



ELEVENTH ITEM ON THE AGENDA

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

	<i>Page</i>
Programme and Budget for 2000-01	1
Position of accounts as at 31 December 2000	1
Collection of contributions from 1 January 2001 to date	3
Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 1999	3
Report of the Chief Internal Auditor for the year ended 31 December 2000.....	4
Follow-up to the report of the External Auditor on the accounts for 1998-99.....	5
Information Technology Systems Fund.....	7
Report on programme implementation in 2000	9
Delegation of authority under article 18 of the Standing Orders of the International Labour Conference.....	17
Other financial questions	18
The United Nations Administrative Committee on Coordination (ACC) – Statistical report on the budgetary and financial situation of organizations of the United Nations system.....	18
Internal oversight	18
Financial arrangements for certain recommendations of the 29th Session of the Joint Maritime Commission	19
Governing Body representation at international conferences	21
Appendix. Amendments to the Financial rules and the Staff Regulations.....	23

1. The Programme, Financial and Administrative Committee of the Governing Body met on 13 and 22 March 2001, chaired by Mr. C.L.N. Amorim, Chairperson of the Governing Body. Mr. D. Willers (Government, Germany) was the Reporter.

Special statement by the Workers' representative

2. Mr. Blondel, speaking on behalf of the Worker members, deplored the absence from the Workers' group of Mr. Sahbani, who had been in prison for four months. He appealed to the Tunisian authorities to ensure that Mr. Sahbani's case would be heard soon. While emphasizing that the Workers were very pleased to be meeting in the Programme, Financial and Administrative Committee, he noted that their deliberations would be more effective if the relevant documents had been received earlier.
3. Turning to the statement made the previous evening by the Director-General, he said that the Director-General's repeated insistence on the consequences of zero growth for the ILO's activities was an appeal and one to which the Workers responded very favourably; they wished to point out that in fact the ILO had had zero growth for 20 years, not ten. That situation would have to end if the Office was to be in a position to realize its ambitions, and zero growth should not be a precondition of any discussion.
4. The Director-General had referred to the possibility of making the ILO a bridge between Davos and Puerto Alegre. That was a bold idea to which the Workers' group had been receptive and which it wished to discuss further.
5. In his statement, the Director-General had referred on several occasions to the concept of decent work, a concept which was now the subject of constant discussion among the Workers. Decent work, as defined by the Director-General, was work that met international labour standards. If decent work presupposed the application of all those standards, the question arose as to why and how new teams should be established to define, or try to define, decent work. Such teams were already in place. The Workers sought an assurance that no new element would be added on to the existing structure which, if it occurred, would give rise to a number of reservations. On the other hand, if, as they had understood, the aim was to give new impetus to the Office and the external services in their efforts to bring about decent work, the Workers' support was unequivocal.

Programme and Budget for 2000-01 (First item on the agenda)

Position of accounts as at 31 December 2000

6. The Committee had before it a paper¹ containing information on the 2000-01 regular budget account and the position of the Working Capital Fund as at 31 December 2000.
7. Mr. Marshall, speaking on behalf of the Employer members, observed that the surplus of over \$20 million at this stage of the biennium was an encouraging result, especially since this figure took into account \$2.3 million of unbudgeted expenditure. Based on these interim figures, and if all contributions were paid and expenditure was maintained at

¹ GB.280/PFA/1/1.

budget levels during the current year, the ILO might well finish the biennium with a surplus of around \$70 million. Interim projections were a valuable tool and it would be useful if this information could be produced automatically when the new accounting system was installed.

- 8.** Mr. Blondel said that the Workers had examined the paper with great interest. Having noted the list of member States that had lost the right to vote for failure to pay their contributions, and the list of countries that had entered into financial arrangements for the payment of contributions, the Workers would like to be kept informed of general developments in the situation during the run up to the Conference. Lastly, he said that the Workers welcomed the sum announced as at 31 December 2000 for the Working Capital Fund (35 million Swiss francs) and the Income Adjustment Account (26 million Swiss francs).
- 9.** The representative of the Government of Japan asked for more details of how a surplus of \$20 million had occurred in the year 2000 and, in particular, whether this surplus together with contributions received during the year would be spent on regular budget activities by the end of the biennium.
- 10.** The representative of the Director-General (the Treasurer and Financial Comptroller) said that cash expenditure for the year 2000 was 45 per cent of the total authorized for 2000-01, one of the highest mid-biennium figures for the last ten years. Unpaid bills at 31 December 2000 were not included but best estimates suggested that budgetary allocations would be spent in full by the end of the biennium. As Mr. Marshall had observed, authorized expenditure in 2000-01 included an additional \$2.3 million approved by the Governing Body but at the moment it was not certain whether this could be financed in full from savings in Part I of the budget. If the savings were insufficient then other financing proposals would be submitted for the Governing Body's consideration at its November 2001 session.
- 11.** Mr. Blondel had expressed the Workers' disappointment at the number of member States which had lost the right to vote. At 31 December 2000, 35 member States had lost the right to vote, compared with 44 at the end of 1999. Peru and the Islamic Republic of Iran had recently regained the right to vote by making payments against their arrears of contributions and from past experience he estimated that another ten to 12 member States might regain the right to vote before the Conference in June.
- 12.** In reply to the query from the representative of the Government of Japan, the Treasurer said that at the midpoint of the biennium budgetary income and expenditure in cash terms amounted to 49 and 45 per cent respectively of the totals for 2000-01. At this stage it was impossible to speculate on the position at the end of the biennium because the Office had no information about the timing and amount of contributions still to be received, but it was estimated that the full amount of the budget would be spent by the end of the biennium.
- 13.** The Committee took note of the Office paper.

