



## EIGHTH ITEM ON THE AGENDA

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

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1. The Programme, Financial and Administrative Committee (PFA) of the Governing Body met between 10 and 13 and on 19 March 2009, and was chaired by Mr Rapacki. Mr Julien and Sir Roy Trotman acted as Vice-Chairpersons. Mr Eriksson, Government representative, served as Reporter.
2. The Committee approved the order of discussion as proposed in document GB.304/PFA/TOB.

## **Programme and Budget for 2008–09: Regular budget account and Working Capital Fund**

(First item on the agenda)

3. The Committee had before it three papers<sup>1</sup> on the regular budget account and Working Capital Fund as at 31 January 2009 and contributions received as at 28 February 2009.
4. The representative of the Director-General (Mr Johnson, Treasurer and Financial Comptroller) reported that, since 28 February 2009, contributions amounting to 3,900,114 Swiss francs had been received from nine member States, as follows:

	2009	Arrears	Total in Swiss francs
Trinidad and Tobago	105 648		105 648
Cyprus	172 007		172 007
Eritrea	3 904		3 904
Ecuador	14 355	82 879	97 234
Republic of Moldova	3 904	136 467	140 371
Lebanon		199 906	199 906
China		248 779	248 779
Afghanistan	3 940	3 940	7 880
Saudi Arabia	2 924 385		2 924 385

As a result of its payment Lebanon had regained its right to vote. Total contributions received to date amounted to 81,621,006 Swiss francs, comprising 72,287,404 Swiss francs for 2009 and 9,333,602 Swiss francs in arrears. The total balance due was therefore 413,637,069 Swiss francs.

5. Sir Roy Trotman, speaking on behalf of the Workers' group, noted that times were very difficult. He wished to congratulate and thank all the governments that had paid their arrears and those that were already making payments for the current year. He also asked member States that had not paid to pay their arrears and current contributions.

<sup>1</sup> GB.304/PFA/1/1, GB.304/PFA/1/2 and GB.304/PFA/1/2(Add.).

6. Mr Julien, speaking on behalf of the Employers' group, supported Mr Trotman's statement.
7. The Committee took note of the papers.

## **Strategic Policy Framework 2010–15** (Second item on the agenda)

8. The Committee had before it a paper<sup>2</sup> on the Strategic Policy Framework (SPF) 2010–15.
9. Mr Julien recalled that the strategic framework presented in November 2008 had been unsatisfactory in many respects. Following the discussions in November, the challenge facing the Office had been a difficult one, as it had been necessary to reconcile the different demands made of the framework – which had to be comprehensive for the Governments, effective and readable for the Employers and balanced in its priorities for the Workers. The new version of the strategic framework, which was shorter, clearer, better structured and generally sounder than the previous one, met with the approval of the Employers, albeit with some reservations.
10. First of all, the Employers would have liked the document to mark a genuinely new departure, and, in the light of the adoption of the 2008 Declaration and the outbreak of a global economic crisis last autumn, to be exceptional. Furthermore, it was regrettable that the document did not lend itself well to dissemination – in fact, a reader from outside the Organization would find it very difficult to get a clear idea of the Organization's objectives and intended direction – and did little to convince the partner organizations of the added value of the ILO's approach. Furthermore, the inclusion of objectives for each of the three biennia in tables of indicators and targets continued to pose an obstacle to the understanding and reading of the document.
11. He then pointed to a fundamental contradiction between the strategic framework and the 2008 Declaration. While the latter focused on meeting the needs of constituents and on the efforts that the Office had to take in that regard, the strategic framework applied an inverse logic by calling on States to provide evidence of their activities in order, for example, to comply with the international labour Conventions.
12. The Employers had significant reservations with regard to section V of the document, concerning the issue of resources. Given the gravity of the current situation, they considered the Office's optimism to be particularly imprudent. It would no doubt be necessary in that respect to conduct a mid-term review of the strategic framework. Efforts should be made to address the issue of the respective roles of the regular budget, the Regular Budget Supplementary Account (RBSA) and extra-budgetary resources, as the current situation, which aroused increasingly strong criticism and was the cause of mounting concern, was not tenable.
13. The Employers therefore proposed a review of section V, taking into account possible financial difficulties or worsening of the global situation in the future. In particular, the aim would be to formulate a number of contingency or emergency scenarios, to consider the possible consequences of the sharp rise in the number of unemployed on the Organization's activities, and to anticipate the possible impact of a worsening situation on the Organization in financial terms and in terms of adjusting priorities.

<sup>2</sup> GB.304/PFA/2.

14. The Employers were determined to make progress in implementing the 2008 Declaration and therefore wanted to support the strategic framework in order to move on to the budget discussion. The Employers had witnessed the changes that had taken place in the world in 2008 and wanted the Office to take the full measure of the crisis. Hundreds of thousands of enterprises were at risk and millions of workers were losing their jobs. At a time when concerted efforts were starting to be made, it was important that the Organization should take action that was truly strategic, in other words action that could be reconciled with that of other international organizations and would be visible to them. The strategic framework should be the main vehicle for that approach and should lay the foundations for a fair globalization.
15. Sir Roy Trotman, speaking on behalf of the Workers' group, commended the Office and its staff for the efforts made to improve the document compared to the previous version. Given the consequences of the economic crisis, it was more urgent than ever to deliver decent work and give effect to the Social Justice Declaration. His group endorsed the thrust of the SPF, with certain conditions. There had been an intense consultation process, and he appreciated that the Office had taken on board a number of the comments made by the Workers' group. However, he regretted that the document did not sufficiently emphasize the Organization's standard-setting function and its importance as a cornerstone of ILO activities, as described in the Social Justice Declaration. In that regard, the Workers' group would also have liked to see a reference to the standard-setting capacity in the sections entitled "The ILO mandate" and "The ILO in 2015".
16. It was important that there were strong linkages and references to key provisions in the Social Justice Declaration. Previous advice by the Workers' group to develop references in the Social Justice Declaration into specific outcomes and indicators had not been followed, notably with regard to the employment relationship, export processing zones and multinational enterprises. The Workers' group had also asked for a clearer relationship between the Social Justice Declaration, section I.A(i), and the strategic objective on creating greater opportunities for women and men to secure decent employment and income. The speaker emphasized that the issue of employment was as important to workers as it was to employers and governments, and that workers had to be included in the planning and arranging for employment-related processes and projects, including within the Office. The text for the outcome on job-rich growth was not satisfactory. The idea of placing full and productive employment and decent work at the centre of economic and social policies needed to be included. The subdivisions of the Social Justice Declaration addressing the needs of individuals, enterprises – private and public – and societies were not adequately reflected. He regretted that the request by the Workers' group to have explicit references to the ratification of relevant Conventions under each outcome and to include targets of a global nature, as well as others directed at the Office and social partners, had not been sufficiently taken into account.
17. Regarding the "Partnerships and communication" section, he recalled the ILO's mandate, which implied a responsibility to not only communicate with partners in the multilateral system, but also to comment on their policies and work closely with them to incorporate the Decent Work Agenda into their strategies and practices.
18. Concerning section V, extra-budgetary resources were not being evenly distributed between countries, regions and the four strategic objectives. That was a concern for the Workers' group, which hoped that that would be remedied in the future through more strategic use of the extra-budgetary resources and the RBSA. Capacity building for social partners was a key area for the Workers' group, and the reference to the role of the Turin Centre in that respect was a useful one. However, he stressed the need for more resources for the capacity building of trade unions, through the Bureau for Workers' Activities

(ACTRAV), and reminded the Committee of the need to include the gender perspective in all ILO work.

