibilities.

Nonetheless, given the importance the Government attaches to the ILO, I would like to request your Excellency to submit to the competent authorities the following proposal for the settlement of the arrears owed by Guinea-Bissau:

- (a) in the first year, i.e. 2002, Guinea-Bissau will pay its contribution in full, fixed at 3,841 Swiss francs, as a token of the Government's willingness to regularize the situation;
- (b) Guinea-Bissau will settle the remaining arrears that have accumulated up to 2001, totalling 253,944 Swiss francs, as follows:
  - (i) a payment of 29,770 Swiss francs will be made immediately with this year's annual contribution;
  - (ii) 20 annual payments, 19 of which will be in the amount of 11,208 Swiss francs, will be made starting in 2003, with the final payment totalling 11,222 Swiss francs;
- (c) Guinea-Bissau will also pay its future contributions in the year they are due.

I would be grateful if your Excellency would convey my Government's request to the 90th Session of the International Labour Conference, so that it may recover its right to vote and other rights within the Organization, in accordance with article 13, paragraph 4, of the Constitution of the ILO.

It remains for me to take this opportunity to renew the assurance of my highest consideration.

Yours sincerely,

*(Signed)* Carlos Pinto Pereira,  
Minister.

3. The Committee noted the provisions of paragraph 4 of article 13 of the Constitution of the ILO, also articles 31 and 32 of the Standing Orders of the Conference, the texts of which appear in [Appendix III](#) to this report.
4. In examining the financial relations between Guinea-Bissau and the Organization over the last ten years, the Committee noted that the following payments in respect of assessed contributions had been made to the ILO:

Date of payment	Amount in Swiss francs	Details of payment
3 August 1990	26 445	Part 1990 contribution
3 June 1992	2 469	Balance of 1990 contribution
	15 767	Part of 1991 contribution

5. Contributions outstanding at 31 December 2001 amounted to 253,944 Swiss francs, covering the assessed contributions from 1991 to 2001. The 2002 contribution of 3,841 Swiss francs had also not been paid.
6. The representative of Portugal said that requests for the restoration of voting rights should only be granted in exceptional circumstances, such as when the ability of a member State

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to pay was affected by events outside its control. This was clearly the case for Guinea-Bissau, which was still recovering from the effects of military conflict in 1998-99. He fully supported its request for the right to vote.

7. The representative of the United Kingdom also supported the request, but asked what rules applied for deciding on the period over which arrears should be paid.
8. The representative of the Director-General (the Treasurer and Financial Comptroller) said that each case was decided on its circumstances. There was no standard term, and repayment periods in the past had ranged from five to 20 years.
9. *The Committee, being satisfied that the failure of Guinea-Bissau to pay its arrears was due to conditions beyond its control, in accordance with the provisions of paragraph 4 of article 31 of the Standing Orders of the Conference, reports to the Conference as follows:*
  - (a) *That the failure of Guinea-Bissau to pay in full the amount owing was due to conditions beyond its control as explained in the letter in paragraph 2 above.*
  - (b) *The financial relations between Guinea-Bissau and the Organization have been set out in paragraph 4 above.*
10. *The Committee accordingly recommends the adoption by the Conference of the resolution concerning the granting to Guinea-Bissau of permission to vote under paragraph 4 of article 13 of the Constitution of the International Labour Organization, the text of which appears at the end of this report.*

### **Status of collection of member States' contributions**

11. The Committee had before it document F.C./D.2 containing information on the status of collection of member States' contributions as at 31 May 2002.
12. The representative of the Director-General (the Treasurer and Financial Comptroller) reported that, in addition to the information contained in the Office paper, contributions had been received from the following member States:

<b>Country</b>	<b>Swiss francs</b>
Argentina	39 000
Bolivia	29 574
Botswana	38 413
Burundi	10 086
Côte d'Ivoire	66 779
Ecuador	236 040
Ireland	816 683
Mauritania	3 446
Russian Federation	1 561 958
Saint Vincent and the Grenadines	6 772
Suriname	13 793
United Arab Emirates	767 606
Total	3 590 150

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13. The payments from Burundi and Ecuador meant that these member States had recovered the right to vote. Total contributions received this year now amounted to 142,773,674 Swiss francs, of which 125,179,141 Swiss francs related to 2002 contributions and the remainder of 17,594,533 Swiss francs represented arrears of contributions.

14. *The Committee took note of the information in the Office paper.*

## **Financial Report and Audited Financial Statements for 2000-01**

15. The Committee had before it the Financial Report and Audited Financial Statements for the 67th Financial Period (2000-01); Report II: Information concerning the Programme and Budget for 2002-03 and other financial and administrative questions; and document F.C./D.3, containing a recommendation submitted by the Governing Body that the Conference adopt the Financial Report and Audited Financial Statements for 2000-01.

16. *The Committee recommends that the Conference adopt the Financial Report and Audited Financial Statements for 2000-01 in accordance with article 29 of the Financial Regulations, and accordingly that it adopt the resolution the text of which appears at the end of this report.*

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

17. The Committee had before it Report II: Information concerning the Programme and Budget for 2002-03 and other financial and administrative questions, containing a draft resolution for the treatment of the 2000-01 cash surplus. The report also contained an extract from document [GB.283/9/1](#), the First Report of the Programme, Financial and Administrative Committee (PFAC) to the Governing Body at its 283rd Session (March 2002) dealing with the PFAC discussion of this item and including at Appendix II a summary of the proposed use of the 2000-01 surplus (attached as [Appendix I](#) to this report). The Committee also had before it document F.C./D.4, containing an amendment to the draft resolution proposed to the Conference by the Governing Body, put forward by the representative of the United Kingdom and additionally on behalf of the representatives of Austria, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Malta, Netherlands, New Zealand, Norway, Portugal, San Marino, Spain, Sweden, Switzerland, Turkey and the United States.

18. The Committee's consideration of this subject began with a statement by the Director-General. The text of that statement, together with additional information on the treatment of the 2000-01 surplus, was later distributed to the Committee in document F.C./D.5, and is reproduced in [Appendix II](#) to this report.

19. Mr. Blondel, speaking on behalf of the Worker Vice-Chairperson of the Governing Body, observed that the 2000-01 surplus had arisen not because regular budget activities had been reduced or cancelled but because of the late payment of contributions by certain member States. The Workers' primary concern was that contributions should be paid when due so that programmes were not delayed or jeopardized, and they had emphasized this to member States on many occasions in the past. It was perhaps worth pointing out that the ILO budget was quite modest when compared with other organizations in the UN system. The Governing Body had agreed that the ILO should not be penalized when contributions were received late. The Workers would have preferred to see all of the surplus retained for

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programmes but accepted that consultations had led to agreement upon the use of 90 per cent.

- 20.** The proposal of an amendment to the Financial Regulations would be appreciated because there was a difference between a surplus generated by the non-application of funds to programmes and one arising from the late payment of contributions. Countries which paid late should not receive any encouragement to continue the practice. The Governing Body had agreed that the Director-General should put forward amendments to the Financial Regulations in order to clarify what action should be taken in the event of a similar surplus in future.
- 21.** The Workers also wished to see the Director-General engage in further consultations in order to determine the use of the funds more precisely. There were some new proposals which could generate one-off programmes, such as those suggested for Palestine, which had not been foreseen when the budget was set and which could perhaps be refined. Other suggestions for projects of an exceptional nature could possibly come out of additional consultations. Consensus had been achieved within the Governing Body regarding the use of 90 per cent of the surplus and it would be disappointing if this level was to be reduced by the Conference. The proposals would benefit, no doubt, from a closer examination of the details and the Workers were pleased to acknowledge the Director-General's undertaking to do so.
- 22.** Mr. Tabani, speaking on behalf of the Employer Vice-Chairperson of the Governing Body, observed that for many years the ILO had operated under a zero growth budget regime so when contributions were not forthcoming there was no alternative but to cut programmes. Inevitably, it was the poorer member States, those most in need of ILO services, that had suffered. Now that a surplus had arisen because of the receipt of arrears of contributions it was right that activities previously cut should be restored as far as possible. To the extent they could not be restored there were other one-time activities that could be taken up, as the Director-General had explained. He agreed with the remarks of the previous speaker and expressed full support for the proposal put forward by the Governing Body.
- 23.** The representative of Brazil, speaking on behalf of the Caribbean and Latin American member States (GRULAC), reiterated the support it first expressed at the March 2002 session of the Governing Body concerning the surplus for 2000-01. There was a broad need for resources in order to implement cooperation and assistance programmes and to strengthen institutional capacity so as to respond to constituents' demands, especially those from developing countries.
- 24.** The surplus originated from budgetary reductions forced on the ILO by the non-payment of contributions. The Director-General had acted prudently in cutting programmes in line with available resources rather than committing the ILO to the full level of the approved budget, as he was entitled to do under the Financial Regulations. Now that these resources were available through the payment of arrears of contributions, priority should be given to technical cooperation, crisis prevention and the strengthening of activities of regional offices, particularly activities related to the Global Employment Programme and the Programme of Cooperation with Colombia. GRULAC was also concerned that the Financial Regulations did not distinguish between surpluses resulting from savings and surpluses resulting from the payment of arrears. The two situations were quite different and the Financial Regulations should be revised to make this clear.
- 25.** The representative of the United Kingdom then spoke on behalf of the IMEC group of member States concerning the projects proposed for funding by the Director-General at the March 2002 session of the Governing Body. Many of the interventions in the resulting

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discussion of the Director-General's proposals for treatment of the 2000-01 surplus requested more information about the proposals, and some IMEC member States had expressed concern about the lack of detail in the document. It was agreed at that time that there would be in-depth consultations with members immediately after the March 2002 session of the Governing Body and this process had only recently begun. IMEC welcomed the additional information just provided by the Director-General but it would have been helpful if the Office could have produced a document for this Committee providing the further explanations requested by a number of member States. Such a document would have enabled IMEC members to give further consideration to the Director-General's proposals in advance of this meeting and would have facilitated discussions in this Committee.