Collection of contributions from 1 January 2001 to date

14. The Committee had before it a paper² giving details of regular budget contributions received since 1 January 2001. Since the preparation of the Office paper, contributions had been received from the following member States:

Member State	Swiss francs
Guatemala	59 166
Islamic Republic of Iran	1 250 000
Malaysia	576 680
Peru	258 881
Sierra Leone	4 326
Total	2 149 053

Of this total 1,513,207 Swiss francs represented payments against arrears of contributions while the balance of 635,846 Swiss francs related to contributions for the current year. By making payments against their arrears of contributions, Peru and the Islamic Republic of Iran had now regained the right to vote.

15. Mr. Blondel welcomed the positive development in the matter of the collection of contributions and thanked the governments concerned. He asked whether it was possible to know the number of countries that had benefited from the incentive system intended to encourage prompt payment of contributions, since those countries that had paid their contributions quickly obviously deserved recognition for doing so.
16. The Treasurer undertook to provide Mr. Blondel with the information requested concerning credits given to member States, including those under the incentive scheme for the payment of member States' contributions. It was interesting to note that since 1992 credits to member States under this scheme totalled about 60 million Swiss francs, and as Mr. Blondel had remarked, these credits were deducted from their contributions even when they were assessed on the basis of zero nominal growth. Member States had also benefited in addition from a reimbursement of 12 million Swiss francs when the Governing Body decided to reduce the nominal level of the Working Capital Fund by that amount.

17. The Committee took note of the Office paper.

Follow-up to the report of the Chief Internal Auditor for the year ended 31 December 1999 (Second item on the agenda)

18. The Committee had before it a paper³ on the follow-up to the report of the Chief Internal Auditor for the year ended 31 December 1999.

² GB.280/PFA/1/2.

³ GB.280/PFA/2.

19. Mr. Marshall, speaking on behalf of the Employer members, welcomed the document before the Committee and considered that it was a comprehensive response to the matters raised by the Chief Internal Auditor. Other documentation before the Committee showed that the Chief Internal Auditor himself was satisfied with the way in which the Office had responded to his recommendations, and the Employers would look forward to receiving the Office's response to the internal audit review on insurances administered in external offices.
20. Mr. Blondel welcomed the improvement in the situation with regard to the personal accounts of officials and experts and to insurance administered at headquarters and in the field. Noting that improvements had been made to the administrative financial procedures applied at the ILO's Regional Office for Arab States and the Multidisciplinary Advisory Team for Arab States, he thanked the Office for taking into consideration his observations on the matter. Lastly, he said that the document was supported by the Workers.
21. The Committee took note of the Office paper.

Report of the Chief Internal Auditor for the year ended 31 December 2000 (Third item on the agenda)

22. The Committee had before it a paper⁴ containing the report of the Chief Internal Auditor for the year ended 31 December 2000.
23. Mr. Marshall, speaking on behalf of the Employer members, welcomed the Chief Internal Auditor's report and was pleased to see how the close relationship between the Internal Auditor and the External Auditor added value to their activities. The Chief Internal Auditor had also raised an important point concerning the Office's increasing recognition that compliance with regulations, although a fundamental prerequisite, did not always guarantee effective expenditure or operations, and indeed a management policy of creating a culture that reflected increased accountability, together with a results-based approach to ensure value for money through the best use of resources, was much more relevant. That principle deserved the strongest support and should be extended beyond activities in the financial sector since it had relevance as a philosophy for broader ILO activities.
24. Mr. Marshall also welcomed the Chief Internal Auditor's involvement in monitoring and support activities and the fact that he was extending his work to the regions. The suggestions concerning the identification of best practice models and the utilization of these models were a move in the right direction, but in best practice modelling it was important that the Office did not simply adopt the model and apply it because in many cases some adaptation would be necessary to take local requirements into consideration. The Employers were pleased that the staff investigations carried out had been found to be satisfactorily undertaken.
25. Mr. Blondel began by emphasizing the importance of the internal verification of the ILO's accounts and of the missions of inquiry undertaken by the Chief Internal Auditor, whom he thanked for his work. However, he regretted the abstract nature of the document and would have liked the report to be somewhat more specific; that did not mean pointing the finger

⁴ GB.280/PFA/3.

at individuals involved in irregularities, but rather highlighting progress that had been made, for example improvements in a particular office that might serve as an example.