19. Noting the growing proportion of extra-budgetary and RBSA resources compared to regular budget resources, he was worried that the delivery of the ILO's mandate could be endangered. The distribution and governance of the technical cooperation and RBSA resources was a concern, as resources were not reaching some key areas of the ILO. The Workers' group endorsed the SPF and the point for decision, provided that the Office would take their views into account and that it was considered to be a living document which would evolve in light of biennial programme and budgets.
20. The representative of the Government of the United Kingdom, speaking on behalf of the Industrialized Market Economy Countries group (IMEC), acknowledged the improvements made to the SPF. However, not all comments from the consultations had been included in the current version. She offered several suggestions related to the structure of the document and amendments to the wording of specific paragraphs. She welcomed the separate introduction to the document and indicated that paragraph 14 should be moved there.
21. Under paragraph 8, the current wording did not correctly portray the ILO's mandate and should be amended to: "The Organization's foremost task is to respond to constituents' needs related to the world of work in keeping with its basic values and mandate in a globalized world." The second sentence in paragraph 8, as well as paragraphs 9–13, should be moved to the section entitled "The ILO today", as they focused on the world at present. As that section also needed to address the internal reform of the Organization, the wording "... as well as with implementing the necessary internal reform to enable the Organization to do so" should be added at the end of paragraph 22. Additional wording was also required for paragraph 24 to clearly state the ILO's need and resolve for organizational change, both today and by 2015. The paragraph should therefore be amended to include "... as well as an implementation plan for the 2008 Declaration and its accompanying resolution that, inter alia, provides for the necessary internal reform of the Organization". She asked that each of the fundamental principles and rights at work was assigned its own outcome, targets and indicators.
22. With regard to the strategic framework, IMEC again called on the Office to assign to each of the fundamental principles and rights at work its own outcome, targets and indicators. While the speaker supported the SPF and acknowledged the significant improvements in outcomes, targets and indicators, areas related to transparency and accountability needed further work, given that the SPF was both a planning and a governance tool. Some areas of the SPF still did not help assess the ILO's performance and she urged the Office to consider the proposed amendments, pointing out that the SPF should be a living document and that was evaluated throughout its lifetime.
23. For example, IMEC would have liked to see concrete indicators and targets for the ILO's knowledge strategy and research capacity. Pending a decision on such a strategy by the Governing Body in November 2009, a placeholder should be included in the SPF and Programme and Budget for 2010–11 specifying that indicators and targets would be included in that strategy. She supported the inclusion of an additional indicator under outcome 17, "Decent Work Country Programmes guide the implementation of ILO activities at the country level", with relevant targets.
24. The speaker pointed out an inconsistency in outcome 7, between protecting migrant workers, as rightly stated in paragraph 48, and protecting labour migration, as stated in the outcome's indicator. In addition, the position to be reached by 2015 should be revised. She also expressed concern that there were no indicators and targets in the SPF or the

programme and budget proposals that corresponded to the field structure review. Given the importance and role of the field structure in effective and efficient use of ILO resources, it should be included under the governance, support and management section.

25. A final concern related to the resources section, in particular the increase in RBSA contributions over the six-year period. As part of the results-based management (RBM) approach, IMEC recommended that the Office give member States an indication of what targets could be achieved if financial targets, which were not within the ILO's control, were not met. IMEC supported the SPF but called upon the Office to improve the strategic framework between the present session of the Governing Body and June. A timely evaluation should also be foreseen.
26. The representative of the Government of Kenya, speaking on behalf of the Africa group, welcomed the SPF, which was a result of wide consultations, and the shaping of its text by the Social Justice Declaration. Most of the Africa group's concerns had been included in the present version of the document. He commended the Office for the recognition of its work among other United Nations agencies and its continued achievements despite resource constraints. He urged the ILO to continue to advocate for the Decent Work Agenda at the upcoming G20 Summit in London.
27. The emphasis on services to constituents mentioned in paragraph 4 was welcomed. The speaker supported the idea of results measurement and the renewed focus on partnerships, constituents' capacity building, knowledge sharing and collaboration with the Turin Centre. Improving governance and working methods should be key areas of focus, along with efficient and streamlined use of different budgetary resources.
28. As a result of the current financial crisis, it was possible that some of the initial African priorities would need to shift. He gave several examples, including: coordination of fiscal policies and development of fiscal policy packages; financial measures to reactivate frozen credit lines; employment promotion; job creation; and social protection policies. The financial crisis also meant that the Decent Work Agenda needed to be addressed in an integrated manner at national, regional and global levels. That involved several core areas of focus: mainstreaming the rights-based approach; analytical work related to child labour; HIV/AIDS; and social protection programmes targeted at the most vulnerable groups.
29. Lastly, governments needed greater assistance through investments in education, training, skills development, counselling, and improvement of governance structures through the creation of labour administration and labour market systems, both at regional and subregional levels. He urged the ILO to negotiate with financial institutions to include decent work in their lending policies and wanted to revisit the above items, including during the June 2009 session of the International Labour Conference. He endorsed the point for decision.
30. The representative of the Government of Australia supported the IMEC statement. He welcomed the improvements to the SPF, which had resulted from the consultations and the Office's effort to be inclusive. He confirmed the role of the SPF as a planning and vision tool to communicate to member States what would be done and how it would be measured.
31. The speaker offered suggestions for improvements in four areas. Firstly, while the indicators were more quantitative, some of them, such as indicator 2.1, were still ambiguous and open to interpretation, which would make it difficult to determine whether the indicator had been met or not. Secondly, he encouraged the Office to include indicators under Part III on strengthening technical capacities. Thirdly, noting that the indicators revolved mainly around the adoption of policies, he suggested that additional indicators should be added to focus on the implementation of the policies and their measurable

impact. For example, the indicators for the outcome on occupational safety and health should seek to capture the work the ILO would do beyond the point at which policies and programmes were in place. Lastly, as all outcome targets were contingent upon the availability of resources as proposed in the SPF, which was beyond the ILO's control, the Office should develop a "worst case scenario" setting out the targets up to 2015 based on the current levels of regular budget, extra-budgetary technical cooperation and RBSA funding.

32. The representative of the Government of Spain supported the IMEC statement. He expressed concern that creating a six-year strategy during times of uncertainty could be risky, given the unpredictability of short-term conditions. For that reason, the SPF should be perceived as a document to guide action and should be flexible with respect to changing conditions.
33. Regarding paragraph 48 and outcome 7, the speaker welcomed the fact that wording had been adapted to focus first on the protection of migrant workers and secondly on the promotion of development. Pointing out the reference to the promotion of social dialogue on labour migration, he emphasized that, in order to ensure "decent migration", labour administration and labour inspection had an important role to play in the management of migration.
34. The representative of the Government of Hungary fully supported the IMEC statement and appreciated the Office's hard work on the SPF and associated consultation processes. While he agreed with the four strategic objectives, the creation of new jobs was most important during the current time of economic crisis and he called on the Office to respond to the short-, medium- and long-term implications of the crisis. His Government strongly supported the strengthening of the Office knowledge base and highly valued the regular reports issued by the International Institute for Labour Studies, which contained countries' best policies and practices. His Government supported the point for decision.
35. The representative of the Government of Egypt expressed his appreciation for the document, but pointed out a mistake in the Arabic version of the document concerning the date of the Philadelphia Declaration. With regard to the strategic framework, he noted the parity to be achieved between women and men, particularly in developing countries, while trying to compete in the international market. The ILO had a role to play in improving skills at the local level, especially among migrants in receiving countries. In sending countries, technical cooperation was required at local, national and regional levels to deal with the "brain drain". Referring to ILO staff in the field offices, he encouraged the Office to recruit more local staff. He called for the flexible application of the SPF at the country level and for the prioritization of the 17 outcomes, instead of putting pressure on the actors concerned to achieve them all.
36. The representative of the Government of Mexico referred to the strengthened ILO standards system described in paragraph 23 and requested more information on what was meant by "more efficient, transparent and effective procedures". The strategic framework described in paragraph 26 should have a certain amount of flexibility to provide for the necessary adjustments required by the crisis. He welcomed the approach to teamwork and its periodic evaluation mentioned in paragraph 31. He expressed his support for the point for decision.
37. The representative of the Government of China was appreciative of the consultations held so far and recognized that great improvements had been made, compared to the earlier draft. She noted the emphasis placed on the Office's role to help constituents and on the approach to adjust the culture of the Organization and its budget to realize the Decent Work Agenda. During the SPF discussion in November 2008, her Government had



requested the Office to integrate all fundamental principles and rights at work into one outcome. That had not been reflected in the present document. Given current efforts to promote ratification of priority Conventions, a related outcome should be added. She pointed out that, among the ILO's technical capacities, statistics was an area where constituents had practical needs. Work related to the decent work country profiles should be subject to the wishes of the member States. She expressed her Government's support for the point for decision.