- 26.** IMEC therefore proposed that the draft resolution contained in section II of Report II should be amended to allow the Conference to give delegated authority to the November 2002 session of the Governing Body to make appropriate adjustments to Appendix II to the first report of the PFAC to the March 2002 session of the Governing Body (document [GB.283/9/1](#)) within the context of the Strategic Policy Framework, should this prove necessary in the light of the Director-General's continuing consultations. This would not prevent the Director-General from authorizing the Office to start utilizing the budgetary surplus funds in accordance with the decisions taken at this Conference. IMEC also proposed the insertion of the following text as a second paragraph in the draft resolution: "urges all member States to pay their assessed contributions in full, on time, and without conditions".
- 27.** IMEC members believed that the surplus should not be used for unbudgeted programme expenditure but should rather focus on one-off time-limited projects or programmes that did not create either unacceptable support costs for the rest of the Organization or any ongoing obligations. Although they would support the proposed Maritime Session of the International Labour Conference, and understood the requirement for preparatory work for this event, the cost should be met from the regular programme and budget.
- 28.** During the March 2002 Governing Body discussions on Colombia the Director-General had confirmed that part of the 2000-01 surplus would be used to continue funding the Technical Cooperation Programme for Colombia if it was approved by the ILC. The Director-General should ensure that any remaining requirements for this programme, which clearly remained a priority for the ILO, were funded from the budget surplus.
- 29.** The representative of Thailand, speaking on behalf of the Asia and Pacific member States, recalled that at the March 2002 session of the Governing Body the Office had promised to hold detailed discussions with member States about the treatment of the 2000-01 budgetary surplus, but discussions so far were obviously inadequate because the proposals were still not clear. Much more should be allocated to technical assistance programmes in Asia and the Pacific in view of the desperate plight of so many of its people, with special emphasis on emergency and crisis funding.
- 30.** Despite the demand for ILO services, resources were limited, so it would be better to take a provisional decision at this stage so that the future re-allocation of resources will be possible, from administrative cost expenditure to "emergency and crisis" expenditure. Any decision made by the Director-General on spending the surplus should be reported to the November 2002 session of the Governing Body for formal approval. Care should be taken to ensure that the surplus was not used as an artificial boost to budgetary expenditure in 2004-05 and that expenditure of the surplus in 2004-05 should not be considered until the time that the Governing Body deals with the 2004-05 regular budget. Any part of the

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surplus not used for approved expenditure should be dealt with as ordinary surplus consistent with the Financial Regulations.

- 31.** The representative of India said that the Office proposal was essentially to retain about 90 per cent of the 2000-01 surplus for various programmes and activities and return the remaining 10 per cent to member States. The surplus had only arisen because in past periods the Director-General had wisely managed expenditure in line with funds actually received, rather than resorting to short-term borrowing. Now that the funds had finally arrived they should be used for high priority activities such as employment generation and technical cooperation programmes in developing countries.
- 32.** The representative of Australia expressed full support for the statements made on behalf of the IMEC group and on behalf of the Asia and Pacific group, concerning the projects proposed for funding. He expressed support also for the proposed amendments put forward by the IMEC group, which would allow the Director-General to recommend an adjustment to any surplus pending proposals approved by this Conference, should circumstances, including consultations, warrant it. It was clear, however, that these consultations should have taken place before the proposals were first put to the Governing Body.
- 33.** As a starting point the Australian Government believed a surplus should ordinarily be paid in full to member States in accordance with the Financial Regulations. Any derogation from these Regulations should be exceptional and fully justified, and should not include proposals to fund programmes which could lead to future calls on the regular budget. If derogation was to be recommended by the Office then an adequate case had to be made out, otherwise the rules should be followed in full. It was true that the large surplus being considered did not result from underspending on the part of the ILO, and in past years efficiencies had to be found to make up for the non-payment of member States' contributions which had now been paid as arrears. However, that fact in itself did not justify the ILO's proposal to spend 90 per cent of the surplus when the Financial Regulations directed that it should be paid to member States.
- 34.** The Australian Government was prepared to consider and support reasonable and prudent proposals for the use of the surplus which met the criteria mentioned. The documents and Director-General's statement did not make a convincing case that all proposals put forward were justified, particularly at the levels budgeted. Proposals were vaguely defined and costed, with some of the intended outcomes paying only lip service to the principles of results-based budgeting.
- 35.** Some proposals, such as the proposed fund for responding to crises and emergencies, could be easily justified, but others did not justify fully the recommended derogation from the Financial Regulations. Two examples could be mentioned. First, the proposal for another Maritime Session of the ILC was supported by many, perhaps most delegations, including Australia; but such an activity was a core, standard-setting activity, which the ILO should be performing regardless of any surplus. As with all core activities, it should be funded from the regular budget. Second, the proposal for \$6 million to be spent on "management challenges" was not compelling. There were some useful ideas, but for a Government which had itself met many of these challenges there was nothing in the proposal to justify this level of expenditure, especially when much of the proposed activity should be absorbed by the existing budget.
- 36.** When the proposal concerning the World Commission on the Social Dimension of Globalization was first put to the Governing Body, it was to be funded through savings under Part I of the budget. Only a few months later, after the surplus had appeared, the Governing Body was told that this proposal to rely on savings, which the Office had itself

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suggested, was not prudent and that furthermore the Commission would cost much more than initially proposed. There was no longer any mention of savings. As with some of the other proposals one could not help asking what the Office would have done had the surplus not become available.

- 37.** As mentioned earlier, derogation from the Financial Regulations should not be considered a routine matter, and questions asked at the March 2002 session of the Governing Body, including those asked by the representative of the Government of New Zealand, also speaking on behalf of the Government of Australia, should have been answered.
- 38.** As a matter of principle the Australian Government could not accept the proposal to use 90 per cent of the surplus on a shopping list of items when a good business case had not been made out and costings remained vague. Many other members of this Committee were prepared to support the proposals in full, but the Australian Government could not. It had indicated to the Office that it would be able to accept a proposal to utilize the bulk of the surplus – 75 per cent – if such usage could be adequately justified, with the remaining 25 per cent being paid to member States. This was a considerable compromise, particularly considering that Australia’s contribution to the ILO for 2002, which was paid on time, was up 45 per cent in Australian dollar terms and 34 per cent in Swiss franc terms compared with the previous year.
- 39.** As the proposal before the Committee did not meet Australia’s concerns, which were well known to the Director-General and the Office, it was unable to join any consensus in favour of them. There was no consensus on these proposals and this should be reflected in the record.
- 40.** The representative of Algeria, speaking on behalf of the African member States, said that as far as the treatment of the 2000-01 surplus was concerned they wished to reiterate the views they expressed at the March 2002 session of the Governing Body. The surplus arose not because of underspending the approved budget, but because the receipt of arrears of contributions meant that total revenue exceeded approved expenditure. African member States therefore supported the proposal for a derogation from the Financial Regulations. Many less developed countries – in other words the poorest – were suffering serious economic hardship but even so were making every effort to honour their financial obligations to the ILO.
- 41.** Proposals to use the surplus for priority activities reflecting the ILO’s four strategic objectives deserved the fullest support, particularly those related to employment generation. The suggestion to repay the surplus to member States should not be taken further because it would discourage healthy budgetary practice and hinder the implementation of programmes. In fact the African group would prefer to see the whole of the surplus retained for programmes promoting the strategic objectives and they urged other member States to support this proposal. Indeed, the surplus was more nominal than real because for many years now the ILO had operated under a zero growth regime and the African member States had frequently pointed to the negative impact this had on ILO activities.
- 42.** Amending article 18 of the Financial Regulations to provide a different procedure for dealing with surpluses resulting from the receipt of arrears of contributions was fully justified and the African group supported the consensus position adopted at the last session of the Governing Body in March 2002.
- 43.** The representative of Japan expressed strong support for the statements made on behalf of IMEC and the Asia and Pacific member States. In principle, any surplus should be returned

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to member States in accordance with the Financial Regulations, although expenditure for emergencies and unforeseen events should take precedence. The Office had been questioned on a number of matters and its responses were appreciated, but amounts budgeted for non-urgent needs seemed excessive. On the other hand, the \$6.5 million budgeted for emergency and crisis response seemed inadequate and even implied that this was the maximum necessary for this purpose.

44. It was also not clear why a final decision on the 2000-01 surplus should be taken at this point. This decision should not ignore the programme and budget discussions for 2004-05, and this total amount should be decided as a maximum limit. In any case the Office should search for savings wherever possible through prudent and effective management and return residual funds to member States in accordance with the provisions of the Financial Regulations.
45. The Office had been asked on what legal basis it would be possible to take a decision now concerning expenditure in the 2004-05 biennium. The reply was to the effect that the amounts of the surplus made available to the Director-General to finance certain items was being approved under a derogation from the Financial Regulations procedure and did not have to be spent in a particular biennium. If this answer implied that the treatment of the surplus was not only a derogation from article 18.2 but also a derogation from the Financial Regulations as a whole then the Regulations were effectively meaningless. The Office should review the Financial Regulations and propose amendments to the November 2002 session of the Governing Body so that these matters were clarified. Japan fully supported the amended proposal put forward by IMEC concerning the distribution of the 2000-01 surplus and urged the Office to restrict the use of the surplus for priority programmes only.
46. The representative of Portugal said that discussion on this matter at the March 2002 session of the Governing Body centred on two issues, first, whether it was proper for the Director-General to suggest a derogation from article 18.2 of the Financial Regulations, and second, whether the expenditure proposals were justified. The answer to the first point was quite clear. Article 18.2 concerned the treatment of surpluses resulting from savings rather than the receipt of arrears of contributions, and in similar situations in the past the Director-General had been authorized to use a considerable portion of the surplus. More importantly, a decision not to authorize a derogation from article 18.2 in the present situation could encourage a less responsible attitude to financial management and also in a sense reward member States paying their contributions late.
47. As far as the merits of the proposals were concerned many, such as the World Commission on the Social Dimension of Globalization, the programmes on crisis response, and expenditure on communications technology, deserved high priority. The proposals perhaps needed a broader strategic framework so they could be linked more directly to the ILO's Strategic Policy Framework, 2002-05, but in any case it would better to maintain a more flexible approach so that the Director-General was able to respond rapidly to urgent demands for ILO services.
48. The representative of New Zealand expressed full support for statements made on behalf of IMEC and Asia and Pacific member States on the projects proposed for funding by the Director-General from the 2000-01 surplus funds, but a number of comments could be added to points made in those statements and especially on the key issue of how that surplus should be utilized.
49. New Zealand was one of a number of member States that supported the principle of full return of any surplus funds to member States in accordance with the ILO's Financial

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Regulations. However, if the Office was able to provide properly costed and justified business cases for the use of a reasonable proportion of the surplus funds, it would be prepared to consider a derogation of the Financial Regulations as a one-off exception that did not constitute a precedent.