26. The representative of the Government of Malaysia reiterated his appreciation for the Chief Internal Auditor's report, which acknowledged that a number of improvements had been made in field offices to ensure better planning and monitoring of work required to achieve the goals of the Organization. There was still room for improvement, however, and although proper planning and timely reports were no doubt an important element for the effectiveness of field audit missions, it would be interesting to know the level of cooperation the field missions were receiving from governments and other social partners.
27. The representative of the Government of the United States supported the remarks made by the Employers. The application of the principles put forth by the Chief Internal Auditor concerning the significance of a results-based outcome to ensure value for money and the best possible use of resources deserved strong support since such principles had implications far beyond the financial dealings of the Office. Future reports of the Chief Internal Auditor should also include implementation rates for audit recommendations, together with an indication of any cost savings achieved.
28. The Chief Internal Auditor thanked the Committee for its encouragement and, in reply to a request from the Workers, stated that additional information would be included in future internal audit reports whenever possible. In reply to the query from the representative of Malaysia, the results shown in the internal audit report referred to a small number of external offices and could therefore only be used as an indication of the overall situation in the field. The provision of a cost-saving analysis, as requested by the Government of the United States, would be considered and recommendations had already been made to senior management for the addition of performance/cost analysis in future audits.
29. The Committee took note of the Office paper.

Follow-up to the report of the External Auditor on the accounts for 1998-99

(Fourth item on the agenda)

30. The Committee had before it a paper⁵ on the follow-up to the External Auditor's report for 1998-99.
31. Mr. Marshall, speaking on behalf of the Employer members, welcomed the paper on the Office's follow-up to the report of the External Auditor and especially the information on work still in progress in IPEC, where further work was necessary to ensure that proper governance was in place to avoid a repetition of past concerns. Referring to income from airlines, mentioned in paragraph 50, Mr. Marshall requested further information and clarification on what it represented, how it was generated and how it was utilized.
32. Mr. Blondel said that the Workers had examined the paragraphs concerning IPEC very attentively. They welcomed the recruitment measures and measures to regularize the status of personnel in the field. With regard to the use of local audit firms, the Workers requested that the audit reports and the measures taken to give effect to their recommendations be communicated to the International Steering Committee to improve information. Lastly,

⁵ GB.280/PFA/4.

they emphasized the need to inform the Governing Body later in the year of any write-offs, and to keep it regularly informed of indicators regarding the growth of IPEC's capacities.

33. The speaker also wished to express his very grave reservations concerning recommendation 5 and the possible outsourcing of the operation of SHIF.
34. The representative of the Government of the United States thanked the Office for making the follow-up reports readily available and encouraged it to keep the Committee informed of any conditions that might cause delays in the implementation of the Auditor's recommendations. Although the ILO was improving its software for operational planning and accountability, there was an opportunity at the same time to make other improvements to programme evaluation, for example the introduction of procedures to verify that project funds were used as intended and that programmes still addressed valid needs. The final result of such system improvements would be to ensure that the ILO's money was well spent on programmes that had a proven track record. The Bureau of Programming and Management's intention to provide guidance on evaluation issues and coordinate the implementation of evaluation plans was especially welcome and should include dissemination of information on a standardized methodology for evaluating programmes, including specific criteria for determining the continuing relevance and effectiveness of the ILO's programmes. The proposed use of the Internet for making complete reports available to member States and other interested users was also a welcome development.
35. The representative of the Government of Algeria, speaking on behalf of the African group, expressed his appreciation for the work of the External Auditor as well as the report on the Office's follow-up action. With regard to evaluation strategy, the Office considered that the inclusion of this activity within the strategic budgeting process would require changes to internal procedures. No details were given, however, regarding those procedures. Similarly, the paper gave no information as to when the proposed evaluation processes were expected to be incorporated with the strategic budgeting process, and as Mr. Blondel had pointed out, many of the figures in the paper were not self-explanatory. In the case referred to by the External Auditor, where a project was identified as running in deficit by some \$566,000, the Office's reference to miscoding required further explanation.
36. The African group welcomed the Office's flexibility in the provision of technical assistance under projects implemented in the different regions.
37. The representative of the Director-General (the Treasurer and Financial Comptroller) referring to the question raised by the Employers concerning income from airlines, explained that the Office had agreements with certain major carriers which ensured the best available fares for the Office, and there were also separate agreements that provided for fare rebates based on volume. These were refunded by the carriers to the Office, and as long as the refunds were received in the same biennium in which the expenditure was incurred they would be credited to the travel budget of the departments that used those carriers. Refunds received after the end of the biennium in which the expenditure was incurred would be credited to miscellaneous income in accordance with the provisions of the Financial Regulations.
38. On the question of local audits raised by the Workers, arrangements had been made to use local firms in Kenya, Pakistan, Costa Rica, Nicaragua, Guatemala and El Salvador. Initial experience suggested that they worked well and were cost-effective. The firms were requested to audit the ILO's NGO partners to ensure that funds had been spent in accordance with budget and with the ILO's financial procedures, rules and regulations, and during the course of their work they had, on occasion, identified potential problems at an early stage, enabling the Office to take corrective action before the problems had developed. It was hoped that the use of local audit firms would be expanded as this had