- 38.** The representative of the Government of Japan expressed support for the IMEC statement and his appreciation of the Office's efforts in preparing the SPF. He pointed out the importance of harmonizing the SPF, the Social Justice Declaration, the field structure review and the Programme and Budget for 2010–11. He asked whether the targets set for each indicator were appropriate, noting that that had not yet been discussed. He argued that, for instance, targets for employment should be higher for 2010–11 than for 2012–13 and 2014–15. He also questioned how realistic it was for the Office to estimate the growth in voluntary contributions in the next biennia. The Office should make every effort to achieve the targets set for indicators, particularly those on employment, through the allocation of extra-budgetary resources and RBSA.
- 39.** The representative of the Government of France supported the IMEC statement. He commended the improved quality of the document, notably the better link between the SPF and the Social Justice Declaration in terms of the governance and capacities of the ILO, and the reconciliation of the demand for medium-term planning with the flexibility required during the economic crisis. He elaborated on four points. Firstly, the inclusion of analysis of the global economic context in which the ILO operates would have been useful to better appreciate the six-year strategy. Secondly, region-specific approaches could have been included, given that the implementation of the strategic objectives was strongly influenced by regional situations. Thirdly, the priorities driven by the Social Justice Declaration called for: reinforcement of access to basic social protection; continued promotion of ratification and, in particular, application of international labour standards; strengthening Office capacities and governance; and strengthening the Office's response to the needs of all the constituents as the underpinning thrust. Lastly, he indicated that coordination with other international organizations and participation in United Nations reform should be more strongly highlighted in the SPF, as it was a fundamental part of the Social Justice Declaration and because it responded to a call from many countries.
- 40.** The representative of the Government of India congratulated the Office on the production of the SPF, which was a result of extensive consultations with constituents. Given the interrelated, inseparable and mutually supportive nature of the four strategic objectives, he commended the Office for aligning the SPF with the programme and budget and incorporating the suggestions of the Government of India into both documents. The SPF was an important planning document and a mid-term review should examine success in reaching targets. That would also foster opportunities to share lessons learned and align strategies accordingly. Under the strategic objectives for employment and social protection, public–private partnerships should be included among the indicators. The speaker informed the Committee of recent achievements in his country in respect of the strategic objectives. He expressed his support for the point for decision.
- 41.** The representative of the Government of the Republic of Korea noted that the SPF laid an important foundation for the implementation of the Social Justice Declaration, which had the strengthening of ILO capacity to assist member States at its core. The speaker emphasized the importance of the strategies related to human resources and the knowledge base, and the implementation plan for the field structure review. He welcomed the 17 concrete outcomes in the SPF and suggested that each outcome should be linked to the specific action to be taken by the ILO with regard to overcoming the crisis through the

Decent Work Agenda. His Government did not agree with the proposed increase in regular budgetary resources, which should be subject to discussion each biennium. Noting the proposals for increased extra-budgetary and RBSA resources and light earmarking of RBSA funds according to ILO priorities, he called for the reinforcement and streamlining of ILO priorities, in line with the consensus of member States. While flexible use of the RBSA would allow the Office more discretion in its use, it should be offset by more transparency in the use of resources and strengthened evaluation and auditing.

42. The representative of the Government of South Africa endorsed the views expressed by the Government of Kenya on behalf of the Africa group. The SPF should be a living document and that depended largely on the member States. The speaker endorsed the point for decision.
43. The representative of the Government of Nigeria supported the statements made by the Governments of South Africa and Kenya and thanked the Office for the improvements made to the SPF. His Government associated itself with the 17 outcomes, the full orientation of RBM, and the programme-based approach. The speaker expressed support for the SPF's six-year cycle, and particularly for paragraphs 33 and 38. He supported the point for decision.
44. The representative of the Government of El Salvador agreed with the four strategic objectives. She endorsed the SPF and stressed that the ILO had to do everything in its power to solve current labour market problems.
45. The representative of the Director-General (Mr Thurman) thanked everyone for a positive and constructive discussion. The dialogue between the Office and constituents on RBM was continuous and long term. The SPF was the most flexible part of a process that included the programme and budget, implementation monitoring and reporting and evaluation. He confirmed that typographical errors would be corrected. While Mr Trotman was quite correct that the section of the SPF on the ILO's mandate should have included standards, the SPF explicitly recognized the importance of international labour standards in paragraph 23. He welcomed the comments made by the Government of Australia. The specific measurement criteria for each indicator provided in the programme and budget were meant to facilitate accurate judgments concerning ILO performance. Indicators related to the implementation of outcomes, not just about the adoption of policies, were an important idea for the future. Indicators and targets under "Strengthening technical capacities" were important and would be addressed in the relevant strategies submitted to the Governing Body in November 2009. Referring to the discussion on resource scenarios, he suggested that it could be more concretely discussed within the framework of the programme and budget proposals, on which discussion was about to begin. He thanked members of the Committee for helpful and constructive drafting suggestions, which were part of the record of discussion and were recognized in the point for decision. However, after the many formal and informal consultations that had already taken place, further redrafting of the SPF would be difficult at that stage. The SPF was a broad framework, as noted by many government representatives, against which the Governing Body would make specific decisions.
46. Sir Roy Trotman explained that his comments were based in particular on the weakness of the SPF regarding standard setting. New standards were also important.
47. *The Committee invites the Governing Body to endorse the Strategic Policy Framework 2010–15, taking into account the views expressed during its discussion.*

## Use of the Special Programme Account (Fourth item on the agenda)

48. The Committee had before it two documents on the use of the Special Programme Account.<sup>3</sup>
49. Mr Julien regretted that the Office had been unable to produce a detailed paper on the question after the first discussion, as the sum involved (US\$7.8 million) warranted further explanation. He reiterated the criticisms of his group regarding the general management of the Committee's discussions at the current session, in terms both of substance and of form.
50. The Employers could support a considerable number of the proposals, but had three specific observations. First, with regard to the sectoral meeting and the meeting of experts on social security, they wondered if interpreting costs were included. Second, they wanted the proposal on the measurement of decent work to be presented again in November, after the pilot projects had been examined. Third, regarding the question of field structure review, it was in his view regrettable that the discussion was not progressing when the constituents appeared to be resolved to push ahead with implementing the Declaration. In that regard, the sums given in the different documents presented during the session (field structure review; Programme and Budget proposals for 2010–11; use of the Special Programme Account) did not agree. The Employers wanted a clearer budget on the application of the proposal, and in the absence of the information required, they would not be able to support the point for decision in its current form.
51. Sir Roy Trotman stressed that the crisis required the ILO to provide assistance to its constituents at national and global levels. Referring to the addendum, he requested that a significant part of the proposed allocation (US\$2.5 million) for Decent Work Country Programmes to respond to the crisis be directed to ACTRAV and ACT/EMP. The setting up of a crisis help desk to provide crisis-related support to workers' organizations was being discussed with ACTRAV. He supported the proposal for a follow-up to the High-level Tripartite Meeting on the Current Global Financial and Economic Crisis, and took note of the proposal for an observatory on the global jobs crisis and country policies. It was important that the economic and social crisis be reflected in any formulation by the observatory. He supported the knowledge platform on the global jobs crisis, but regretted the lack of any reference in the relevant section to the promotion of international labour standards. The Workers' group supported the country studies as a way of analysing the experience of others and developing evidence-based advocacy. They could also be used to influence the response of others to the crisis. The speaker supported the proposal on the job creation potential of green technology, noting that it was an area that should not be forgotten in the current times of crisis. He proposed that the decision on the field structure review proposals be deferred until the issue had been discussed properly.
52. The representative of the Government of South Africa asked for clarification on some of the proposals contained in the addendum. Regarding the sectoral meeting in relation to the crisis, the paper did not elaborate what would be discussed. The speaker supported the five country studies, but asked if they would overlap with the proposed knowledge study on the job-creation potential of green technology. If there was overlap, the two proposals could be merged. Consideration of the proposal relating to the field structure review should be deferred, pending the discussion of this topic.
53. In reply, the representative of the Director-General (Mr Thurman) confirmed that interpretation costs were included in the meeting proposals. He explained that the costs to