- 50.** The ILO had undertaken major initiatives with strategic budgeting over the last two years, and the External Auditor had commented on progress towards this objective in his report to the PFAC of the Governing Body. Unfortunately, the proposals for dealing with the cash surplus for 2000-01 were a departure and a backward step from that progress. Proposals to spend a surplus should require the same budgetary discipline as for regular budget proposals, and within the budget for each proposal there should be a clear specification of the objectives the ILO expected to achieve. The Office should also identify measurable performance indicators to enable the later evaluation of projects, but so far this information had not been received.
- 51.** It appeared that some additional information on the proposals was now available, but it was regrettable that it had not been provided earlier to allow for more informed discussion. On the other hand, the Director-General had recognized the need for a coordinated approach, showing links between the proposals for spending the surplus and the regular budget proposals for the next biennium.
- 52.** There was merit in some of the projects identified for funding from the surplus, but the information provided to date had been insufficient to justify spending on such a large scale. In effect, the consultation process had only just begun. The Director-General's acknowledgement of the importance he attaches to consultation was most welcome. It looked forward to participating, and for specific feedback in discussions at the November 2002 session of the Governing Body.
- 53.** It was an important principle that the surplus should be used for one-off time-bound projects, and not for regular budget items. In particular, it should not be used as a supplementary fund or windfall outside the ILO's programme and planning process, nor should the use of any of the surplus be considered an argument in favour of increasing the ILO's biennial budget. New Zealand's support for zero nominal growth in respect of the regular budget was well known and it could only support an increase in budgetary resources once all efforts to make efficiency gains had been made within the existing budget process. Spending the surplus on regular budget items raised issues of integrity with respect to the regular budgetary process. It did not support those proposals to finance regular budget items such as the forthcoming Maritime Session of the ILC.
- 54.** In the interest of achieving consensus, New Zealand would support the proposal that the Office retain whatever proportion of the surplus the Committee agreed to, but the expenditure financed by these funds should be approved by the Governing Body at its November 2002 session. It would therefore support the IMEC proposal to amend the draft resolution as proposed in document F.C./D.4 and authorize the November 2002 session of the Governing Body to amend the list of items in Appendix II of document [GB.283/9/1](#) (attached as [Appendix I](#) to this report). This would give sufficient time to assess the merits of the proposals, the provision by the Office of additional information sought, and would also give an opportunity to consider any new proposals, such as funding for emergency or crisis situations, that might emerge in the intervening period.
- 55.** The representative of Lebanon observed that the treatment of the surplus for 2000-01 aimed directly at financing new or existing projects rather than being repaid to member States in accordance with the provisions of the Financial Regulations. The surplus resulted indirectly from the responsible financial management exercised by the Office in recent

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years, where it had avoided the need for additional assessments on member States to make up for shortfalls in income. From time to time the Conference had authorized a derogation from the Financial Regulations in order to use cash surpluses for particular purposes, but many member States now believed it was important to find a way of providing this authority in the Financial Regulations. Proposals for the use of the surplus were not of equal priority and some aspects of the ILO's strategic objectives had been overlooked, particularly the InFocus programmes on employment creation. On a related matter, more resources were urgently needed to help member States set up their national action programmes on decent work.

- 56.** It was gratifying to hear the Director-General say that developing countries would benefit the most from the cash surplus but for best results there should be a process of consultation to identify the most urgent needs. In the Arab region, for example, there was an immense need for increased resources for technical cooperation programmes. More resources for projects designed by the MDT in Lebanon two years ago would be especially valuable, and as a general principle the cash surplus should be used for other equally urgent work. However, not all of them were one-time activities and there should be some mechanisms for funding beyond that provided by this cash surplus.
- 57.** The representative of the Russian Federation reiterated its view, first expressed at the March 2002 session of the Governing Body, that the provisions of the Financial Regulations concerning cash surpluses should be respected in full. An exception or derogation should not become the rule, particularly in the present circumstances where many member States facing economic difficulty had experienced increases in their contributions, and he expressed full support for the statement by the representative of Australia that the refund to member States should be increased to at least 25 per cent of the surplus. The portion retained by the ILO for programme expenditures should be directed first to field programmes in developing countries and countries in transition, including the countries of the CIS. Proposals for administrative expenditure and additional investments in management and personnel reforms appeared to have little economic justification and a much more detailed analysis of the advantages and benefits to be gained should be supplied if resources were to be allocated for these purposes. He expressed support for the amendment proposed by the United Kingdom representative, on behalf of IMEC, and would not block consensus on the adoption of the resolution, although he shared the reservations expressed by the representative of Australia.
- 58.** The representative of Canada expressed full support for the statement by the representative of the United Kingdom on behalf of IMEC countries concerning the treatment of the 2000-01 surplus and proposed amendment to the resolution. The views of the Government of Canada on the treatment of the 2000-01 surplus were the same as those it stated during discussions of this subject at the March 2002 session of the Governing Body.
- 59.** Canada was proud to be among the staunchest supporters of the ILO and demonstrated this commitment by paying its assessed contribution in full, on time and without conditions. This was a fundamental obligation for all member States, and if they had all met this responsibility the ILO would not be faced with arrears of contributions after the approved programme had been carried out and the budgetary period closed. Its comments on ILO activities that could benefit from more efficient and effective management were intended to be consistent and not to limit, either implicitly or explicitly, its support for the Organization, and indeed were prompted by the belief that all member States, together with the Director-General and his staff, had a responsibility to ensure that contributions were used in the most efficient and effective manner to achieve the agreed goals of the ILO. In this connection, the statement by the Director-General today and the additional details provided in response to views expressed at the March 2002 session of the Governing Body

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and in subsequent consultations were most welcome, and Canada would look forward to continued consultations on the proposed treatment of this surplus.

- 60.** The Financial Regulations of the ILO, in common with those of the United Nations and many of its agencies, required that unexpended budgetary funds surplus to approved budgetary levels be returned to member States in proportion to their assessed contributions. Canada was firmly of the view that this procedure should be respected.
- 61.** The proposed exception to the ILO Financial Regulations, to have this session of the Conference approve a derogation from these Regulations, should be exactly that – an exception – and it was a matter for concern that the Conference was being asked to approve this exceptional procedure for the fourth time in the last ten years. A better solution would be the proposal from the Governing Body in March 2002 that the Director-General propose amendments to the Financial Regulations to deal with the situation in a more appropriate manner and this should be taken up at the next session of the Governing Body.
- 62.** In summary, Canada had accepted, reluctantly, the consensus of the 283rd Session of the Governing Body (March 2002) to recommend to the present session of the Conference that a derogation of article 18.2 of the Financial Regulations be approved to permit the use of part of the 2000-01 surplus to finance expenditure items listed in Appendix II of document [GB. 283/9/1](#) (attached as [Appendix I](#) to this report). Although it continued to have reservations, Canada would again be prepared to accept such an exceptional course of action, should it be the consensus of this Committee.
- 63.** The representative of Switzerland expressed support for the statements made on behalf of IMEC and by Portugal and thanked the Director-General for his presentation and for the additional information which had been circulated. Switzerland's position with regard to the cash surplus remained exactly as had been presented during the Governing Body meeting earlier in March. The cash surplus belonged to the ILO because it related to contributions due to the Organization which had simply been paid late. The size of the sum involved should not prompt a search for alternative interpretations of what the surplus represented. As previous speakers had already commented, article 18.2 did not address the current situation. Using 90 per cent or even more of the surplus for programmes was a sensible proposal and there was no shortage of priority programmes to choose from.
- 64.** The representative of Indonesia said that the ILO Asian Regional Meeting in August 2001, discussed how the increasing reliance on information and communication technology and the growing trend towards knowledge-based economies required a more educated, skilled and adaptable workforce. Following the 1997 Asian financial crisis and the recent economic downturn, there seemed to be signs of a slow recovery. Globalization continued to intensify, with important social implications for labour and employment. To achieve economic growth, increase productivity and recognize the social concerns of labour, labour market needs and trends, especially in the context of deepening poverty and spreading informalization, had to be addressed. Enhancing skills, employability and meeting labour market demands in a high value-added industrial environment, as well as helping workers in the informal economy to enter into the formal economy, was a major challenge. The Asian and Pacific Skills Development Programme (APSDEP), which was a regional network for skills development providing direct exchange of expertise and experience, should be a focal point in Asia and the Pacific region for this purpose and act as a complement to achieving the ILO's Strategic Objective No. 2. This would create greater opportunities for women and men to secure decent employment and income in line with operational objective 2b (knowledge, skills and employability).

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- 65.** The member States of Asia and the Pacific region had held a series of discussions in the past few years on strengthening this regional network on skills development by enhancing APSDEP's activities. Among them, Bangladesh, Cambodia, China, India, Indonesia, Japan, Kiribati, Republic of Korea, Malaysia, Mongolia, Pakistan, Papua New Guinea, Philippines, Sri Lanka and Thailand had reached a consensus and called on the ILO to take the necessary measures to strengthen skills development in their region, through enhancing APSDEP's programme to make it more effective and more responsive to current and emerging labour market needs.
  - 66.** The Finance Committee should give due consideration to the allocation of an appropriate sum (up to US\$1 million) from the cash surplus for this urgent need for skills development in the region. The resources requested would be utilized for a one-off project to evaluate, in each member State that had benefited from APSDEP inputs, the past five years' programme, to draw conclusions for the region, to discuss these at a high-level meeting and to formulate a programme for APSDEP. Additional donor resources would also be mobilized to implement a broad range of policy planning, programme designing and monitoring activities.
  - 67.** The representative of Namibia endorsed the position of the African group as stated by the representative of Algeria, and expressed opposition to the principle of reimbursing or rewarding member States which paid late. A move towards amending article 18.2 of the Financial Regulations would be welcome and the Committee should consider retaining 100 per cent of the surplus for priority programmes on regional services and employment generation.
  - 68.** The representative of Saudi Arabia, speaking on behalf of the Gulf Cooperation Council, expressed support for the statement made by the representative of Thailand regarding the proposed uses of the cash surplus. The Governing Body's proposal to use 90 per cent of the surplus for programmes was an encouraging sign, as was the Director-General's statement and consultations on this subject. Since more than 20 Arab States were members of the ILO and in view of the large number of Arabic speakers in other countries, the ILO should use part of the surplus to expand the use of the Arabic language, either in documentation or publications or on the Internet.
  - 69.** Member States in the Gulf region required more training programmes and other technical support programmes for which finance was not always available, and using part of the surplus to increase the allocations for the regional programmes should be a priority. However, the main focus of the Organization in the region should be increased assistance to the people in the occupied territories. But the ILO could only function properly if all member States adhered to the rules with regard to the payment of contributions, and to avoid a repetition of the current situation the Office should proceed with a review of the Financial Regulations.
  - 70.** The representative of Germany expressed support for the statements made on behalf of IMEC and by the representatives of Japan and New Zealand. The proposed amendment submitted on behalf of IMEC represented the maximum extent to which a derogation of the Financial Regulations could be accepted. This was not an easy issue to resolve, and he thanked the Director-General for his useful presentation and for his undertaking to continue the process of consultation in the months ahead.
  - 71.** The Director-General, in reply to a number of points raised in the discussion so far, explained that there were several possible ways to find resources for projects which were identified as urgent, but could not have been foreseen in the regular budget. First, a project might become part of international cooperation activities funded by agencies such as the

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World Bank, or perhaps regional banks, and it was important for the ILO to have links with these organizations in order to ensure that project continuity existed in line with donors' wishes. Second, because of local conditions and other factors a project could become so important from the national point of view that a country might wish to include its own resources to ensure that it continued. Last, a project that fell within the ILO's sphere of expertise might be so important that even without budgetary resources the ILO might wish to make its own special contribution by way of advice or technical services. In this case, and especially in the zero growth regime that the Organization had operated under in recent years, the ILO's contribution would necessarily be limited until budgetary approval was granted. Within the zero growth constraint this might mean of course that other activities were discontinued.