also proved to be much more cost-effective than sending audit missions from headquarters. The request by the Workers that significant findings of the various audit firms should be reported to the IPEC International Steering Committee had been noted.

39. With regard to write-offs, these would, of course, be reported to the Governing Body in the normal manner. In reply to a query from the Workers, he confirmed that the delivery rate for IPEC had gone up from 31 per cent in 1999 to 54 per cent in 2000. On the questions raised by the African group, the \$566,000 related to two World Bank projects in Cameroon and Sierra Leone and the “deficit” had been due to a clerical error. Once this was corrected it was clear that sufficient funds were available to meet the expenses incurred by the projects.
40. A representative of the Director-General (the Director of the Bureau of Programming and Management), responding to questions raised by the African group, said that it was important to ensure that departmental workplans were designed in such a way that they could be properly evaluated with objectives and the beneficiaries of ILO action clearly identified. It was also imperative that evaluation results were taken into consideration in future project and programme designs so as to ensure that the same procedures were being used throughout the Office. With regard to timing, the paper indicated that the Office would be carrying out training programmes over the course of 2001 and into the next biennium, and it was hoped that almost all professional staff would be involved in the exercise.
41. The Committee took note of the Office paper.

Information Technology Systems Fund (Fifth item on the agenda)

42. The Committee had before it a paper⁶ containing information on the Information Technology Systems Fund, the establishment of which was approved by the Conference in June 2000.
43. Mr. Blondel recalled that the Fund had been set up following a decision by the Governing Body in March 2000, confirmed by the Conference in June, and that it had been endowed with an initial capital of \$25 million. He welcomed the fact that the Office, in choosing between three possible projects, appeared to be opting for an integrated management software package. On behalf of the Workers, he stressed the importance of getting the project under way as quickly as possible, once the preparatory and consultation phase was completed.
44. Mr. Marshall, for the Employers, said that the planning, scoping and resourcing activities undertaken by the Office would go a long way to ensuring that the project succeeded. However, the Office should continue according to the timetable because delays might mean equipment was out of date before being installed. The inclusion of an HR module within the scope of the project was a sensible approach because modules could be upgraded separately without disruption to other systems. Information technology systems were an investment in the future which should not depend on funding from uncertain cash surpluses and a much better approach would be to provide specific budgetary resources for IT expenditure.

⁶ GB.280/PFA/5.