<sup>3</sup> GB.304/PFA/4 and GB.304/PFA/4(Add.).

be generated by the field structure review were two-fold. On the one hand, they involved direct costs, including the cost of transferring staff, terminating or establishing leases, and providing an indemnity for some staff members who might not wish to transfer between two duty stations and who could not benefit from the statutory termination benefits. These costs constituted about half of the US\$750,000. On the other hand, they covered costs related to the introduction of new methods of work, which would require a review of accountability and reporting lines, development of manuals and tools to support the transition, and training on adapting to different cultures, among other aspects. Those costs would absorb the other half of the US\$750,000. The speaker also explained that the five country studies did not overlap with the proposed study on the job-creation potential of green technology. The latter concerned highly focused sectoral approaches, while the first referred to a broader review of country experiences in responding to the crisis. The Director-General's decision on allocation of resources to national tripartite action through Decent Work Country Programmes would be taken at a later stage, in consultation with ACTRAV and ACT/EMP.

54. Sir Roy Trotman accepted the Office's response regarding the allocation of funds to national tripartite action through Decent Work Country Programmes. He supported the point for decision, with the exception of the allocation for the implementation of the field structure review. As per his initial comment, he thought discussion of this item should be deferred.
55. Mr Julien reiterated his comments on the subject of statistics and measurement of decent work. He proposed that the examination of the question be deferred to the November 2009 session and that the document be adopted without the item in question.
56. Sir Roy Trotman agreed with the point for decision on the understanding that the item on statistics and measurement of decent work would be resubmitted in November as proposed by the Employers' group.
57. *The Committee recommends that the Governing Body authorize the Director-General to use US\$5,250,000 of the Special Programme Account as proposed in paragraphs 4 and 5 of document GB.304/PFA/4, excluding item (ii) in paragraph 5 (US\$500,000 for statistics and measurement of decent work, support to countries) which would be considered at its 306th Session (November 2009), and defer consideration of the item referred to in paragraph 6, pending the discussion of the field structure review.*

## Review of the ILO field structure (Fifth item on the agenda)

58. The Committee had before it a paper<sup>4</sup> on the review of the ILO field structure.
59. Sir Roy Trotman considered that the review of the ILO field structure should strengthen the capacity of the Office to assist its constituents in giving effect to the Social Justice Declaration, the SPF and the programme and budget. The Workers' group expected a more detailed document showing how the proposed changes would enhance the capacity of the Office to advise constituents on the four dimensions of decent work. He requested clarification regarding the number of specialists in each region and the areas they covered as well as on how constituents would benefit from the proposed structure and on the

<sup>4</sup> GB.304/PFA/5.

statement in paragraph 3 of the document that “no one formula can be applied uniformly across all ILO regions”. He asked why the document did not describe the experience in the Americas and how it would be useful to other regions.

60. With regard to the two-tier structure in the regions, since the offices remained where they were with all their staff, the speaker queried the expected efficiency gains in order to better service the constituents. Since the number of countries under the responsibility of each office would increase, putting an additional managerial burden on the offices, the speaker also wondered how sustainable such a structure would be.
61. With regard to the Decent Work Technical Support Teams (DWTs), he asked whether a country office could choose which DWT they could contact for assistance. He requested clarification as to how the new DWTs were different from the old multidisciplinary teams, which were abandoned because they were not considered to be effective or efficient. Maintaining the same number of technical specialists per region, as mentioned in paragraph 7, would hardly bring about a qualitative change in the critical mass. The 13 proposed DWTs would not be enough to satisfy the demands of 46 country offices. He asked how country offices could determine their needs without specialists. He enumerated several examples of limited numbers of specialists in areas of work in various regions. That raised the question of how a critical mass of experts could be achieved.
62. While the country office director was the chief administrator of the DWTs, the Workers’ group strongly believed that technical backstopping and political guidance for ACTRAV specialists in the DWTs should continue to be provided by ACTRAV in Geneva.
63. Concerning national coordinators, the speaker was not fully convinced of the need to increase their number. He expressed concern about the type of contracts for those national coordinators and the risk of erosion of the employment relationship. He suggested that those positions should be negotiated with the Staff Union. He was also concerned about the ability of the coordinators to work with the three constituents and not simply be accountable to their governments.
64. The speaker indicated that greater clarity was required in terms of the role and responsibilities of country offices, DWTs, regional offices and national coordinators. He also had concerns about how resources were to be allocated to avoid imbalances in the number of technical cooperation projects in countries. Transparency in such procedures was crucial as more technical cooperation would be decentralized.
65. With regard to paragraph 14, the Workers’ group did not understand how the country offices, with their limited critical mass, would be able to address issues related to the SPF and the integrated approach to decent work advocated by the Social Justice Declaration without regular cooperation with headquarters units. He expressed concern that the proposed structure might establish a “silo” culture in the field when a team approach was the objective. He was also concerned about the dichotomy between the frontline implementation responsibility of country offices and the technical cooperation function of DWTs.
66. Concerning the decentralization of technical cooperation, the speaker welcomed the fact that ACTRAV and the Bureau for Employers’ Activities (ACT/EMP) would maintain their own arrangements regarding the delivery of technical cooperation.

67. With regard to paragraphs 22 and 23, he requested clarification concerning the measures to be taken for local staff and staff mobility for support staff in relation to the field review. That issue should be discussed with the Staff Union. The speaker also sought clarification on the role, responsibilities and reporting lines of chief technical advisors in the new configuration and how the proposed structure would allow for improvement of the delivery rate of technical cooperation programmes.
68. The Workers' group was happy to learn that regional directors participated regularly in senior management team meetings but requested to know why ACTRAV and ACT/EMP were not being invited to those meetings.
69. Concerning paragraph 26, he said that it was important that DWTs, including the workers' and employers' specialists, were placed in the same locations as the United Nations hubs. He noted that it would be important for country offices to draw on the DWT expertise in other countries.
70. He regretted that the paper did not indicate how the Turin Centre would support field offices in the new structure.
71. He noted a contradiction between the fact that all of the changes required to implement the proposed structure would take place in 2009 while the supporting policies, part of the revised human resources strategy, would only be submitted to the Committee in November 2009. He noted the importance of preparing for change and managing the change well ahead of implementation.
72. Mr Julien, speaking on behalf of the Employers' group, joined Mr Trotman in deploring the absence of consultations with the members of the Governing Body and with the secretariat of the Employers' group with regard to the review of the field structure. Although his group fully supported the principles of the review, which found further justification in the 2008 Declaration, some points were still unclear, particularly the responsibility of the country office directors. He wondered about the control mechanisms put in place, given that the audits' main criticisms concerned the regional offices. The Employers also wished to know what measures were planned to ensure that more information was fed back from the field to headquarters, particularly with regard to the implementation of the Declaration. The Employers regretted that the Turin Centre was mentioned only once, with no explanation of its relationship with the Office and its departments.
73. The regions were already handling, without any real controls, substantial sums originating from the ordinary budget and from extra-budgetary funds. The Employers wanted to make the regional directors more responsible for good management and governance.
74. Drawing the distinction between DWTs and country offices might be more difficult in practice. The programmes depended on the country office director, who was the focal point for all the responsibilities involved. That would become even more complex if he was also heading a DWT.
75. With regard to responsibility, he wondered why, in paragraph 21 of the paper, some regions had a lower rate than others.
76. With regard to the ACT/EMP and ACTRAV specialists, the document met the expectations of his group, whose role should not be stigmatized. He regretted that the document did not mention the decentralized application of the ACT/EMP programme, which could have provided useful inspiration for the Office. It was also a pity that the

specialists in the DWTs were cut off from the technical sectors in Geneva. That aspect of the reform merited some clarification.