- 72.** This was why the issue of how the surplus was to be handled could not in practice be separated from budgetary considerations. The link was quite clear and the two should be looked at simultaneously, but these exercises would always originate in one-off requests in respect of something which could not have been foreseen.
- 73.** The representative of South Africa endorsed the statement made by the representative of Algeria on behalf of the African group and would prefer to see 100 per cent of the cash surplus retained for programmes rather than the 90 per cent proposed. Before a final decision was taken there should be further consultation regarding the use of the funds and the proposed amendments to the Financial Regulations. South Africa had recently chaired a meeting of the Non-Aligned Movement at which it was agreed that the cash surplus for 2000-01 should be targeted at employment creation and technical cooperation programmes in favour of developing nations and economies in transition.
- 74.** The representative of the Libyan Arab Jamahiriya fully supported the statement made by the representative of Algeria on behalf of the African group. The cash surplus had arisen from arrears in contributions payments and should therefore be available to the ILO for urgent programmes, of which there were plenty. For example, amounts spent on technical cooperation were woefully inadequate. The Libyan Arab Jamahiriya had received US\$15,000 over a two-year period, a derisory sum which suggested that the programmes thus financed were of poor quality. If such programmes were so affordable the Organization could set them up everywhere, given the total of US\$212 million available for technical cooperation. Article 18.2 of the Financial Regulations did not adequately address the issue of a cash surplus arising from arrears and use of the surplus for priority programmes should not be considered to be a violation of the Regulations. Furthermore, the Director-General had explained that the programmes were exceptional and would not necessitate recurrent expenditure. It was essential that amendments to the Financial Regulations be considered in order to avoid these problems in future.
- 75.** The representative of the Netherlands, expressing support for the statements made on behalf of IMEC and by Switzerland and Portugal, was pleased to note that discussions of the important issue of the cash surplus were moving forward. Differences of opinion had been present in March and still existed to an extent. However, there seemed to be a growing understanding that the situation with which the Organization was faced was not due to the Office's manner of dealing with the budget, but to the way in which member States dealt with the payment of their contributions and to imperfections in the Financial Regulations which did not address the possibility of this type of surplus. The Regulations should be amended to cover the current situation and there should be proposals on this subject at the next Governing Body session in November. As the representative of Portugal had stated, it would be perfectly logical to retain 100 per cent of the surplus for programmes but, in the spirit of compromise, 90 per cent was acceptable. The surplus funds should not be "micro-managed" when compared with regular budget funds. Further

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information, as requested in the statement on behalf of IMEC, should be provided in due course but there was no need to start scrutinizing proposals in a way which was not applied to the budget. The funds should have been used within the regular programme but, owing to late payments, they now had to be treated differently, on an ad hoc basis and for one-off projects. To avoid a repetition of this situation member States should pay their contributions in full and on time thus enabling the Office to use the funds fully within the regular budget period. The surplus cash comprised funds which were well overdue and should be spent without further delay where they were most needed.

- 76.** The representative of Mexico expressed support for the statement made on behalf of GRULAC with regard to use of the surplus. Surpluses had been used rather than repaid on similar occasions in the past and these funds should be treated no differently. The surplus should be targeted at priority objectives such as the Global Employment Programme or the strengthening and intensification of cooperation programmes and programmes supporting development. Certain of the proposed uses of the funds seemed excessive, namely safety and protection of staff, external communications, information technology and procedures regarding management whilst the provision of funds for a Maritime session of the International Labour Conference to be held in 2004 and 2005 seemed premature. It would be preferable if, under the heading of “Regional services”, there could be a shift towards targeting the implementation of programmes which would lead to a substantial improvement in technical cooperation services. The cost of the exercise involving the reclassification of posts had only been brought to the attention of the Governing Body at its November 2001 session when it had been decided to finance it from the provision for unforeseen expenditure. The total costs of this exercise should be assessed before a request was made for approval from the Governing Body, as had been suggested by the External Auditor in recommendation 5 of his report. References within Report II to the World Commission on the Social Dimension of Globalization stated that the new assessment of funds required included the sum originally assessed but no figure had been given for this sum and further details were needed. Further information was also requested with regard to the activities which were being envisaged for various countries under the heading “Response to crises and emergencies”.
- 77.** The representative of Burkina Faso commented that discussions had amply demonstrated that repayment of the surplus to member States would be contrary to the interests of the Organization. He reiterated support for the proposal originally put forward at the last meeting of the Governing Body in March, and for the statement made by Algeria on behalf of the African group. All of the 90 per cent of the surplus proposed for retention should be used for priority activities, but 100 per cent would be even better.
- 78.** The representative of Norway endorsed the statement made on behalf of IMEC and the proposed amendment to the resolution and thanked the Director-General for his presentation. Further consultations would lead to agreement on which projects and programmes should benefit from the surplus cash. Proposals to amend article 18.2 of the Financial Regulations, in order to take account of surpluses arising from late payments, should be put to the Governing Body meeting in November.
- 79.** The representative of Hungary thanked the Director-General for his statement which had provided useful information in respect of the treatment of the surplus. Use of the funds should be focused on urgent priorities but the objectives required careful discussion. The statement made on behalf of IMEC deserved full support and further consultations would be welcome.
- 80.** The representative of Japan, referring to a point made by the representative of Indonesia in respect of the Asian and Pacific Skills Development Programme, commented that human

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resources development was a critical factor in achieving the ILO's Decent Work Agenda. The Asia and Pacific region, which was still home to two-thirds of the world's poor, had been urged to respond to existing as well as emerging needs for skills development. APSDEP, since its establishment, had made a tremendous contribution to the promotion of human resources development in the region. It had recently been agreed that the role of APSDEP should be further reinforced in order to respond to the emergent skills development needs arising from rapidly changing social and economic environments such as the informal economy. Japan therefore strongly supported Indonesia's proposal that appropriate resources from the cash surplus be given to APSDEP, together with the active commitment of the ILO.

81. The representative of Colombia expressed support for the statement made by the representative of Brazil on behalf of GRULAC and those of other representatives who had spoken in favour of using the surplus funds for technical cooperation programmes and for strengthening the capacity of the Organization to respond to crises.
82. The representative of Tunisia endorsed the statement of the representative of Algeria on behalf of the African group and thanked the Director-General for his presentation. It was important to use the surplus funds to support the technical cooperation programmes in developing countries.
83. The representative of the Republic of Korea expressed support for the statements made on behalf of the Asia and Pacific group, IMEC, Australia and Japan, concerning the return to member countries of the surplus cash. The use of such funds for urgent and immediate needs was usually justifiable but it was difficult to see the link between this general rule and the proposals put forward. It was also difficult to prioritize the proposals at present and further information should be provided to the November meeting of the Governing Body.
84. The representative of France fully supported the statement made on behalf of the IMEC group. The main issue still to be addressed was the revision of article 18.2 concerning the Financial Regulations. Despite the opinions expressed there were still many unresolved and difficult legal issues to discuss, and this should be taken up at the November 2002 session of the Governing Body.
85. The representative of the United Kingdom, at the invitation of the Chairperson, then formally proposed to the Committee the amendment to the draft resolution contained in section II(2) of *Report II: Information concerning the Programme and Budget for 2002-03 and other financial and general questions*. The first part of the amendment was the insertion of a second paragraph, the text of which reads as follows:

***Urges all member States to pay their assessed contributions in full, on time, and without conditions,***

The second part of the amendment was the addition of a new penultimate paragraph, the text of which reads as follows:

***Decides to delegate authority to the 285th Session of the Governing Body (November 2002) to make appropriate adjustments to the said Appendix within the context of the Strategic Policy Framework, should this prove necessary in the light of the Director-General's continuing consultations,***

86. The Chairperson then put the amendment to the Committee for adoption and in the absence of comments from the floor declared it adopted. The Chairperson then asked whether the Committee was prepared to recommend that the Conference adopt the text of the resolution

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as amended and in the absence of comments from Members declared it adopted. In adopting this resolution it was understood of course that it would be for the Director-General to make any proposals to the Governing Body for possible adjustments, in the light of his consultations.

**87. *The Committee recommends that the Conference adopt this resolution, the text of which appears at the end of this report.***

## **Composition of the Administrative Tribunal of the International Labour Organization**

**88.** The Committee had before it *Report II: Information concerning the Programme and Budget for 2002-03 and other financial and general questions*, containing a draft resolution concerning appointments to the Administrative Tribunal of the ILO.

**89.** The representative of Australia said that Ms. Justice Gaudron had been a Justice of the High Court of Australia, the highest judicial body in that country, for 15 years, and was a highly respected member of that court. As the document made clear, Justice Gaudron would bring to the Administrative Tribunal a tremendous breadth and depth of experience, and the Australian Government strongly supported her nomination.

**90. *The Committee recommends that the Conference adopt this resolution, the text of which appears at the end of this report.***

## **Appendices**

**91.** A table showing the proposed use of the 2000-01 surplus is reproduced in [Appendix I](#) to this report.

**92.** The text of the Director-General's statement to the Committee, together with additional information on the treatment of the 2000-01 surplus, is attached as [Appendix II](#) to this report.

**93.** The provisions of paragraph 4 of article 13 of the Constitution of the ILO, also articles 31 and 32 of the Standing Orders of the Conference, are reproduced in [Appendix III](#) to this report.

Geneva, 14 June 2002.

*(Signed)* B. Jonzon,  
Chairperson and Reporter.

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## Resolutions submitted to the Conference

### Resolution concerning the arrears of contributions of Guinea-Bissau

The General Conference of the International Labour Organization,

Having regard to paragraph 7 of article 10 of the Financial Regulations,

Accepts the arrangement proposed by the Government of Guinea-Bissau for the settlement of its arrears of contributions due for the period 1991-2001 to the effect that:

- (a) in 2002, the Government of Guinea-Bissau will pay in full its contribution for the year 2002 and an amount of 29,770 Swiss francs;
- (b) in subsequent years, the Government of Guinea-Bissau will continue to pay its current contribution in full in the year for which it is due;
- (c) the Government of Guinea-Bissau will settle arrears that have accumulated up to and including 31 December 2001, amounting to 224,174 Swiss francs, by payment, beginning in 2003, of 19 annual instalments of 11,208 Swiss francs and a final instalment of 11,222 Swiss francs.

Decides that Guinea-Bissau shall be permitted to vote, in accordance with paragraph 4 of article 13 of the Constitution of the International Labour Organization, after the conclusion of the present business.

### ***Resolution concerning treatment of the 2000-01 cash surplus***

The General Conference of the International Labour Organization,

Urges all member States to pay their assessed contributions in full, on time, and without conditions,

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

Decides, in derogation of article 18.2 of the Financial Regulations, to use part of the 2000-01 surplus to finance the items listed in Appendix II to the first report of the Programme, Financial and Administrative Committee of the Governing Body at its 283rd Session (March 2002) (attached as [Appendix I](#) to this report) amounting to 90,801,000 Swiss francs,

Decides to delegate authority to the 285th Session of the Governing Body (November 2002) to make appropriate adjustments to the said Appendix I within the context of the strategic framework, should this prove necessary in the light of the Director-General's continuing consultations,

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

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***Resolution concerning the Financial Report and Audited  
Financial Statements for 2000-01***

The General Conference of the International Labour Organization,

Decides, in accordance with article 29 of the Financial Regulations, to adopt the Financial Report and Audited Financial Statements for the 67th Financial Period (2000-01).