45. The representative of the Government of Japan observed that the establishment of an Information Technology Systems Fund had been approved by the Conference in June 2000 but this did not mean that money could be spent without prior approval by the Governing Body. He asked the Office to confirm whether this expansion had been decided upon or not.
46. The representative of the Government of Germany recalled that the Information Technology Systems Fund had been established with an initial capital of \$25 million financed from the 1998-99 cash surplus. A large proportion of this amount had already been allocated for upgrading the ILO's financial systems and it would be most unwise to rely on future cash surpluses when approving further expenditure from the fund. Such an approach would be inconsistent, to say the least, with the allowance for inflation that the Governing Body was being asked to approve in the Programme and Budget proposals for 2002-03. If expenditure was to be approved it should be included in the budget and financed properly rather than relying on future surpluses and the good will of the Governing Body.
47. The representative of the Government of the United Kingdom joined other speakers who had examined this paper carefully and who had expressed support for the logic of integrating the financial management systems with human resource systems. The Committee would recall however that the United Kingdom had in the past expressed its support for other information technology projects as well and these should not be forgotten. With regard to the financing of the Information Technology Systems Fund, a provision should be made within the regular budget for the funding of long-term capital expenditure because information technology was too important to be funded through windfalls such as end-of-biennia surpluses and the repayment of arrears of contributions. Care should be taken when spending surpluses in advance and the position of the United Kingdom Government was that surpluses should, in principle, be returned to member States. Activities should be financed through the regular budget and not through methods such as the use of surpluses.
48. The representative of the Director-General (the Treasurer and Financial Comptroller) agreed with the Employers and Workers that the project should adhere closely to the timetable and indeed the next significant step would be the appointment of the project director. The representative of the Government of Japan had asked why the Office was informing the Governing Body rather than requesting a formal decision concerning the expansion of the scope of the project. The Treasurer assured the Committee that the Office had not pre-empted any decision by the Governing Body because no expenditure had been incurred on the HR module. Should the Governing Body not wish to expand the scope of the project, no expenditure would be incurred on the module. In reply to the question from the representative of the Government of Germany, the Treasurer confirmed that there had been no reference to future surpluses or the possible use of such surpluses. If there was a surplus at the end of the current biennium, it would represent an excess of income over the approved budget for the biennium. The Director-General was not authorized to incur expenditure over and above the approved budget for the biennium.
49. The Treasurer recalled that the representative of the United Kingdom had suggested it would be preferable to finance the Information Technology Systems Fund from the regular budget. This would, of course, be the ideal solution and would mean that there would be no need for an extra-budgetary fund. The strict application of zero growth would preclude such an arrangement however and this point had been brought to the attention of the Committee on numerous occasions in the past. If the Committee was willing to consider, as part of the budgetary process, proposals for large investments such as information technology, funds similar to the Information Technology Systems Fund would not be required. The zero real growth policy had been applied very strictly, however, and

administrative costs had been cut to meet other priorities of the Organization. The point had now been reached where it was no longer possible for the Director-General to fund expenditure on IT or indeed any proposals of similar magnitude from within the regular budget level.

50. The Committee took note of the Office paper.

Report on programme implementation in 2000 (Sixth item on the agenda)

51. The Committee had before it a paper⁷ giving details of ILO programme implementation in the year 2000.
52. Mr. Blondel said that the report and the Programme and Budget proposals for 2002-03 were two distinct documents which needed to be read together. The report on programme implementation in 2000 was an interim report covering half the biennium, and a full report for 2000-01 would be submitted to the Committee in March 2002. It was the first time that the Office had presented a report of this type, based on the concept of strategic budgeting in which performance was measured by results and impact, rather than in terms of the activities themselves. The Workers welcomed the new approach, while noting that it posed certain problems, given that some indicators were difficult to define and quantify. It was to be hoped that it would be possible to adjust those indicators in the light of experience. Furthermore, given the report's emphasis on results, the Governing Body would have no opportunity to examine certain programmes or activities in detail. It would therefore be desirable for the report submitted in March 2002 to cover the meetings, training courses, missions, etc., that had contributed to the results obtained. It was also difficult to establish the links between the Office's activities and the results referred to in the report. For example, with regard to Convention No. 182, ratified by 52 countries in 2000, it might be helpful to examine the activities undertaken by the Office in those countries before ratification in order to determine whether or not they had contributed to the ratification process, given that in some cases, ratification might also come about as a result of a government decision or as a result of pressure from trade unions or employers' organizations. Lastly, certain formulas, such as the demand for optimum quality at an optimum price, which were applicable to production enterprises, were not necessarily appropriate in an international organization.
53. With regard to the format of the report, the speaker said that he was very pleased with the tables but much less so with the main text, which only reproduced the results. It would have been preferable to have information on the procedures used and on any difficulties and obstacles encountered. He was concerned that technical cooperation delivery had increased from 51 to 57.9 per cent between 1999 and 2000, while approvals had increased from \$96.1 million to \$131.7 million during the same period. He asked whether the Office had not been rather cautious in setting those targets, given that many of them had been exceeded by a wide margin, and hoped that the next biennium would be characterized by a spirit of greater ambition. Lastly, with regard to the ILO Programme on HIV/AIDS and the World of Work, he regretted that no mention was made of the trade unions' and employers' organizations with which the Office intended to establish or had already established important partnerships.

⁷ GB.280/PFA/6.