77. Although the experience of the national coordinators in Central and Eastern Europe had been positive, their independence had to be guaranteed. They were often former officials, and interference in the internal affairs of employers' organizations was possible.
78. The Employers' group supported the mobility policy and, following the example of their Worker counterparts, did not want the employer specialists to remain confined to employers' activities. With regard to the mobility of the experts, the speaker had already deplored the existence of a lack of international openness in Africa and to a lesser extent in Europe.
79. The Employers supported the efforts made by the Office to incorporate the review of the field structure in the framework of United Nations reform. They wished to be kept informed of progress made in that area.
80. Emphasizing that some DWTs covered more countries than others, he wondered whether it might not be necessary to fix a critical size to ensure their smooth functioning. In addition, the fact that, in some regions, those teams were located in the same countries as the country offices might cause confusion. With regard to Europe, the Employers wondered about the complementarity of Budapest and Moscow referred to in table 2, and regretted that the Office had not analysed the validity of the offices in the countries of Western Europe.
81. With regard to budgetary matters, the Employers wished to know the financial consequences of the discontinuation or reduction of activities in a given country, and also the costs of new offices or extensions. Increases in mission costs due to the expansion of the sphere of activity of the technical support teams and the recruitment of national coordinators would also result in extra costs which the Employers had not found to be reflected in the programme and budget.
82. The speaker also wondered about the repercussions of the reform on the work of the technical cooperation staff and the effects of the promotion of the RBSA on their status. His group did not wish to see the creation of regional "mini-ILOs". The document did not answer that key question.
83. The speaker summarized his statement in four main remarks.
84. First, the Employers approved the reform, which was essential to the execution of the ILO's mandate and the implementation of the Declaration. Second, the document submitted to the Governing Body did not answer all questions, particularly regarding the human implications of the reform, its governance, its articulation with the Office and its various bodies the feedback of information to headquarters and synergies with the United Nations "Delivering as One" initiative. Third, the Employers' group considered the adoption of the point for decision unreasonable; that key issue merited a better documented proposal. Fourth, the Employers wanted the Office to present an enhanced version of that document before the end of the session and were willing to participate in producing it. Since that issue was crucial to the future of the Organization, it was important to move ahead quickly.
85. The representative of the Government of United States, speaking on behalf of IMEC, regretted that the independent review called for in the Terms of Reference had not taken place and that no analysis of gaps in meeting constituent needs had been undertaken.

IMEC had many questions on the proposals in the document and asked the Office to present the information necessary to allow an informed decision.

- 86.** The representative of the Government of Uruguay, speaking on behalf of the Group of Latin American and Caribbean States (GRULAC), regretted that the document had not been discussed before its presentation. He requested information about the new competencies of country offices and their jurisdiction. He also requested clarification concerning the competencies of the national coordinators and the reason why, in the Americas, that was not being considered. He requested more details with regard to the DWTs and was concerned about the impact of the restructuring on the budget.
- 87.** The representative of the Government of Japan, speaking on behalf of the Asia and Pacific group (ASPAG), emphasized that, in the context of the current financial economic crisis, there would be increasing demands for the ILO's technical cooperation services and, given limited ILO financial resources, a more efficient delivery of services was more imperative than ever before. He supported in principle the Office's proposal to streamline the office structure and establish DWTs. The speaker also supported the assignment of additional national coordinators to the regions. He requested that the Office consider the special circumstances of Asian member States and take appropriate measures to respond to their technical needs.
- 88.** He requested clarification concerning the roles and responsibilities of the leaders of the DWTs and their relationship to the regional directors and the senior management team. He suggested that DWTs report to regional directors. He supported the proposal to further decentralize technical cooperation activities.
- 89.** The speaker welcomed staff mobility but stressed that it should not reduce the quality of technical services. He stated the importance of achieving a fair distribution of expertise across regions. He looked forward to discussing the implications of the field restructuring as part of the review of the human resources strategy in November. He asked the Office to confirm that the creation of two DWTs would improve the region's access to technical support.
- 90.** The representative of the Government of South Africa, speaking on behalf of the Africa group, stated that restructuring was necessary to ensure the ILO's relevance, reliability and responsiveness, as called for by the Declaration on Social Justice for a Fair Globalization. He suggested that reviewing the field structure provided an opportunity to assist member States in responding effectively to the global financial and economic crisis. It was crucial that local expertise be developed through skills transfer in countries with ILO projects. He was concerned that the role of the Turin Centre was not more clearly defined.
- 91.** He welcomed the presence of national coordinators to support operations in the region and requested a clear and transparent process for their engagement. He supported the proposed two-tier structure and placing DWTs at United Nations hubs. He stressed that the restructuring should not lead to any job losses and that the Staff Union should be consulted on any issues arising from staff mobility.
- 92.** He requested an amendment to the paper to reflect that the Regional Office for Africa had moved permanently to Addis Ababa.
- 93.** The representative of the Government of Mozambique endorsed the statement made by the Africa group. He strongly believed that ILO presence at the country level should be strengthened and supported the point for decision.



94. The representative of the Government of Bangladesh associated himself with the statement made by ASPAG. He supported the Office's proposal to streamline the field structure and establish DWTs. He reiterated ASPAG's concern at having only two DWTs for the region. The speaker felt that the proposed reduction would compromise the technical cooperation service delivery capacity. He expressed the feeling that the region was being penalized for its better performance vis-à-vis other regions.
95. He requested clarifications of the roles and responsibilities by the November session of the Committee. He supported the suggestion that leaders of DWTs report to the regional directors, indicating that his Government preferred to deal with a single focal point on any project. He requested some mechanism for headquarters as well as the regional offices to determine the need for technical cooperation support by any particular country office.
96. As for Appendix I of the document, the speaker raised questions regarding the reasons behind increasing the number of technical cooperation support staff by 51.5 per cent while such increases in the regular budget have been small and the possibility of deploying specialists on cross-cutting issues using technical cooperation resources. He asked for the needs of his country to be considered by giving the Dhaka Office equitable treatment to other country offices in comparable situations.
97. The representative of the Government of the Bolivarian Republic of Venezuela associated himself with the statement made by GRULAC. He recommended that the Committee postpone a decision on the matter until its next meeting. As mentioned in paragraph 32 of the document, detailed measures would be developed in 2009 for the implementation of the new structure, which would become fully operational early in 2010.
98. The representative of the Government of Spain emphasized that the directors of offices were ambassadors for the ILO. Before providing or assisting a technical cooperation project, their primary role was to make the ILO more visible. Concerning paragraph 20 of the document, the offices must improve the dissemination of information and decisions of the ILO. With regard to paragraph 26, the speaker fully supported the ILO-UN synergies and joint collaboration.
99. The representative of the Government of India said that the purpose of reviewing and modifying the ILO field structure was to bring about improvements in planning and execution that were consistent with core principles. He emphasized the increased responsibilities owing to the ILO response to the crisis, United Nations reform, implementation of United Nations Development Assistance Frameworks (UNDAFs) and increased technical cooperation funding. The regional and country offices would have primary responsibility for the delivery of technical cooperation in the revised ILO field structure. The increase in professional staff under the regular budget and technical cooperation programmes should continue along with the recruitment of additional national experts. He supported implementing the revised ILO field structure from 2010 and the point for decision.
100. The representative of the Government of Japan supported the ASPAG and IMEC statements calling for more information before a decision could be taken.
101. The speaker supported the transformation of the subregional offices into DWTs if it contributed to realizing flexible and integrated delivery of technical support. He proposed that the directors of the DWTs report to the regional directors and that they should be appointed as the deputy directors in charge of technical cooperation for their regional offices.