***Resolution concerning the composition of the Administrative  
Tribunal of the International  
Labour Organization***

The General Conference of the International Labour Organization,

Expresses its appreciation to Ms. Mella Carroll for the services which she has rendered to the work of the Administrative Tribunal of the International Labour Organization over the past 15 years,

Decides, in accordance with article III of the Statute of the Administrative Tribunal of the International Labour Organization, to appoint as judge of the Administrative Tribunal, for a term of three years with effect from 1 March 2003,

Ms. Justice Mary Geneviève Gaudron (Australia).

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## Appendix I

### Proposed use of the 2000-01 surplus

#### Summary

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

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## Appendix II

### **Statement by the Director-General to the Finance Committee of Government Representatives on Tuesday 11 June 2002 at 3 p.m.**

The following is the text of a statement by the Director-General to the Finance Committee of Government representatives at the commencement of its discussion on the treatment of the 2000-01 cash surplus.

Thank you Mr. Chairperson for the opportunity to address this Committee. Let me start by congratulating you on your election as Chairperson to guide us in our work.

While it is normal practice that I introduce my programme and budget proposals before this Committee, it is unusual that I should intervene at another time. This is an indication not only of the importance of the discussion that is about to take place, but also of the underlying principle of prudent financial management that lies behind it.

For the sake of clarity I will outline briefly the subject at issue today. More details can be found in my introduction at the Programme, Financial and Administrative Committee last March, found on page 31 of the English version of Report II that is being considered by this Committee. As I indicated then, late last year (2001) it became clear that we would receive more contributions during 2000-01 than we had the authority to spend and that there would therefore be a surplus, which is distinct and different from an underspending of the budget. As you know, the Financial Regulations do not allow the spending of a surplus of contributions over the approved budget level. The full budget for 2000-01 was duly spent but the receipt of arrears of contributions did not add to spending authority. One of the lessons learned was that the Financial Regulations are not adapted to the situation in which the Office found itself last year. I will revert to this point later.

Regarding the surplus itself, from the outset there have been two views of how to proceed. Some Governments wished the arrears to be credited to member States in accordance with the provisions of the Financial Regulations. However, the majority of Governments, as well as the Employers' and Workers' groups, were strongly in favour of a significant part of the surplus being retained by the Office for programme activities. These positions were debated in the Programme, Financial and Administrative Committee (PFAC) of the Governing Body at its 283rd Session last March. There is a proposal to the Conference from the Governing Body on this matter.

It is not my intention here today to summarize this debate for you. You have certainly studied the report of that Committee which you have before you. I am pleased that our colleagues from the Employers' and Workers' benches could be here in the room with us today to provide a link with that discussion.

Over two months have now elapsed. I should like to take this opportunity to provide an update on the surplus proposals.

The Governing Body discussion in March was based on a document that necessarily had to be prepared at short notice and constituted the first step in a process of consultation. I fully recognize that additional consultations are necessary. Consultations have been carried out during the two months since the Governing Body, they are taking place now at the International Labour Conference, and they will continue during the lead up to our next Governing Body.

As a result of this process, the first and most obvious point to report is that demand for additional ILO support has become even stronger. Two examples are requests concerning assistance to Colombia and to Palestine. Moreover throughout the regions it is clear that services from the Office on a wide variety of subjects are in very high demand and the ILO's

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means are insufficient to meet those demands. We have had requests in all the areas identified in the proposals for expenditure submitted to the PFAC in March.

The Strategic Policy Framework for 2002-05 identified a number of areas in which the Office's capacities should be reinforced and it was on that basis that the proposals for use of the surplus were organized. Without this opportunity, resource levels would be flat or falling in areas that the Governing Body considered it important to strengthen.

Mr. Chairperson,

The process of consultation has been very positive for the Office in that it has shown the increased demand for our services. However, it has also demonstrated that some member States continue to have doubts and questions.

Some countries feel that the surplus should be credited against contributions to the ILO budget. This approach has been opposed by a majority of member States, which do not support the use of the surplus to reduce the contributions of highly industrialized member States, while member States in developing regions and transition countries would only receive minimal amounts. It may be helpful to recall here again that the surplus arose through late contributions received during 2000-01 which represented amounts due from member States in previous biennia. It did not arise through savings.

There are concerns about the degree of detail that the Office has provided and the form and content of consultations. As you know, it has always been my practice to consult all of you to the greatest possible extent. However, it is not simple on such a complex package of resources to have detailed consultations with all member States in a short space of time. For example, I have asked the regional directors to consult the constituents in each region on priorities, but it is difficult to do this without raising expectations about the availability of resources that the Conference has not yet decided to appropriate. The Office has nonetheless made every effort, where specific questions were raised, to be as responsive as possible.

Particularly detailed questions were raised, for example, by the Government of Japan, and the Office made a special effort to provide detailed responses. I believe that the information provided to individual countries is of general interest to this Committee and have therefore arranged for a compilation of responses to be reproduced as a document attached to the printed version of the present speech. The deliberations of this Committee will continue this consultation process and we will take particularly careful note of them for the next stage.

However, despite the fact that this summary provides additional details on the proposals which were made to the Governing Body, I do not believe that this forum can replace the discussion that has already taken place in the Governing Body.

One reason is that the Employers' and Workers' groups are not members of this Committee but they are an essential part of all deliberations within the ILO on programming questions. Another reason is that the information being circulated to you consists essentially of responses of an administrative nature on the proposed expenditures whereas the core of the programming debate should be in results-based terms in accordance with the policy of strategic budgeting adopted by the Office.

Nevertheless, the Office will naturally take heed of all suggestions and comments that you might wish to make in the current debate.

Moreover, I have set up procedural safeguards to ensure that the resources are to be spent in as relevant, efficient and effective a manner as possible. These are naturally issues which warrant particular attention. Let me start by giving you assurances of my commitment to prudent management of these funds. As outlined in the proposal put to the PFAC in March, the proposed expenditures would be one-time investments that would not create continuing obligations for the future. The funds would be held in separate project accounts. No expenditure would be incurred without my prior approval, based on detailed proposals. The expenditure would be incurred over a four-year period, that is 2002-05.

In addition to reporting on the use of the funds to the forthcoming 285th Session of the Governing Body in November 2002 and through the programme implementation reporting

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process, let me also assure you that we plan to indicate how the surplus and other regular budget resources are to be used in tandem. This will apply not only to the current biennium (2002-03), but also when I come to submit to you in March 2003 my Programme and Budget proposals for 2004-05. This will enable us to demonstrate the link between the proposed surplus expenditure and regular budget expenditure, and dispel any fears of duplication or overlap. We plan to indicate how the distribution of the surplus fits with the biennial strategic budgeting framework. In other words, we are now at only an early stage of a transparent and meticulous process of planning, implementation and reporting.

Mr. Chairperson,

Let me now turn to the substance of the proposals.

If I emphasized the importance of these proposals when I addressed the PFAC in March, as I have already mentioned, recent developments and consultations with member States have only convinced me that the need for the ILO to move forward on the issues at stake is even more urgent than it was three months ago when they were discussed by the Governing Body.

Firstly, while there has been important progress in certain countries, the global situation has probably worsened since our discussion in March. Although, for example, Afghanistan has started a long and difficult process of return to normalization, we cannot ignore the fact that further economic and social emergencies may be brewing in Latin America, Africa, the Middle East and Asia.

Urgent problems abound which express themselves in new demands on us. At the request of African member States, we are providing assistance with labour relations, management and organizational issues arising from the transition of the Secretariat of the Organization of African Unity to the African Union. In Argentina, the economic crisis is far from being resolved, while in Colombia, to which many of you referred during our March discussion, an ILO response is being upgraded. In CIS countries, especially those bordering Afghanistan, high unemployment and poverty as well as refugee problems caused by the recent Afghanistan war have placed severe strain on their economies. The ILO has been requested to assist in the nation-building process in East Timor. As you will recall also, the Governing Body at its meeting in March endorsed an Understanding between the Government of Myanmar and the ILO for a Liaison Officer to be appointed pending the establishment of a full ILO presence there. These are but some examples, if examples are needed, of interventions that were not, and could not, have been foreseen last June when we adopted the Programme and Budget for 2002-03.

I am most concerned that we make further efforts to strengthen our regional capacities. In the 2004-05 Programme and Budget proposals, I have already made a commitment to the Governing Body to transfer resources from headquarters to the regions, in particular regarding implementation of technical cooperation. I wish to involve the regions in the programming process more deeply than before, to ensure that constituents' priorities as well as regional and local conditions are fully reflected in our proposals within the framework of the Decent Work Agenda and the four strategic objectives. I have a clear commitment to reinforce the regions. We now need a one-time investment to help facilitate this transitional phase.

We are doing everything possible to ensure that a high proportion of these resources is of direct benefit to developing and transition countries. In the document attached to the printed version of this speech you will find a breakdown under each item of the estimated expenditure at regional level. The total is over 60 per cent regional spending, as against 30 per cent in the regular budget. Spending in each region will be in proportion to the regular budget allocation for that region.

I would like to add that the items on response to crisis and support to the regions have deliberately been kept flexible to ensure that we can respond to the requests and needs of ILO constituents as they emerge.

While the regional and crisis items are the largest in the proposal, we must not forget the need to reinforce the Office's ability to deliver to our constituents in keeping with the Strategic Policy Framework for 2002-05. Resources under zero growth have never been appropriate to allow us to reinforce our own internal capacity. Moreover, without trained staff,

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good information technology and management systems the ILO cannot fulfil the role approved by the Governing Body in the Strategic Policy Framework. Therefore resources that are proposed for items related to internal capacity are essential means by which the package of programmes is to be delivered to the regions.

Another point that I wish to address concerns the World Commission on the Social Dimension of Globalization. Since the March Governing Body, two meetings of the World Commission have taken place under the leadership of Presidents Halonen of Finland and Mkapa of the United Republic of Tanzania. These meetings proved to be a resounding endorsement of the role that such a Commission can play. Globalization has been an instrument of wealth creation for some but for many it has exacerbated inequality and insecurity. It has to be made to deliver decent work, security and a voice in the global arena.

Several member governments have, however, accurately pointed out that the cost of this Commission has increased since the initial budget was first put to the Governing Body in November 2001. This is a question that I have followed with personal concern and I regret that we were not able to fully anticipate the cost implications of its establishment at that time. Many of the features that the work of the Commission has acquired were – in fact – the result of consultations with the co-Chairs and members in the process of its constitution. However, it has become increasingly obvious to all of us that the World Commission will have an impact that will go far beyond what was originally anticipated. What we must address is the need to provide the level of intellectual support and potential for worldwide impact to enable the Commission to fulfil its mandate. The Commission is an unprecedented effort to promote international dialogue on making globalization more inclusive. Many are convinced that the ILO is the forum in which a debate and exploration of how to promote development combined with social justice has to take place.