- 54.** Mr. Marshall said that the Employers saw the Office paper as a valuable source of information on ILO activities in 2000 but most of the comments on future aspects of ILO activities would be covered in the discussion on the Programme and Budget proposals for 2002-03. The reorientation of the budgetary process in the ILO had been a major task, parts of which were not covered by the Office paper. He agreed with the Workers that it would be more useful in future to concentrate on how activities could be more effectively carried out, rather than merely commenting on information contained in the various tables. Admittedly, it was difficult to separate the results of activities initiated by the ILO from those initiated externally but perhaps some methodology could be introduced to make the distinction easier. In particular, the proposals in paragraphs 3 and 4 of the Office paper were a step in the right direction.
- 55.** Looking ahead, the reports on programme implementation would without doubt be a critical tool for future decisions on programme and budget matters. In fact, budgeting decisions should be easier because they would be based on three documents, namely the proposals for the next biennium, an interim report for the current biennium, and a full report for the most recently completed biennium.
- 56.** Paragraph 9 of the Office paper referred to the rapid growth in extra-budgetary resources in recent years. A certain amount of integration between regular budget and technical cooperation activities was perhaps inevitable but it would be dangerous to place too much reliance on extra-budgetary funds, especially if they were to be used for core activities. Paragraph 10 served as a reminder for the ILO to find a proper balance between what it wanted to do and what it could do, and essentially this meant deciding priorities to ensure that resources were deployed to the best effect. The Office paper referred time and again to the need for better cooperation and communication, both internally and externally. Benefits from improvements of this kind were difficult to quantify but would be well worth the effort. The gender audit referred to in paragraph 12 would provide valuable information on gender equality in the ILO and the Employers would look forward to the results of that exercise. Paragraphs 13 to 16 referred to improvements in performance measurement and programme management, an activity to which the Employers attached the highest priority. It was not easy to develop measurement criteria and the ILO still had much to do, but there was no alternative if the ILO wanted credible results.
- 57.** The representative of the Government of Bangladesh drew attention to an error in the Office paper. In the tables following paragraph 27, under Indicator 1b.1, his country was included in the list of member States in which the ratification process for Convention No. 182 was well advanced. Bangladesh had, in fact, ratified Convention No. 182 towards the end of last year and this information had already been communicated to the Office.
- 58.** The representative of the Government of France congratulated the Office on the quality of the report presented to the Committee, but regretted that it had been distributed so late. The document, which combined transparency with information on performance, endowed the ILO's activities with a certain coherence. He fully endorsed the philosophy underlying paragraphs 13-16 and emphasized the importance of allowing time to measure impact. It might be necessary to wait for a time before gauging the results of a programme.
- 59.** He noted nonetheless that, in the case of the Programme on Child Labour, an attempt was being made to measure real results. The objective of removing 260,000 children from work was half way to being achieved, and the target for the Programme and Budget for 2002-03 had been increased to almost 1 million children. That indicator was a measure of the success of action involving, apart from the ILO, the governments of the countries concerned, workers' organizations, employers' organizations and NGOs; the ILO could therefore not take sole credit for it.

60. He welcomed the pragmatic approach and the introduction of performance and impact indicators. He hoped that the ILO would one day publish results expressed in terms of quantified indicators, but emphasized that one-third of the ILO's budget was not directly quantifiable, as the Employers' representative had said.
61. The representative of the Government of New Zealand expressed appreciation for the Office paper but suggested it would be more useful in future if it included both financial and non-financial information so as to highlight the relationship between expenditure patterns and performance. There should also be a full explanation of results. The current presentation included indicators, targets, outcomes and ongoing work, but would be improved if there were explanations of variances as well as how they would be rectified and if targets would still be met. It would be interesting to know whether users were given phased expectations of performance during the biennium so that progress could be measured after taking account of timing variations and the like.
62. The representative of the Government of Portugal said that he was very pleased with the document. He welcomed the fact that the Office had used strategic, results-based budgeting. While noting that the assessment was taking place at the half-way point, he found the overall positive balance sheet was gratifying, as was the progress that had been made in the area of fundamental rights, ratification of fundamental standards, IPEC and the ILO Programme on HIV/AIDS and the World of Work.
63. As an initial interim evaluation to which certain qualitative improvements might be made, it prompted a number of observations. The first concerned the relevance of the indicators to the operational objectives. The Government of Portugal had already emphasized that it was important to enhance the relevance of the indicators that were intended to measure the effectiveness, and in particular the actual impact, of the programmes. The second remark concerned the link between indicators and results. Some results were presented in too general a manner and the links between them and the respective indicators were not readily apparent.
64. Lastly, he requested a clarification on paragraph 33 of the report, which refers to an "absence of in-house expertise" and to the "significant work" undertaken in the InFocus Programme on Crisis Response and Reconstruction; Portugal had just confirmed funding for a project within the framework of the Programme in question.
65. The representative of the Government of China said that the Office paper succinctly described the implementation of programme activities in 2000 and suggested possible remedies to problems that had arisen during the year. Already it was clear that the strategic budgeting approach was improving programme implementation in the ILO and the supervisory function of its Governing Body. It was gratifying to see that technical cooperation delivery had increased by almost 7 per cent over the previous year and that solid progress had been made in integrating regular budget and technical cooperation activities. Social protection programmes had also achieved impressive results during the year. Employment generation was still at the heart of ILO activities and he expressed the hope that this strategic objective would not be subject to resource constraints in the next biennium.
66. The representative of the Government of Namibia welcomed the Office paper and was pleased that his country had benefited from a number of ILO activities. Under operational objective 2c: Reconstruction and employment-intensive investment, the Office paper reported Namibia as having adopted through national legislation the ILO approach to employment-intensive investment. This was not strictly correct – the legislation had been drafted but was not yet law.