- 102.** The representative of the Government of Egypt supported the statement made by the Africa group and expressed concern about applying a structure which was based on experience in Latin America and the Caribbean. As for paragraph 10, he requested clarification on the appointment of national coordinators and how decisions would be made on where to appoint them. He also questioned whether they would be appointed from outside the region or country and whether they would be under the supervision of the regional office or headquarters.
- 103.** The representative of the Government of Nigeria supported the statement made by the Africa group. While supporting the creation of four DWTs in Africa, he said that country offices in countries such as Nigeria would need to be strengthened. With respect to the national coordinators, the speaker questioned whether five would be adequate for the greater demand in Africa, given their role in technical cooperation programmes.
- 104.** Concerning staff mobility, he supported the view of the Africa group and emphasized that issues around the movement of staff should be considered in the ILO's human resources strategy. He supported the point for decision subject to the amendment called for by the Africa group and the wish that the Office in Nigeria be upgraded.
- 105.** The representative of the Government of Burundi supported the statement by the Africa group. He expressed the importance of a formal decision that the Regional Office for Africa should be definitively located in Addis Ababa, together with other United Nations agencies and the headquarters of the African Union.
- 106.** A representative of the Director-General (Ms O'Donovan, Executive Director, Management and Administration Sector) indicated that the Office would provide the members of the Committee with additional information as requested. She recalled that the review of the field structure had been carried out over a two-year period with independent experts consulting with all parties. The report of the consultants was made available to the Committee and provided more detailed information.
- 107.** The review was taking place in the context of a changing situation and the Office was constantly updating its information to respond to changing needs. That included changes to the United Nations reform process. The ILO should ensure that it was in a position to maximize its participation and contribute effectively.
- 108.** She recalled that the Office was operating within certain constraints. The Office must complete the field restructuring within the existing resources of the approved Programme and Budget for 2008–09 and the Programme and Budget proposed for 2010–11. The Office had tried to put forward proposals which would reorganize its capacity in a more efficient and effective way to respond to the increasing demand from constituents.
- 109.** Concerning paragraph 10 of the document, she explained that clear selection procedures and criteria would be established to ensure the independence of national coordinators. National coordinators would have the standard ILO contracts that were issued to all national staff. It was not proposed to alter the terms and conditions of those contracts.
- 110.** A representative of the Director-General (Mr Egger) added that the proposals of the Office were based on a large number of existing procedures, particularly programming based on Decent Work Country Programmes. It was suggested that capacity should be concentrated precisely in order to enable the specialists to operate as a team and to address decent work issues from an integrated perspective in line with the Social Justice Declaration. Many of the country offices operated very efficiently. One of the basic lessons of those functioning very well was that country offices needed more flexibility to build their country programmes in accordance with local situations and to be able to call upon technical

support as and when needed. Lastly, he noted that the Turin Centre implemented half of its programmes through ILO country offices and relied on them to implement its programmes. There was no proposal to change except that to reinforce the capacity of the country offices to work more closely with the Turin Centre.

111. Discussion continued at a subsequent sitting with the Committee considering an additional paper on this item.<sup>5</sup>
112. The representative of the Government of Australia, speaking on behalf of IMEC, reiterated his group's disappointment that no analytical review had been undertaken. In his view the scope of the review was insufficient and the analysis was incomplete. It was unclear how the proposed structure was justified or what criteria had been used to select the best option among competing possibilities. He noted that the Programme and Budget proposals for 2010–11 were made on the assumption that the new field structure would be in place. Planned additional RBSA funding increased the need for transparency as to the rationale for the field structure. He proposed an amended point for decision.
113. Sir Roy Trotman, speaking on behalf of the Workers' group, requested confirmation that the Office document which proposed amendments to the Staff Regulations was no longer before the Committee. He supported the IMEC proposal and proposed a further amendment to the point for decision.
114. Mr Julien, speaking on behalf of the Employers' group, congratulated the Office on the clarity of the presentation of the addendum to the first document and stated that he had five specific comments to make. First, he wished to know if the exact number of offices outside western Europe was 32 or 35. Second, with regard to vacant positions, he noted that a quarter of employment specialists had not been appointed, that 17 per cent of the total number of positions remained vacant (30 per cent in Asia), and that substantial improvements must be made to human resources management in order that the Office might continue to decentralize its operations. Third, with regard to the presence of ILO offices in industrialized countries, observing that the ILO Office in London had been closed, and that a collaborator had been recruited for the Europe region, he wished to know about the advantages and disadvantages of both options and requested information on the criteria used to make that kind of decision. Fourth, the speaker observed that, although GB.304/PFA/4 proposed the allocation of US\$750,000 for restructuring, that amount did not appear in the new document, which instead referred to US\$350,000 and the funds allocated in the Programme and Budget for 2010–11. He wished to have a clear indication of the cost of the operation and an explanation concerning the origin and use made of the US\$400,000 missing from the document. Fifth, the speaker noted that the presentation of the table appended to the document might give the impression that there was a Michelin office (Clermont-Ferrand) among the offices listed. He made it clear that the initiative linking ACT/EMP to the Michelin enterprise was a partnership financed using ACT/EMP funds.
115. Generally speaking, the Employers welcomed the substantive work carried out by the Office in terms of transparency, information exchange and clarifications and supported that system, which they considered to be sound. Nonetheless, the clarification of the roles of regional and country offices needed to be taken one step further, as did the definition of their responsibilities and those of headquarters. The same applied to the Decent Work Technical Support Teams, which required political and technical coordination.

<sup>5</sup> GB.304/PFA/5(Add.).

116. Lastly, the Employers supported the point for decision as amended by the Workers' group, it being understood that the Workers' proposal incorporated the proposal previously put forward by the representative of the Government of Australia on behalf of IMEC.
117. The representative of the Government of Japan, speaking on behalf of the Asia and Pacific Group (ASPAG), voiced his group's concern for the quality and quantity of the delivery of services in the region with only two Decent Work Technical Support Teams instead of the current three subregional offices. He supported the IMEC proposal, emphasized the need for an internal evaluation and called for the proposed structure to be implemented without delay.
118. The representative of the Government of South Africa, speaking on behalf of the Africa group, noted that the review was important to delivery of services but expressed disappointment with Office responses. He noted that the addendum was lacking in certain specifics and raised additional questions. He requested information on any discussions which had taken place to match staff with opportunities in other UN organizations as mentioned in paragraph 6. The statement in paragraph 9 that there was no guarantee against job losses led him to conclude there would be job losses. He said information should be provided as to who would be moving and who might lose employment as a result of the new structure. He suggested that cost estimates of moving staff should be available. He doubted that the cost of accommodation would be less given the possibility of having to pay for new and old accommodations simultaneously. He supported the Workers' proposal.
119. The representative of the Government of the United Kingdom supported IMEC's proposal and expressed concern that the terms of reference of the review had not been completely adhered to.
120. The representative of the Government of Japan supported the IMEC and ASPAG statements. He stated that the addendum had clarified earlier questions. He noted that the redistribution of experts to the field from headquarters was not covered in the proposed structure and expressed concern about the level of technical cooperation activities managed from headquarters. Regional offices should take the primary initiative in resolving conflicts between supply and demand for services.
121. The representative of the Government of Jordan supported the ASPAG statement. He underlined the importance of new national coordinators in the proposed structure which would lead to improved coordination of programmes and projects at the national level.
122. The representative of the Government of Australia, also speaking on behalf of New Zealand, urged the Office to consider the need for a strong presence in the Pacific Islands. The distance from the subregion to Bangkok limited the Regional Office's ability to provide support in a cost-efficient manner. Decent Work Technical Support Teams would help but the remoteness and unique needs of the area indicated a need for experts to be located locally. He proposed the addition of two staff to the Suva Office, including an appropriate technical specialist.
123. The representative of the Government of Brazil noted that the proposals for the field structure did not represent a structural change in Latin America and the proposal to further decentralize technical cooperation was a positive move. However, he found that the suggested division of labour between country offices and Decent Work Technical Support Teams, mentioned in paragraph 14, would not be a viable option in his country. There was a need to increase the critical mass of experts on policy in order to strengthen capacity. Furthermore, the team in the country office in Brazil would require additional support due to Brazil's contribution to the RBSA and additional technical cooperation projects.

