



## **Second item on the agenda: Programme and budget and other questions**

### **Second report of the Finance Committee of Government Representatives**

1. The Finance Committee of Government Representatives met on 3 June 2008 with Mr G. Kristinsson (Iceland) as Chairperson and Reporter and Dr P. Klekner (Hungary) as Vice-Chairperson. The Chairperson welcomed to the meeting Mr Barde and Mr Blondel, as observers, representing respectively the Employers' and Workers' groups of the Governing Body.
2. Mr Blondel, speaking as spokesperson of the Workers' group on the Programme, Financial and Administrative Committee (PFAC), thanked the countries that had paid their regular contributions and those countries that had made payments towards their arrears. He regretted that some countries did not pay their contributions on time, which resulted in changes in the ILO's programmes and furthermore if paid towards the end of the biennium, caused an artificial surplus. He understood that member States had their own budgetary cycles but requested that the ILO, with its necessary and important objectives, be given greater priority.
3. He commented on the Financial Report and Audited Financial Statements for 2006–07 and the Report of the External Auditor which were accepted in the last PFAC meeting. He remarked on the quality of the report and statements which met UN and ILO standards and procedures and expressed gratitude to the management and to the outgoing External Auditors.
4. He described the considerable changes the ILO needs to undergo in terms of infrastructure due to security and safety concerns. The headquarters building, as a result of its age, was not in compliance with current standards and would need 180 million Swiss francs (CHF) for renovation. This essential renovation needed to be funded. In his view, there were two possible solutions: funding through a loan from the Swiss Government, although such loans are usually provided for new constructions rather than renovation, or through an increase in contributions from member States.
5. Mr Blondel reminded the Committee that the recommendation on the treatment of net premium earned was the result of a lengthy tripartite discussion whereby consensus was reached between parties with a shared objective but different approaches on how to reach the objective. The result was a synthesis of these views and he urged the Committee to accept the proposed resolution.

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6. Mr Barde, speaking as the spokesperson for the Employers' group on the PFAC, joined in thanking the countries who had paid their contributions regularly and underlined the importance of the Finance Committee accepting the proposed resolutions. He suggested that it might be useful for a further explanation of the General Fund. He reiterated his proposal in the March 2008 Governing Body for one individual to lead the building renovation project, coordinating contacts with the Swiss Government, Canton of Geneva and Commune of Grand-Saconnex, with the support of an appropriate task force of experts to address the various issues. This would enable progress prior to the next Governing Body.

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

7. The Committee had before it document C.F./D.4 containing information on the status of the collection of member States' contributions as at 27 May 2008.
8. The Treasurer and Financial Comptroller reported that, in addition to the information contained in the Office paper, contributions had since been received from the following member States:

Country	Swiss francs
Uganda	24 179
Belarus	223 595
Greece	2 423 727
Brazil	1 314 429
Kiribati	3 636
Argentina	2 900 000
Pakistan	175 554
Nigeria	189 439
Iran, Islamic Republic of	1 130 908
Yemen	22 287
Central African Republic	11 627
Iraq	339 400
Total	8 758 781

The Islamic Republic of Iran had regained its right to vote on 2 June 2008. Total contributions received to date, therefore, amounted to CHF236,675,996. The current balance due was CHF249,048,208.

9. The representative of the Government of Cuba advised the Committee of difficulties his Government encountered when paying contributions through the Swiss bank used by the ILO and many other international organizations in Geneva. As a result, his Government experienced delays as well as substantial bank charges. He stressed that this was unacceptable and that his Government should be treated fairly and be allowed to make payments like other governments. If this were to continue, he suggested the Office should consider changing its banking relationship.
10. He referred to Mr Blondel's comments about financing the renovation of the headquarters building through additional contributions from member States. His Government was

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opposed to any increase in contributions. Instead, he encouraged the Director-General to sell land adjacent to the headquarters building to the less-affluent member States to enable them to build missions or housing for their staff.