Mr. Chairperson,

During the discussion on the surplus in the PFAC meeting in March 2002, a large majority of speakers recognized that article 18.2 of the Financial Regulations did not satisfactorily address the treatment of a surplus arising from delayed payments of contributions. Several delegations referred to the need for proposals to be made to amend the Financial Regulations. I believe the Governing Body's intention was clear in this regard; surpluses arising from delayed payments of contributions, where the Office had exercised financial prudence to avoid deficits, should not be treated in the same manner as surpluses arising from an underspending that was within the control of the Office.

We will be examining how improvements may be made to the Financial Regulations in this regard and it is my intention to present proposals to the Governing Body at its 285th Session in November 2002.

Let me summarize by saying that this entire process has shown how easy it is in a zero growth framework to underestimate the demands for the ILO's services. I am committed to a continuing process of consultation and dialogue with you and hope that our further discussions can benefit from the additional information in the document which is being distributed to you now.

Like many of the members of the Governing Body, I am convinced that the real solution to the issue before us lies in reform of the Financial Regulations. Even if we have not yet done so, it seems clear that member States want the resources that they contributed to this Organization used for purposes for which they were originally intended. I therefore commend to you the resolution proposed to the Conference by the Governing Body at its 283rd Session.

Thank you Mr. Chairperson.

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## **Additional information on the treatment of the 2000-01 surplus**

### **Compilation of replies to questions**

A number of questions have been raised on the treatment of the 2000-01 surplus in consultations between the Office and ILO constituents. This note provides a compilation of information that responds to questions received. It provides administrative information as the questions had a similar emphasis. If the Conference decides to adopt the resolution proposed by the Governing Body, consultations will continue and more systematic information will be provided at the November 2002 session of the Governing Body.

Many of the requests for information concern cost breakdowns of individual proposed items. Where the items are relatively predictable in their structure and cost at this stage – for example the Maritime Session of the Conference, or the World Commission on the Social Dimension of Globalization – estimates are provided with some precision. In other cases, such as crisis response, the situation is sufficiently dynamic that any estimates are necessarily rough.

One general question that was raised concerns the proportion of expenditure that relates to the regions. In the Director-General's introduction to the Governing Body discussion of the surplus, he reiterated his strong commitment to the reinforcement of the ILO's work in the regions, including through cash surplus expenditure. An estimate of approximate expenditure in the regions is attached as Annex I. Each developing region would benefit in approximately the same proportions as its share of the ILO regular budget.

Another question concerns the proportion of resources that will be spent in 2004-05 as opposed to 2002-03. It is difficult to make estimates of this sort on the basis of the information currently available, which does not include precise time schedules. In the case of the Maritime Session of the Conference it can be anticipated that the larger part of the resources would be spent in 2004-05. In other cases much will depend on local conditions during project execution. However, we would expect that the bulk of resources under all but the Maritime Session of the Conference will be committed before the end of 2003. In addition, resources for the Maritime Session will affect the Programme and Budget proposals for 2004-05 and thus will need to be earmarked during the preparation of these proposals in 2002.

It is often asked why the items proposed for the surplus did not appear in the Programme and Budget proposals for 2002-03. It should be recalled that the discussions of the programme and budget took place under a zero growth constraint. Much important and urgent work could not be accommodated. Moreover, in its discussion of the Strategic Policy Framework 2002-05, the Governing Body called for an important strengthening of the ILO's capacities to serve its constituents. No additional resources for capacity strengthening were provided for in the Programme and Budget for 2002-03 despite major needs in fields such as statistics, visibility, human resources and evaluation.

The remainder of this note is organized according to the items in the resolution proposed to the Conference by the Governing Body.

### ***A Maritime Session of the ILC (\$3.2 million)***

In response to calls for an integrated approach to international labour standards in the maritime industry the Governing Body has approved, in principle, a Maritime Session of the International Labour Conference in 2005. The consolidation of the various ILO Conventions and Recommendations in the maritime field will require considerable preparatory work, all of which cannot be funded from regular budget resources.

A preliminary session of the Maritime Conference is planned for 2004 to enable the "first discussion" by constituents of the new maritime instrument (integrating more than 60 existing instruments). The estimated costs of this session are based on the cost of the 1986-87 session that amounted to some

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\$686,000. The breakdown is as follows: personnel and delegates' travel (\$632,500) and communications, stationery and other miscellaneous costs (\$53,500).

Cost estimates for the Maritime Session are based on the previous (1996) session. However, the 1996 exercise was not a "normal" Maritime Conference in terms of how such Conferences have been budgeted in the past. It had a reduced budget due to a projected shortfall in contributions in that biennium. For example, only the opening and the closing sessions were held at the Palais des Nations. The technical meetings took place at the ILO building. The cost amounted to some \$2.5 million, the breakdown being as follows:

- personnel costs (including interpretation costs, staff costs, etc.) and costs related to delegates travel – \$1,576,000;
- document preparation including printing and translation costs – \$293,000;
- external collaborators – \$528,000; and
- rental of premises, equipment and other logistical arrangements – \$117,000.

That Maritime Session had a lower participation rate and fewer committee meetings due to the smaller number of instruments discussed. The 2005 Conference will address the integration of over 60 instruments. A higher number of delegates is anticipated than in 1996, and there are likely to be more parallel committee sessions. Additional costs will therefore include rental of meeting accommodation at the Palais des Nations, higher interpretation costs and additional expert preparatory work. Some of these costs will have to be borne by the regular budget.

### ***World Commission on the Social Dimension of Globalization (\$2.8 million)***

Initial estimates of the budget for the WCSDG, presented to the PFAC in November 2001, were based on preliminary assessments made several months prior to the convening of the Commission itself in 2002. These assessments included limited provision for a Commission of 18 members, meeting twice, and concluding its work within approximately 12 months. The budget did not include ILO staff costs, as it was expected that the technical work of the secretariat could be undertaken by existing ILO programmes.

Subsequently, the Commission (whose number was increased to 21), revisited their original work schedule on the recommendation of the Co-Chairs. It was noted that the work of the Commission would be a dynamic process, which had to respond to new demands and evolving external developments. There was concern that the time available would not permit the Commission to carry out a systematic discussion of the issues involved, and to undertake dialogues with various actors involved in the process of globalization which was essential for a sense of public ownership and legitimacy of its work. The planned duration of the Commission was therefore extended to 18 months, the number of meetings to six, and provision made for dialogues with key actors at global, regional and national levels. It also became clear, that it would not be prudent for the secretariat to rely exclusively on ILO programmes for technical and managerial support. The cost of a core secretariat was therefore included in the budget.

The budget allows for a core secretariat staffed by an Executive Secretary, one Professional staff member and two General Service staff. In addition, the core secretariat draws on staff from other ILO programmes through the part- or full-time secondment of six Director and Professional-level staff, and two General Service-level staff. These secondments contribute both to the core secretariat as well as to the various work areas listed below, and total 99 Professional work-months and 30 General Service work-months that are not included in the budget. However an allocation for the travel of both core and seconded staff has been included.

\$750,000

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A total of six Commission meetings are foreseen to provide the time requested by the Commission for in-depth consultations. The meetings are likely to take place in Geneva with durations of two to four days. The budget covers travel and DSA for Commissioners and other meeting-related expenses including additional meetings with the Advisers of the Co-Chairs.

\$600,000

The Commission considered it important to engage in extensive dialogue with key actors in the process of globalization, including governments, business, workers, civil society, international and regional organizations. These consultations will be in the form of round table discussions and seminars in several countries as well as at regional level. They will include leaders of business, labour and civil society and all the relevant multilateral organizations. The Commission felt that such dialogues were essential to provide new perspectives, enhance transparency, and strengthen the sense of ownership of the Commission's findings and recommendations. Four regional consultations and ten to 15 national consultations are planned. Provision is also made for systematic interaction with other international organizations, particularly the Bretton Woods institutions, to ensure the practicality of the Commission's recommendations and their effective follow-up. The cost of involving a General Service staff member for logistics and administrative support is included.

\$365,000

As the Commission's work is complex and goes beyond the scope of the ILO's current competence, the Commission considered it necessary to establish five to seven knowledge networks to mobilize and coordinate external expertise, including leading academics, international organizations, and national research centres. The activities for building these knowledge networks will include: the commissioning of papers; roundtable discussions and seminars; reviews and analyses of existing research and policies; and the development of a knowledge base on key issues for which data are limited. These networks, while drawing on available ILO work on globalization, will significantly contribute to the knowledge potential of the Organization itself, and thus represent an important longer-term investment in developing the ILO's future expertise. The budget includes one Professional staff to coordinate the work and two General Service staff to provide secretarial and documentation support.

\$735,000

The Commission operates in three languages. Provision has therefore been made for simultaneous interpretation into these languages, transcriptions of all meeting proceedings, as well as the editing, translation and printing of the final report and major working papers.

In addition, it is important to have a communications strategy to support the work of the World Commission. This will entail the preparation of briefing kits and other information materials, and use of a secure web site and worksite.

\$250,000

The budget also includes equipment (e.g. computer equipment and scanners) and technical support.

\$100,000

To supplement the above budget, particularly in the area of knowledge networks and technical expertise, the secretariat is in contact with a number of extra-budgetary funding sources. To date, the Swiss Government has agreed to provide 200,000 Swiss francs to support technical aspects of the Commission's work, while Norway has provided resources (15 work months) for the recruitment of expert staff from developing countries. There are ongoing contacts with the Governments of France and Denmark.

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## ***International labour standards: integrated approach and assessment of impact (\$2 million)***

Over the past few years, the Governing Body has shown great interest in identifying priority standards for promotion, developing a new, integrated approach to standard setting and assessing the impact of standards. The aim is to strengthen the promotion of labour standards.

The preparatory work would involve the analysis of existing standards, with a view to making proposals to the Governing Body for integrating them.

On the promotional side, there would be a study of ways in which member States and constituents could be assisted in focusing their programmes and activities at the national level in order to identify synergies and priorities in terms of both international labour standards and commitments under ratified Conventions, and national policies and plans for decent work. This would include identifying good practices and proposing new approaches to cooperation and team-building among technical sectors and between the standards and fundamental principles and rights at work sector and the field.

Preparatory work would be necessary to move towards a mode of supervision of standards which would better combine highlighting problems of implementation with practical action which the Office as a whole can envisage for their solution. Focus and prioritization in terms of interpreting the decent work framework and the four strategic objectives at the national level would be a principal aim. Reorganization of the work of the International Labour Standards Department so as to enable supervisory comments to be more coherent and coordinated by country would be one possible outcome.

## ***Response to crises and emergencies (\$6.5 million)***

The ILO has undertaken a commitment to respond rapidly to crises and emergencies in different regions. Its credibility in this regard depends on the availability of resources to ensure that it is present, visible and promoting its objectives within the framework of multilateral initiatives.