124. The representative of the Government of Nigeria supported the statement by the Africa group. She noted that the office in Nigeria supported five countries in the subregion and proposed that the position of the Director be upgraded to D1.
125. The representative of the Government of Uruguay, speaking on behalf of the Latin America and Caribbean Group, supported the amended point for decision.
126. The representative of the Director-General (Ms O'Donovan) noted that the review was important in responding to the crisis and the challenges posed by the Social Justice Declaration. She assured the Committee that the addendum included all the information currently available and pointed out that some details could only be known when the implementation process started, including details on the number of staff relocations and redeployments. She noted that vacancies were filled as quickly as possible within the framework of the Staff Regulations and recruitment cycles. With regard to the US\$750,000 from the Special Programme Account, she explained that US\$400,000 was the estimated amount required for one-off costs related to training, definition of roles and responsibilities, transition costs and possibly overlapping lease costs. She confirmed that the Office would continue its practice of consultation with the Staff Union on staff-related matters.
127. Mr Julien, speaking on behalf of the Employers' group, thanked the Office for its concerted efforts in the area of transparency and pointed out that the criticism offered by his group was constructive criticism aimed at enhancing Office performance and the service provided to constituents. He welcomed the information provided for the first time, particularly that on the level of vacancies.
128. ***The Committee recommends to the Governing Body that it:***
- (a) ***invite the Director-General to take the necessary steps to implement the proposal of a two-tier field structure directly linked to headquarters, in order to strengthen the ILO's capacity to service its Members globally, in regions and countries in line with the Social Justice Declaration, strengthening the expertise of technical staff in delivering on the four strategic objectives;***
  - (b) ***request the Director-General to develop clear indicators to measure the performance of the field structure in meeting the strategic objectives and needs of constituents;***
  - (c) ***request the Director-General to initiate a global and independent evaluation of the impact of the changes three years after implementation of the new field structure, with modalities to be agreed by the Governing Body and rely on feedback from constituents; and***
  - (d) ***request the Office and the Staff Union to consult in dealing with the impact on the staff affected by the implementation of these proposals.***
129. ***The Committee recommends that the Governing Body authorize the Director-General to use US\$750,000 of the Special Programme Account for the implementation of the field structure review as described in paragraph 6 of GB.304/PFA/4 and paragraph 13 of GB.304/PFA/4(Add.).***

## **Audit questions** (Sixth item on the agenda)

130. The Committee had before it four papers <sup>6</sup> on audit questions.

### **Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 2007**

131. Sir Roy Trotman took note of the recommendations by the Chief Internal Auditor and the Office's responses and positive action relating to recommendations 3 and 7. He noted that relevant field offices had indicated that they would develop maintenance plans covering the normal life cycle of premises owned by the Office. He was aware that office space and related cost implications were a major matter of concern and that further discussions on that would take place in the Building Subcommittee.
132. As for recommendation 7, he emphasized the role of the Turin Centre in conducting training on technical cooperation.
133. The representative of the Government of India requested a response from the Office regarding actions taken on weaknesses in the project control environment that might contribute to allegations of irregularities or fraud, and the development of training and guidance to assist staff in formally assessing the capacity of implementing partners to deliver ILO programmes and maintain an adequate system of collecting and reporting performance data.

### **Report of the Chief Internal Auditor for the year ended 31 December 2008**

134. Mr Julien noted the recommendations of the Chief Internal Auditor and requested the Office to implement them as quickly as possible. He requested further information on the use of bank signatories and expressed concern at the information on that point contained in paragraph 17 of the Office document (GB.304/PFA/6/2). The issue of the management of external offices was a source of concern for the Employers, as they had already indicated in the context of another discussion. The speaker also requested further information on the case of the three offices which had not responded to audit recommendations and expressed the hope that the Office had taken steps in that regard.
135. The representative of the Government of Japan stressed the importance of the Office following the recommendations of the Chief Internal Auditor. He emphasized the importance of mandatory training of all ILO officials. He supported the plan to formalize the accountability framework and to provide practical guidance in work planning. He considered that a more effective mechanism was required to monitor follow-up on audit recommendations.
136. The Chief Internal Auditor, Ms Kamioka, reported that bank signatories were a basic control and that it was important that headquarters and regional office staff were listed on field office bank account signing authorities. She reported that a new Office Procedure on the subject had been issued. The issues found in the Moscow Office were, in her opinion, related to frequent turnover of management and said that the regional office and headquarters were organizing a training workshop in April for staff of that office.

<sup>6</sup> GB.304/PFA/6/1, GB.304/PFA/6/2, GB.304/PFA/6/3 and GB.304/PFA/6/4.

137. She reported that two of the three offices which had not responded to audit recommendations were located in countries in political turmoil. In line with the responsibility of management to follow up on audit recommendations, the Director-General was reissuing the related Office Directive. New procedures had been established between her office and the Treasurer to monitor follow-up. Those new procedures would be supplemented by the regular review undertaken by the Independent Oversight Advisory Committee (IOAC). She indicated that the training of field staff was a key component of prudent management of human and financial resources.

### **Follow-up to the report of the External Auditor on the accounts for 2006–07**

138. Mr Julien expressed general satisfaction with the action taken by the Office in response to the External Auditor's report, but considered that certain recommendations could have been implemented sooner.
139. Sir Roy Trotman called on the Office to strengthen financial management. He noted the formalized role of the subgroup of the senior management team and the inclusion of the Deputy Director of CABINET and the Director of PARDEV. He observed that there appeared to be some improvement in the quality of project management. He hoped that the technical cooperation manual would be printed in the three official ILO languages and looked forward to the new Office Procedure on design and implementation of technical cooperation projects. He urged the Office to conduct regular training on use of the manual.

### **Report of the Independent Oversight Advisory Committee**

140. Mr Chamay, the Chairperson of the IOAC, introduced the report describing its role as advisory on the efficiency of internal management and reporting, as well as on internal and external audit. The Committee's value was based on its competence and independence from a financial, economic and management point of view. It had met during September and received presentations on the objectives of the ILO, its mission, its structure, a financial overview and information on projects for the future. In February 2009, the Committee had its first working session over three days and reviewed critical subjects such as IRIS, International Public Sector Accounting Standards (IPSAS), risk management, RBM and reports from the Internal and External Auditors. The Committee had focused its work on risks and their impact on the Organization and made recommendations accordingly.
141. Mr Julien took note of the report of the IOAC. He expressed the hope that the Office would implement the Committee's recommendations, requested further information concerning paragraphs 6 and 8, and endorsed the proposal to hold three-day meetings, provided that the budget remained unchanged. He recalled that the Committee had been established on a trial basis and that it still had to demonstrate its added value. Since the Committee's report was not sufficiently convincing in that regard – in particular it did not provide any genuinely useful information on internal and external audits – the speaker hoped that the next report would provide the Committee members with appropriate information and that it would contain recommendations.
142. Sir Roy Trotman commented that his group had originally been less enthusiastic about the creation of the Committee because the added value was not seen at that time. The utility of the Committee should be monitored over time and its effectiveness as a support for the

Governing Body's governance role evaluated. He thanked the Committee for the care exercised in its work.