11. The representative of the Government of Lebanon stated that exceptional political circumstances in Lebanon had prevented the payment of its 2008 contribution. However, it would be paid once the national budget was approved by Parliament, which was expected shortly.
12. The representative of the Government of Côte d'Ivoire stated that his delegation had paid a majority of its 2008 contribution in May 2008. He asked if the information provided by the Office was an exhaustive list of contributions received.
13. The representative of the Government of Nigeria confirmed that his delegation had paid its 2008 contribution in full on 28 May 2008. He asked that the document before the Committee be updated accordingly.
14. The representative of the Government of Oman stated that his Government had recently paid in full its outstanding contribution of CHF280,000. Though there may be some delays in banking, he expected the Office should receive confirmation of payment shortly.
15. The Treasurer and Financial Comptroller stated that contributions from member States were only recorded as having been received once confirmation had been received from its banking partners. He confirmed that the receipt of contribution from Côte d'Ivoire was reflected in the document before the Committee. He assured the representative of the Government of Cuba that, based on consultations with the Office's principal bank, the problems encountered by his delegation in 2006 had been resolved and the Office did not expect any repetition.
16. *The Committee took note of the information in the document.*

## **Financial Report and Audited Financial Statements for 2006–07**

17. The Committee had before it the Financial Report and Audited Financial Statements for the Seventieth Financial Period (2006–07); Report II: Information concerning the Programme and Budget for 2008–09 and other financial and administrative questions; and document C.F./D.5, containing a recommendation submitted by the Governing Body that the Conference adopt the Financial Report and Audited Financial Statements for 2006–07.
18. The representative of the Government of the Netherlands, speaking on behalf of the IMEC group, referred the Committee to his statement made in the PFAC last week and contained in document C.F./D.5.
19. *The Committee recommends that the Conference adopt the Financial Report and Audited Financial Statements for 2006–07 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.*

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## Treatment of net premium earned

20. The Committee had before it Report II: Information concerning the Programme and Budget for 2008–09 and other financial and administrative questions, containing a draft proposal concerning the treatment of net premium earned for 2006–07.
21. The representative of the Government of France reminded the Committee that this question had been widely discussed in the March 2008 PFAC and underlined the importance of renovating the building at headquarters. Her Government supported the point for decision on two conditions: that it was an exceptional initiative and would not be repeated, and that half of the net premium be considered an advance on any future assessments for the headquarters building renovation.
22. The representative of the Government of Sweden, speaking on behalf of Denmark, Finland, Iceland, Norway and Sweden, supported the point for decision, on the condition that it was an isolated case. The Nordic countries expected that further financing for the renovation work would be provided within the framework of the regular budget.
23. The representative of the Government of the United States opposed the point for decision on the basis that such a derogation of the ILO Financial Regulations did not constitute sound management.
24. The representative of the Government of Canada reiterated his government's position in the March Programme, Financial and Administrative Committee. The setting aside of financial regulations was bad practice. Although opposed to the resolution, his government would not stand in the way of consensus. However, if this situation arose again, Canada would revisit its decision on that occasion. He urged the Office to find a solution to the issue of the renovation of the headquarters building through the upcoming programme and budget process rather than relying on windfalls.
25. The representative of the Government of New Zealand supported the point for decision exceptionally and recalled the statement made by his delegation in 2005 asking the Office to build adequate provisions for sustainable infrastructure renovation and maintenance into the regular budget.
26. The representative of the Government of the Netherlands expressed support for the consensus reached in the March 2008 PFAC. However, he insisted that the resolution remain an exceptional measure and any transfer of net premium to the Building and Accommodation Fund be deducted from any future assessments for the headquarters building renovation. He also urged that a master capital plan be in place before any further decisions were made regarding the headquarters building renovation.
27. The representative of the Government of Japan expressed support for the point for decision on the basis that it was an exceptional case.
28. The representative of the Government of Australia expressed support for the point for decision despite the derogation to the Financial Regulations. This support was based on the consensus reached in the March 2008 PFAC. The renovation of the headquarters building represents the single largest risk to the Office due to the serious safety and security issues.
29. The representative of the Government of Germany stated his support for the point for decision and the statement made by the representative of the Government of the Netherlands. Though he felt that the renovation of the headquarters building was important, he urged that the resolution remain an exception, as member States that pay on

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time should be rewarded. He asked for a comprehensive and early plan, produced by qualified experts, for the renovation of the building that included precise cost estimates.