Because of the dynamic nature of the crisis, the summary below is necessarily tentative. It consists of situations that either arose or generated new demands for ILO assistance after the 89th Conference discussion.

*Afghanistan:* The ILO is working with the Government: to enhance the capacity of the Ministry of Labour and Social Affairs and the Ministry for Women Affairs; to develop sound economic and employment-focused policies; to develop community-based programmes for employment promotion through micro and SME development; to provide employment services for jobseekers, and to train disadvantaged women to enable them to secure remunerative employment.

*Sri Lanka:* The ILO is involved in developing schemes for the social and economic reintegration of demobilized soldiers, and is also promoting local and area-based economic development initiatives as part of peace building.

*Greater Great Lakes region:* The ILO has been involved in developing a multi-donor reintegration programme budgeted at \$330 million with the World Bank and other donors. Resources are needed for preparatory and complementary activities in the preliminary phase in seven African countries in such areas as training and job creation.

*Sierra Leone:* Setting up an employment services centre in Freetown with active government support. The centre focuses on addressing the key problem of youth unemployment and the needs of returnees. Support is urgently needed to widen the range of services being provided and replicate the facilities in other locations, whilst donor funding is being sought.

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*Argentina:* In a situation of severe economic crisis, resources are needed for an intervention to save jobs and revive small and medium enterprises, as well as to reform the social security system on a priority basis.

*Commonwealth of Independent States (CIS) countries, especially those bordering Afghanistan:* In addition to the problems of transition, the recent Afghanistan war has placed severe strain on their economies. Resources are needed to address high unemployment and poverty and problems of refugees.

*Palestine:* The objective would be to assist the Palestinian National Authority (PNA) and ILO constituents in developing appropriate employment strategies, policies, and technical approaches during the anticipated new wave of reconstruction efforts.

*Colombia:* The objective would be to assist in the integration of displaced persons in the local economy and to assist in the re-establishment of conditions for sustainable development through economic recovery and job creation.

*East Timor:* The ILO plans to support the process of nation-building in East Timor by assisting in the establishment of the basic institutions of democracy.

### ***Investments in building and accommodation (\$5.5 million)***

As at 31 December 2001, the balance available on the Building and Accommodation Fund amounted to \$3.9 million.<sup>1</sup> At its 283rd Session (March 2002), the Governing Body approved the use of \$2.55 million to finance the construction of new premises to house the ILO Regional Office for the Americas in Lima and the installation of additional office buildings at headquarters leaving a balance available on the Building and Accommodation Fund of \$1.4 million.

In order to maintain the Fund at a realistic level to meet potential uses, including those referred to in the above paragraph and those described below, the Director-General proposes that an amount of US\$5.5 million be transferred to the Building and Accommodation Fund. Any proposals for the use of the resources of the Building and Accommodation Fund would, of course, be submitted to the Governing Body for its prior approval, in accordance with the provisions of the Financial Regulations.

*ILO Regional Office for Africa (Abidjan):* The Regional Office for Africa moved to Abidjan in 1990 and, following the installation of the Central and West African Multidisciplinary Team in Abidjan, together with the decentralization of financial administration from Geneva, an annex of four floors was constructed in 1998. The total number of staff housed in the two buildings is now approximately 70 and it is foreseen that at the present growth rate the number of staff will increase to over 100 in the next two bienniums. Space and storage facilities are now becoming inadequate and there is need for expansion to meet the Regional Office's requirements. There is also a serious parking problem for officials and visitors.

\$700,000

*Interpretation equipment and booths at headquarters:* This equipment is almost 30 years old. Although the equipment in the Governing Body room and rooms II, III IV and V has been renovated, interpretation equipment in the remaining meeting rooms I, VI, VII, IX and XI and the cinema has become increasingly problematic and needs to be replaced.

\$1.43 million

<sup>1</sup> This excludes an amount of \$2.5 million received from the company responsible for maintaining the headquarters building's technical installations and set aside exclusively for this purpose by a resolution of the Conference in June 1994.

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*Fire detection equipment:* Additional fire detectors, together with other ancillary equipment need to be installed in order to ensure full coverage of the headquarters building.

Estimated cost: \$650,000

*Waterproofing:* Although most of the waterproofing of the roof of the headquarters building has been completed, some additional work remains.

Estimated cost \$170,000

At its 283rd Session (March 2002), the Governing Body requested that the Office re-evaluate the situation regarding office space and report back to the November 2002 Session with proposals for optimizing the use of existing space in ILO headquarters. A contract has been agreed with a firm of architects who are expected to report back to the Office towards the end of September 2002.

### **Security and safety of staff (\$2.8 million)**

There are concerns about the security and safety of UN staff in the light of developments during 2001 and continuing uncertainty in the international security environment.

The Chief Executives Board (formerly the Administrative Committee on Coordination (ACC)) with UN General Assembly support, agreed late last year to introduce measures designed to strengthen the UN Security Management System (UNSMS), and the ILO will be expected to share in the associated cost increases. The ILO's share of the UNSMS costs for 2002-03 is estimated at \$1.5 million.

The revised UNSMS arrangements will require each member organization to take a much higher level of responsibility for the security of their staff wherever they are located and to take all measures considered necessary for strengthening security arrangements within its own premises and areas of operating responsibility.

These measures will not, however, improve the ILO's immediate internal security preparedness and consideration must therefore be given to some judicious, one-off, expenditures, directed particularly towards strengthening the physical security of field residential and office premises and providing adequate communication links between staff at all times.

The results of the ILO field security review have shown that, if the Office is to be an informed and effective participant in the UNSMS, it needs to take the following urgent measures:

- review and update its security policy, rules, procedures and guidelines;
- raise the awareness and understanding of management and staff in respect of security matters generally by providing the necessary training;
- improve knowledge across the Office of the UNSMS;
- take a more active role in the UN security coordination effort at country level (particularly, through formalizing the role of Security Focal Point in each ILO office); and
- ensure implementation of all appropriate security and safety measures (particularly, in terms of office and residential security and minimum security equipment requirements) at each ILO duty station.

The estimated costs are as follows:

	\$
ILO's share of UNSMS costs	1,500,000
Strengthening physical security and communications in 15 offices	1,100,000
Training	160,000
Reviewing and updating security policies and procedures	40,000
Total	2,800,000

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The Office intends to use the services of several of the security consultants it engaged during the field security review, and who have previous experience working within the UNSMS. This programme would also provide scope to train some ILO staff as security trainers, thereby minimizing training costs in the future. The related costs would be in the order of \$160,000 and would cover fees and fares/DSA for the consultants.

### **Management challenges (\$6 million)**

The ILO's Strategic Policy Framework for 2002-05 identified a number of management-related challenges for implementing and reinforcing reforms resulting from the introduction of strategic planning, results-based management and related organizational change.

A paper proposing a full evaluation framework for the ILO will be submitted to the Governing Body in November 2002. It is likely to propose the strengthening of evaluation Office-wide, as well as greater independence of evaluations. Training resources and the costs of contracting independent evaluators will also be needed, in particular for the evaluation of InFocus programmes and for building an evaluation capacity at regional level.

Organizational reform will require resources to develop and implement performance management systems at unit level, in particular in the regions. This will contribute to a larger role for the regions – and for constituents at country level – in the development and implementation of future programme and budget proposals and related planning. Efficiency studies will be an important contribution to future savings in administrative functions. There also will be a need to retrain displaced staff and, in some cases, cover the costs of voluntary separations.

The ILO's human resources development (HRD) strategy includes an important component of renewal and retraining. This encompasses the recruitment of young career entrants, who spend two years in the regions after one year of induction at headquarters, as well as improved training for management and staff. The resources requested exceed what could be included under the cash surplus proposal. The Director-General will therefore make choices based on detailed proposals received after there is a decision on the cash surplus. Choices are expected to be made within the following envelopes.

### **Results-based programming and management**

Redesign of programming, monitoring and evaluation procedures and the development and implementation of accountability and performance management systems at unit levels. Investments are required to develop tools and training materials, and to train staff, particularly in the regions, to enhance their contributions and those of constituents to the programming and planning processes.

\$900,000

Costs of independent evaluators for the evaluation of eight InFocus programmes and for building evaluation capacity in the regions.

\$500,000

Improving the ILO's knowledge base through skill development programmes for staff, and management and leadership programmes. Costs are also associated to the implementation of the Young Professionals Career Entrance Programme, to fund two-year field assignments after a year of induction at headquarters.

\$3,500,000

There are a number of reforms to be carried out in various areas of the Office, which will require training and retraining as a result of the introduction of new technologies, redeployment and the streamlining of activities.

\$1,100,000

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There were no additional resources in the Programme and Budget for 2002-03 for strengthening capacities in the following areas:

### Regional services (\$10 million)

This item covers resources for the development and testing of new approaches and products, without which the technical cooperation programme as a whole cannot be sustained. This would be carried out on the basis of country-level priorities. It would include both the delivery of services and serve as a basis for drawing up project proposals for submission to donors.

Demand in the regions in all of these areas largely exceeds the resources in the cash surplus. Discussion at the 283rd Session of the Governing Body and subsequent discussions have resulted in additional demands, particularly to support the Global Employment Agenda, the development of social protection programmes and occupational safety and health. Resources will be allocated based on the evaluation of proposals submitted to the Director-General, who has undertaken to allocate resources to each developing region roughly in proportion to that region's regular budget allocation.

The proposal covers the strengthening of regional capacities, particularly in relation to technical cooperation. It is in line with the Director-General's decision to decentralize resources and responsibilities, that has been emphasized in his Programme Guidance Letter dated 23 April 2002 addressed to all staff:

As a further reflection of the need to enhance our presence and action in member States, I have made a commitment to the Governing Body to transfer resources for a number of posts and related responsibilities from headquarters to the regions, in particular regarding technical cooperation. I wish to involve the regions in the programming process more deeply than before, to ensure that constituents' priorities as well as regional and local conditions are fully reflected in our proposals, within the framework of the decent work agenda and the four strategic objectives.

Transitional costs include temporary staffing problems created by transfers and the need to change systems and procedures to accommodate strengthened regional structures.

### Statistics (\$2 million)

The Strategic Policy Framework made a strong call for the strengthening of the ILO's statistical capacities which have not been upgraded for a very long period. Consequently there is a need to go as far as possible within the limited resources available under this item of the cash surplus. Since the cost estimates received from the Bureau of Statistics and other users of statistics far exceed the amount in the cash surplus, requests will have to be prioritized.

There is an urgent need to develop appropriate decent work indicators at the country and regional levels. The Yearbook and KILM need to be complemented in order to come up with more reliable estimates. New methodologies will be developed for collecting data on decent work, and data collection and reporting systems will be modernized. Costs will involve the development of a multi-dimension data collection system, the harmonization of Office hardware and software, the redesign of the *ILO Yearbook of Statistics* and the provision of a web-based data dissemination system.

An estimated 30 per cent of the \$2 million requested are non-staff costs, mainly to be used for carrying out pilot projects.