67. He agreed with the Employers' representative that the ILO was rather vulnerable because many priority areas were funded from extra-budgetary resources. As a general principle, priority activities should be funded as far as possible from the regular budget. The issue of compliance and how well actions were translated into outcomes at grass-roots level should be treated in much more detail in future reports so as to give some information about results beyond ratification and the mere collection and analysis of data. Even without statistics, there was a strong impression that delivery fell well short of demand. More information on what was being asked of the ILO would help in assessing the relevance of targets and of ILO activities generally at grass-roots level.
68. The representative of the Government of Algeria, speaking on behalf of the African group, emphasized the considerable work that had gone into the document. He agreed with previous speakers who had emphasized the importance of the evaluation exercise which needed to be developed further.
69. However, the form of the report called for a number of observations. The first concerned the "Jobs for Africa" Programme. The African countries wanted information on the progress made in implementing the Programme and the obstacles that impeded its introduction in new countries. Secondly, he regretted the abstract approach of the document. Information needed to be more specific if it was to serve as an assessment tool. For example, it would be better to specify the countries concerned by particular projects, which had not been done in the document in its present form.
70. The representative of the Government of the United States welcomed the Office paper as a progress report on the use of strategic budgeting techniques in the ILO. As both the Employers' and Workers' representatives had said, many important activities that were difficult to quantify took place outside the targets and indicators contained in the Office paper. Nevertheless, it would be interesting to know what methodology the Office used in compiling the information in the report, such as whether common standards were used to assess whether targets had been met. In some cases, it was not clear how reported results related to indicators themselves and as previous speakers had said, the report should cover shortfalls as well as successes. As a general principle, performance would be better measured in terms of outcomes and inputs in the real world rather than just by the number of activities carried out. These refinements should be incorporated in the Programme and Budget for 2002-03.
71. The representative of the Government of Mexico agreed with comments by several speakers who expressed appreciation for a report which was both clear and useful, and which focused strongly on the strategic objectives at the mid-point of the 2000-01 biennium. She shared concerns expressed about Strategic Objective No. 2. Employment generation was a top priority in the world of work and the ILO should set itself more ambitious targets. The Office might also make itself more effective if it made more extensive use of the latest developments in information technology in its field programmes.
72. The representative of the Government of Denmark thanked the Director-General for the first report on programme implementation using strategic budgeting concepts. This report dealt just with the year 2000 but it had already inspired thinking on the Programme and Budget proposals for 2002-03 and the Committee would look forward to a similar paper next March on programme implementation for the whole of the 2000-01 biennium. In addition to the general comments already made by other speakers, special mention could be made of three points. First, a gender audit was to be completed in 2001, and among other things was expected to include recommendations to improve the measurement and accountability of ILO action on gender equality. This should lead to monitoring and benchmark systems being established and a system of accountability developed. Second, Denmark attached great importance to the issue of indigenous people and was therefore

concerned to see that it was not sufficiently addressed in the Programme and Budget for 2000-01. However, the Office paper contained some encouraging information and it was hoped that more still could be reported by the Office in its paper next March. Third, the Office had done some excellent work in an ILO employment policy review covering many countries, including Denmark. In view of its long tradition for strong social dialogue on employment policies it was somewhat surprising to see Denmark mentioned as having strengthened social dialogue on employment policies in the year 2000. This should be corrected in due course.