143. The representative of the Government of Japan, speaking on behalf of IMEC, welcomed the report and found it user-friendly and useful for governance. He agreed that Governing Body members may have difficulty understanding the new IPSAS financial statements and encouraged the Office to provide briefings. The speaker suggested that dedicated resources should be provided for Office-wide implementation of formal risk management and wondered whether that had been included in the Programme and Budget proposals for 2010–11.
144. He requested that the IOAC's opinion be sought on the risks related to a failure to receive the level of voluntary funding estimated in the Programme and Budget proposals for 2010–11 and how such risks could be managed. He urged the Office to implement IOAC recommendations relating to the Internal Auditor.
145. The representative of the Government of South Africa, speaking on behalf of the Africa group, questioned the meaning of the statement in the paper that there were no dedicated resources for implementing risk management Office-wide. Additionally, he sought clarification as to which recommendations, referred to in paragraph 8 of the paper, had not been implemented. He supported the extension of the Committee meetings to three days as long as that could be accomplished within the budget.
146. A representative of the Director-General (Mr Johnson, Treasurer and Financial Comptroller) reported that the recommendations of the IOAC as well as the Internal and External Auditors were being reviewed by the Office and, as with those of the Internal and External Audit Service, implementation plans would be developed. He explained that training materials on IPSAS for Governing Body members were being developed by the United Nations Task Force for IPSAS and would be made available as soon as they were delivered.
147. As for risk management, a small team of officials from the Management and Administration Sector (MAS) was providing training and guidance on enterprise risk management. As noted in the follow-up reports to the audit, risk management was first being implemented in the MAS and would subsequently be implemented in the technical sectors and field offices, as resources permitted.
148. The Committee took note of the four Office papers.

## **Amendments to the Financial Regulations** (Seventh item on the agenda)

149. The Committee had before it a paper <sup>7</sup> on proposed amendments to the Financial Regulations.
150. Mr Julien endorsed the point for decision.
151. Sir Roy Trotman expressed his support for the proposed amendments to the Financial Regulations. He was, however, concerned about the shift to annual audits owing to the additional costs of US\$300,000 per biennium during a period of financial constraints.

<sup>7</sup> GB.304/PFA/7.



152. The representative of the Government of Germany voiced his approval of most of the proposed amendments, but expressed concern over the deletion of the final sentence of the existing article 23. He proposed that the sentence should be retained as it was a comprehensive clause and served as a safety net.
153. The representatives of the Governments of the United States and of France supported the revision to the document as proposed by Germany.
154. The representative of the Government of South Africa supported the point for decision.
155. The representative of the Government of Bangladesh supported the point for decision and the revision to the document as proposed by Germany. He added that article 23, which detailed the constituent elements of the financial statements, should be retained.
156. A representative of the Director-General (Mr Johnson, Treasurer and Financial Comptroller) explained that retaining the full text of the existing article 23 could lead to misunderstandings owing to differences in the accounting terminology historically used for ILO financial arrangements and that of IPSAS. He added that IPSAS clearly prescribed the elements proposed for deletion from article 23. He saw no difficulty in retaining the last sentence, as proposed by Germany and other government representatives.
157. *The Committee recommends to the Governing Body that it propose to the International Labour Conference at its 98th Session (June 2009), the draft resolution in Appendix II amending the Financial Regulations.*

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

(Eighth item on the agenda)

158. The Committee had before it a paper<sup>8</sup> on delegation of authority under article 18 of the Standing Orders of the International Labour Conference.
159. Mr Julien supported the point for decision.
160. Sir Roy Trotman also supported the point for decision.
161. *Should the need for such delegated authority arise, the Committee, for the period of the 98th Session (June 2009) of the Conference, delegates to its Officers (i.e. the Chairperson and the spokespersons for the Employer and Worker members of the Committee) the authority to carry out its responsibilities under article 18 of the Conference Standing Orders in relation to proposals involving expenditure in the 71st financial period ending 31 December 2009.*
162. *The Committee recommends that the Governing Body make a similar delegation of authority to its Officers under article 18 of the Standing Orders of the Conference.*

<sup>8</sup> GB.304/PFA/8.

## Report of the Building Subcommittee (Ninth item on the agenda)

- 163.** The Committee had before it a paper<sup>9</sup> containing the report of the Building Subcommittee.
- 164.** Mr Paixão Pardo (Brazil), Chairperson of the Building Subcommittee, introduced the report. The Subcommittee had considered the three documents<sup>10</sup> prepared by the Office. The Subcommittee was satisfied with the work on headquarters renovations but expressed the need to resolve the issue of the interpretation equipment. With respect to the proposals for future work at headquarters, the Subcommittee had welcomed the discussions under way with the host country and local authorities. It requested that the second and third options for developing the Office property be further developed and presented to the Subcommittee in November 2009. The Subcommittee had also requested more details on the need for temporary space. It stressed the importance for the Office of appointing a project manager as soon as possible.
- 165.** With respect to paragraph 18, the Subcommittee had expressed its support for the proposal before the Committee to approve the sale of the plot 3844 on terms to be negotiated by the Director-General, to request the Office to keep the second and third options and to request the Director-General to draw up a complete master plan accordingly.
- 166.** Finally, the Subcommittee had supported the proposal to replace boilers in the headquarters building. It was important that the Office comply with environmental standards.
- 167.** Mr Khurshid Ahmed (Worker Vice-Chairperson of the Subcommittee) supported the statement by the Chairperson of the Building Subcommittee and the point for decision. With regard to headquarters renovations, he clarified his group's preference for the third option. In the interest of consensus, he supported further evaluation of the second option. He reiterated the importance, while carrying out the work, to give special attention to safety and health issues.
- 168.** Mr Lima Godoy (Employer Vice-Chairperson of the Subcommittee) supported the statement by the Chairperson of the Building Subcommittee and the point for decision. He expressed a clear preference for the second option but did not object to the Office continuing to study the third option. He observed that the renovation of headquarters was a good opportunity for the Office to re-examine working methods in order to save space and increase productivity, consistent with the Social Justice Declaration. He stressed that the world of work is in the regions and that decentralization should have an important place in preserving human and material resources.
- 169.** The representative of the Government of Japan insisted that late decisions would result in higher cost. The renovation of headquarters was necessary and urgent. He suggested that certain renovations were common to both options 2 and 3 and should commence as soon as possible. He asked the Office to present a renovation plan for these common items in November 2009 in order that any possible work could begin right after the Governing Body.

<sup>9</sup> GB.304/PFA/9(Rev.2).

<sup>10</sup> GB.304/PFA/BS/1, GB.304/PFA/BS/2, GB.304/PFA/BS/3.

170. *The Programme, Financial and Administrative Committee recommends to the Governing Body that it:*

- (a) approve the sale of the plot referred to in the appendix of the Office document<sup>11</sup> as plot 3844, on terms to be negotiated by the Director-General;*
- (b) request the Office to keep the second and third options referred to in the Office document, and request the Director-General to draw up a complete master plan accordingly.*

171. The Committee adopted the report.

## **Other financial questions** (Tenth item on the agenda)

### **Replacement of boilers**

172. The Committee had before it a paper<sup>12</sup> on replacement of boilers in the headquarters building.

173. *The Committee recommends that the Governing Body agree that the cost of urgent replacement of boilers 3 and 4, estimated at 350,000 Swiss francs, which cannot be financed from other sources, be charged to the Building and Accommodation Fund.*

### **Appointments to the Investments Committee of the International Labour Organization**

174. The Committee had before it a paper<sup>13</sup> on appointments to the Investments Committee of the International Labour Organization.

175. Sir Roy Trotman supported the point for decision.

176. Mr Julien supported the point for decision.

<sup>11</sup> GB.304/PFA/BS/2.

<sup>12</sup> GB.304/PFA/10/1.

<sup>13</sup> GB.304/PFA/10/2.

**177. The Committee recommends that the Governing Body:**

- (i) express its appreciation to Mr Jean-Pierre Cuoni for his years of service to the Investments Committee;**
- (ii) renew the appointment of Mr Rolf Banz and Mr René Zagolin as members of the Investments Committee for a further period of three years, expiring on 31 December 2011;**
- (iii) appoint Mr Xavier Guillon as a member of the Investments Committee for a period of three years, expiring on 31 December 2011.**

Geneva, 20 March 2009.

(Signed) C. Eriksson  
Reporter

*Points for decision:* Paragraph 47;  
Paragraph 57;  
Paragraph 128;  
Paragraph 129;  
Paragraph 157;  
Paragraph 161;  
Paragraph 162;  
Paragraph 170;  
Paragraph 173;  
Paragraph 177.