The proposed work on statistics is additional to that included in the Programme and Budget for 2002-03 and results from recommendations to the Director-General by an internal advisory group on statistics which completed its work in 2001.

### Gender equality (\$2 million)

The ILO is committed to strengthening its efforts to promote gender equality through mainstreaming. In order to do this effectively, internal capacity building and support for capacity-building initiatives in

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ILO member States, must be priority areas for action. Resources for coming out gender audits and providing technical support for follow-up in member States are therefore essential.

The procedures for carrying out gender audits involve tripartite workshops which evaluate performance on gender mainstreaming, good practices and problems encountered.<sup>2</sup> Reviews of products are carried out to assess the manner in which, and extent to which, gender has been systematically mainstreamed. A final report summarizes results in the following areas: mainstreaming of gender equality; existing gender expertise; competence and capacity building; information and knowledge management; choice of partner organizations; staffing and human resources; and perception of achievement on gender equality. Technical advisory services are provided to constituents to build national capacity in the field.

Resources were included in the budget approved at the 89th Conference to support gender audits within the ILO. Pilot projects were carried out in China, Nepal, United Republic of Tanzania and Uganda. The cost of each project is \$135,000. Additional resources are requested under the cash surplus in order to cover more countries and initiate further projects for extra-budgetary funding.

### External communications (\$3.5 million)

In order to support the ongoing development of a communications strategy that raises the ILO's visibility as a force for social justice, investment is needed to strengthen outreach to worldwide media and the launching of specific communications products aimed at targeted audiences, including donors, social partners, non-governmental organizations and other relevant actors in civil society. Further, to increase recognition of the ILO as an essential partner and provider of viewpoints to all those who have the capacity to make decisions affecting decent work, it is particularly important to improve the Organization's capacity to produce and disseminate communications materials, strengthen communications training for key spokespeople, and increase the usefulness and "user friendliness" of the ILO web sites.

There are ongoing consultations within the Office concerning the allocation of resources for realizing the ILO's communication strategy. There is general awareness that the local, regional and branch offices have a critical role to play in implementing this strategy. Consequently, they need support to enhance the skills of those persons who will be involved in producing, and promoting ILO material, and interacting with the public and mass media to pass on the ILO's main messages. The following is a breakdown of the areas of proposed expenditure: information campaigns involving ILO branch, regional and local offices (\$1.6 million); production costs of information materials, including audiovisual resources (\$1 million); training for ILO staff at headquarters and in the regions (\$400,000); and the upgrading of the ILO web site plus audiovisual equipment (\$500,000).

### Investment in information technology (\$5 million)

It will be recalled that in June 2000, the Conference, on the recommendation of the Governing Body, decided to establish an Information Systems Technology Fund from the 1998-99 surplus in the amount of 38,250,000 Swiss francs (US\$25 million).

Priority has been given to the upgrading of the ILO's financial and human resources systems and the amount available in the Information Systems Technology Fund has been fully committed for these purposes. This has meant, however, that other information technology needs cannot be implemented. Examples of other potential uses of the Information Technology Systems Fund were given in previous papers,<sup>3</sup> submitted to the Governing Body and an updated list with cost estimates follows.

<sup>2</sup> For further information on the gender audit process please refer to the ILO's web site [http://www.ilo.org/dyn/ilosite.page0?p\\_lang=EN](http://www.ilo.org/dyn/ilosite.page0?p_lang=EN)

<sup>3</sup> GB.273/PFA/7 and [GB.277/PFA/2/2](#).

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It is clear that the investment required for information technology cannot be realistically envisaged within the regular budget, which is subject to zero growth. The Director-General therefore proposes that to partially address this need, an amount of US\$5 million be transferred to the Information Systems Technology Fund on the understanding that any proposals for the use of these resources would be submitted to the Governing Body for its prior approval.

*Content/Document Management System (CDMS):* This will provide a comprehensive Office-wide electronic document management, archival and workflow system. It will facilitate the production, management and dissemination of information.

\$3,000,000

*Telecommunications infrastructure improvements for both voice and data:* This will ensure reliable and cost-efficient operations. Issues such as Virtual Private Networks and Global Wide Area Networks are under study. A coherent telecommunications infrastructure would speed up deployment of video-conferencing in the field, reducing missions and staff travel.

\$3,000,000

*Disaster recovery/hardware security:* The aim is to assess the needs of the Office in terms of an external disaster recovery site, and build a second computer room to provide a secure area for ILO's public web servers. Availability of a secure in-house computer-hosting area would also reduce the costs of off-site disaster recovery facilities.

\$1,300,000

*Storage Area Network (SAN):* The installation of a SAN will provide flexible, efficient and secure storage across all computer platforms. A high-performance network to perform data back-ups and other large volume storage operations, will be included.

\$900,000

*Microsoft Office Licenses:* The aim is to move into standard Microsoft Office to facilitate the sharing of data with constituents and other collaborators and to bring the ILO into line with other international organizations.

\$800,000

*Electronic voting and Conference system:* The current system, installed nine years ago, needs to be upgraded. The hardware for the voting stations is obsolete and replacement parts can no longer be obtained. Its renewal will offer greater adaptability as well as closer integration with the Conference system.

\$600,000

*New Internet connectivity for headquarters:* Rapid growth of web-based applications has highlighted the limitations of the current Internet connectivity at headquarters: poor Internet response times, an outdated firewall and an inflexible security mechanism. A major design will provide a more responsive and reliable link to the Internet, a more flexible firewall and a medium-term security network for public servers. It will also include improved Internet services and facilities for delegates, field staff on mission at headquarters and official visitors.

\$200,000

**Estimates of regional expenditure under the surplus**
**Annex I**

Items in PFA paper	Regional expenditure items	Estimated costs for the items	Estimated regional expenditure	%
1 Maritime Session of the International Labour Conference		3 200 000	-	0
2 World Commission on the Social Dimension of Globalization	<b>Meetings and consultations at regional level</b>	2 800 000	<b>365 000</b>	<b>13</b>
3 International Labour Standards	<b>Assessment of the impacts of standards in the regions; regional consultations for promotional work and integration of the normative element into the ILO's TC programme; application of the new approaches and methodologies in the regions</b>	2 000 000	<b>1 000 000</b>	<b>50</b>
4 Response to crisis and emergencies	<b>Standby allocation to facilitate rapid timely response to emergency situations</b>	6 500 000	<b>6 500 000</b>	<b>100</b>
5 Investments in building and accommodation	<b>Replenishment of the Building and Accommodation Fund (BAF) for construction of new premises to house the ILO Regional office for the Americas (Lima) and temporary accommodation at Headquarters; possible addition of office space to the ILO Regional office for Africa (Abidjan) and other building-related expenditure.</b>	5 500 000	<b>2 700 000</b>	<b>49</b>
6 Security and safety of staff	<b>Improvement of the security of field offices, including telecommunications and equipment; security management arrangements in field offices; security assessment missions; report on ILO Field Security Review</b>	2 800 000	<b>2 530 000</b>	<b>90</b>
7 Management challenges	<b>Redesign of programming and planning processes at regional level; training to build evaluation capacity at regional levels; training of managers and staff in the regions, including support to the Young Professionals Programme</b>	6 000 000	<b>2 600 000</b>	<b>43</b>
8 Regional services	<b>Support of decentralization and development of systems for extra-budgetary programmes in the framework of the Decent Work Agenda</b>	10 000 000	<b>10 000 000</b>	<b>100</b>
9 Statistics	<b>Capacity building to develop regional data centres and to measure decent work</b>	2 000 000	<b>500 000</b>	<b>25</b>
10 Gender equality	<b>Gender audits in member States</b>	2 000 000	<b>1 700 000</b>	<b>85</b>
11 External communications	<b>Campaign backups through site visits with journalists to technical programmes; meetings in member States to develop partnerships for increased outreach capacity; promotional campaigns with emphasis on regional and local audiences; training for promotional activities at the regional levels</b>	3 500 000	<b>2 100 000</b>	<b>60</b>
12 Investment in information technology	<b>Upgrading telecommunications and information technology infrastructure</b>	5 000 000	<b>1 500 000</b>	<b>30</b>
<b>TOTAL</b>		<b>51 300 000</b>	<b>31 495 000</b>	<b>61</b>

**These estimates are approximate. In many cases early estimates from the regions and from headquarters considerably exceed the resources that may be available, and it will be necessary to work out priorities and details.**

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## Appendix III

### Relevant provisions of the Constitution of the International Labour Organization and the Standing Orders of the International Labour Conference

Paragraph 4 of article 13 of the Constitution of the Organization provides as follows:

4. A Member of the Organization which is in arrears in the payment of its financial contribution to the Organization shall have no vote in the Conference, in the Governing Body, in any committee or in the election of members of the Governing Body, if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years: provided that the Conference may by a two-thirds majority of the votes cast by the delegates present permit such a Member to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member.

Articles 31 and 32 of the Standing Orders of the Conference provide as follows:

#### ARTICLE 31

##### *Procedure where proposal is made to permit Member in arrears to vote*

1. Any request or proposal that the Conference should nevertheless permit a Member which is in arrears in the payment of its contributions to vote in accordance with article 13, paragraph 4, of the Constitution shall be referred in the first instance to the Finance Committee of the Conference, which shall report thereon as a matter of urgency.

2. Pending a decision on the request or proposal by the Conference, the Member shall not be entitled to vote.

3. The Finance Committee shall submit to the Conference a report giving its opinion on the request or proposal.

4. If the Finance Committee, having found that the failure to pay is due to conditions beyond the control of the Member, thinks fit to propose to the Conference that the Member should nevertheless be permitted to vote in accordance with article 13, paragraph 4, of the Constitution, it shall in its report:

- (a) explain the nature of the conditions beyond the Member's control;
- (b) give an analysis of the financial relations between the Member and the Organization during the preceding ten years; and
- (c) indicate the measures which should be taken in order to settle the arrears.

5. Any decision which may be taken by the Conference to permit a Member which is in arrears in the payment of its contributions to vote notwithstanding such arrears may be made conditional upon the Member complying with any recommendations for settling the arrears which may be made by the Conference.

#### ARTICLE 32

##### *Period of validity of a decision to permit a Member in arrears to vote*

1. Any decision by the Conference permitting a Member which is in arrears in the payment of its contributions to vote shall be valid for the session of the Conference at which the decision is taken. Any such decision shall be operative in regard to the Governing Body and committees until the opening of the general session of the Conference next following that at which it was taken.

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2. Notwithstanding the provisions of paragraph 1 of this article, after the Conference has approved an arrangement under which the arrears of a Member are consolidated and are payable in annual instalments over a period of years, the Member shall be permitted to vote provided that, at the time of the vote concerned, the Member has fully paid all instalments under the arrangement, as well as all financial contributions under article 13 of the Constitution that were due before the end of the previous year. For any Member which, at the close of the session of the Conference, has not fully paid all such instalments and contributions due before the end of the previous year, the permission to vote shall lapse.

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