30. The representative of the Government of Nigeria stated his support for the point for decision on an exceptional basis. He questioned why the Office did not have adequate financial provisions to maintain and renovate major assets such as the headquarters building.
31. The representative of the Government of Austria stated his support for the point for decision and the statement made by the representative of the Government of the Netherlands. He confirmed his Government's support was on the condition that it was an exceptional case, not to be repeated in the future.
32. The representative of the Government of Namibia expressed support for the point for decision as long as it was a one-off initiative. She called on the Office to provide a well-structured programme for maintaining the headquarters building that did not rely on use of the net premiums.
33. The representative of the Government of Lebanon expressed support for the treatment of the net premium included in the resolution on an exceptional basis and expressed her conviction that at no time should the financial burden on member States be increased given the financial situation of many of them.
34. The representative of the Government of Côte d'Ivoire supported the point for decision given the safety risks. However, he underlined the need to credit the accounts of member States for their share of the net premium before transferring the total amount for the renovation of the building and to establish a permanent means to finance proper maintenance of the infrastructure.
35. The representative of the Government of Jordan urged that the resolution remain exceptional and that renovation work in the future be financed by the regular budget.
36. The representative of the Government of Hungary stated his support for the point for decision, if it remained an exceptional measure. He aligned himself with the statement made by the representative of the Government of the Netherlands.
37. The Treasurer and Financial Comptroller confirmed that the resolution only applied to the net premium for 2006–07 and was therefore a one-off proposal. In response to calls for adequate funding of building maintenance in the regular budget, he pointed to the US\$2.5 million that had been included in the 2008–09 programme and budget for this purpose. He reminded the Committee of the Office's previous statements of its objective, based on the advice of experts, to progressively achieve the target of setting aside 1 per cent of its annual budget to cover future renovation work. This would amount to approximately US\$7 million per biennium.
38. *The Committee recommends that the Conference adopt this resolution, the text of which appears at the end of this report.*

## **Assessment of the contributions of a new member State**

39. The Committee had before it Report II: Information concerning the Programme and Budget for 2008–09 and other financial and administrative questions, containing details of the proposed rate of assessment of the contribution of the Marshall Islands.

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

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

41. The Committee had before it Report II: Information concerning the Programme and Budget for 2008–09 and other financial and administrative questions, containing a draft resolution concerning appointments to the Administrative Tribunal of the ILO.
42. *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**

43. The Committee had before it document C.F./D.6 containing a draft resolution concerning appointments to the Administrative Tribunal of the ILO.
44. *The Committee recommends that the Conference adopt this resolution, the text of which appears at the end of this report.*

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## **Resolutions submitted to the Conference**

### **Resolution concerning the Financial Report and Audited Financial Statements for 2006–07**

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 Seventieth Financial Period (2006–07).

### **Resolution concerning treatment of net premium earned**

The General Conference of the International Labour Organization,

Noting that the operation of the Swiss franc assessment system has resulted in a net premium earned of 32,270,415 Swiss francs in the 2006–07 biennium,

Decides, in derogation of article 11.5 of the Financial Regulations, to transfer the full amount of the net premium earned amounting to 32,270,415 Swiss francs to the Building and Accommodation Fund, and that the one-half share of the net premium earned during 2006–07, amounting to 16,135,207 Swiss francs, that would have been distributed to member States through the Incentive Fund, be recognized as a payment made in advance by each member State for their respective share of future assessments that may be made upon them for the purposes of renovating the headquarters building.

### **Resolution concerning the scale of assessments of contributions to the budget for 2007**

The General Conference of the International Labour Organization,

Decides that, in accordance with the established practice of harmonizing the rates of assessment of ILO Members with their rates of assessment in the United Nations, the contribution of the Marshall Islands to the ILO budget for the period of its membership in the Organization during 2007 and for 2008–09 be based on an annual assessment rate of 0.001 per cent.

### **Resolution concerning the Statute of the Administrative Tribunal of the International Labour Organization**

The General Conference of the International Labour Organization,

Aware of the value of clarifying, in article V of the Statute of the Administrative Tribunal of the International Labour Organization (“Statute”), that the Tribunal is competent to decide whether to hold an oral hearing,

Noting that the Governing Body of the International Labour Organization has approved the text of a draft amendment to article V of the Statute;

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Adopts the amendment to article V of the Statute of the Administrative Tribunal of the International Labour Organization, as follows:

Insert the following sentence at the beginning of article V: “The Tribunal, at its discretion, may decide or decline to hold oral proceedings, including upon request of a party.”

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

The International Labour Conference,

Decides, in accordance with article III of the Statute of the Administrative Tribunal of the International Labour Organization, to renew the term of office of Ms Mary G. Gaudron for three years.

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