73. The representative of the Government of Trinidad and Tobago commended the Office for a useful and informative document, but also agreed with the Employers' and Workers' requests for greater detail and more information on the difficulties encountered in achieving targets. Information on ILO activities in the Caribbean was also most welcome. Trinidad and Tobago was a firm believer that the ILO could achieve significant results through the regional approach and the report did provide some information on ILO work from a regional perspective. Throughout the document, Caribbean member States were referred to sometimes collectively, sometimes individually. They would prefer to maintain their individuality and she requested the Office from now on to separate national and regional activities.
74. The representative of the Government of the United Kingdom joined previous speakers in welcoming the Office paper, prepared for the first time on results-based budgeting methodology. Considerable work had gone into the report, both in terms of preparing it and also convincing many throughout the whole Organization of its relevance. This was an interim report and so the main value of this exercise would probably not be seen for another year when the Committee could assess the whole 2000-01 biennium, and use the results of that discussion when consultations began on the 2004-05 biennium. It was unfortunate that the late issue of the Office paper meant that it was not given the high level of scrutiny it deserved, and to give Committee members sufficient time next year the paper should be issued at least two weeks before the meeting.
75. Despite comments from previous speakers calling for changes in presentation, the United Kingdom believed that the methodology used, and especially the format of the tables, required very little improvement, although perhaps some of the indicators could be looked at again.
76. The inclusion of activities funded from extra-budgetary funds was another welcome feature of the document. In essence there should be no distinction between funds from extra-budgetary sources and funds from regular budget sources because both should be used exclusively for activities covered by the objectives and indicators agreed in the budgetary process. He supported the proposal to use gender-sensitive objectives, indicators and targets to promote gender mainstreaming and also the proposal for a gender audit, although output would be the final measure of its worth.
77. Many speakers had commented on the measurement problems described in paragraph 14 of the Office paper. Clearly, the central question was deciding how much influence the ILO had in the results that had been achieved. One speaker had suggested that this could be determined by an analysis of the activity that the ILO and the social partners had undertaken. But this was not necessarily conclusive. Activity was not an end in itself. Direct links were difficult to prove and a better approach might be the continued refinement of objectives and indicators. In this respect the Office paper had already proved its worth because much of what it contained would be used in the forthcoming discussions on the Programme and Budget proposals for 2002-03.

- 78.** The representative of the Government of South Africa also expressed appreciation for the Office paper and supported the comments by previous speakers concerning the use of extra-budgetary resources for priority activities. The ILO should make every effort to ensure that priority projects were not compromised by uncertain funding. Paragraph 33 of the Office paper concerned the InFocus Programme on Crisis Response and Reconstruction and identified the extra-budgetary nature of resources as one of the main programme constraints. This matter should be re-examined – the ILO should not wait for external donations before responding to a crisis. Paragraph 29 of the Office paper referred to a statement of decision about job creation in Africa but it would be useful to have further information about action taken and resource constraints in order to avoid similar problems in future.
- 79.** A representative of the Director-General (the Director of the Bureau of Programming and Management), thanked Committee members for their suggestions on presentation and said that they would be incorporated in the next report in March 2002. A recurring question during the course of discussion concerned how the ILO quantified its contribution to a particular outcome. The link between cause and effect was generally very complex, which made it difficult to establish a methodology. In particular cases, the ILO contribution might have been the determining factor, in others it could have been insignificant. To what extent this could be identified and how far it could be extended across ILO programmes would require considerable study and would in turn depend on the resources the ILO was able to make available.
- 80.** A question was asked about whether the ILO had been too cautious in the way it set targets. In fact, some were probably too cautious, others probably too optimistic. For a first effort there was no simple answer and it was only with experience that the ILO's capacity to achieve targets could be judged. It was difficult for new programmes because there was no history to refer to, nor was it possible in many cases to forecast exactly at what point in the biennium a target would be reached.
- 81.** In reply to a query from the representative of the Government of New Zealand, he confirmed that future reports would include financial estimates as well so that the relationship between expenditure patterns and performance could be readily seen. The Office had taken note of a number of other comments concerning presentation and these would be borne in mind in the preparation of future reports. There had also been requests for more information on the Jobs for Africa programme and this would be referred to the appropriate department in the Office.
- 82.** In reply to a query from the representative of the United States concerning measurement methodology, he confirmed that each department was consistent within itself in measuring performance, but there was not yet an ILO standard for doing so, nor even the knowledge and expertise to fix a standard appropriate to all departments. As a final point, he acknowledged the comment from the representative of the United Kingdom on causality between ILO actions and outcomes in member States. The Office would be looking closely at how indicators and targets were defined with a view to making the linkage between the two much more transparent. He concluded by thanking the Committee for their observations, because it was through this feedback that the budgetary process in the ILO would be improved.
- 83.** The Director-General, taking the floor at the invitation of the Chairperson, acknowledged the many excellent suggestions which had been made during the course of the Committee's discussion. The question of cause and effect was probably the single most important issue that the ILO would have to come to grips with because measuring progress in purely quantitative terms was an extremely delicate exercise. For example, the ILO was a knowledge base and carried out research activities on matters related to the world of work.

But attempts to assess the impact of good research were fraught with difficulty. Similarly, the ILO was an advocate for best labour practices and an adviser on matters of labour policy, and although it was clear it fulfilled these roles it was extremely difficult to assess their value in purely quantitative terms.

84. Some speakers had referred to crisis response capacity in the ILO. Support for this work through extra-budgetary donations could be one measure of how well these programmes succeeded. But in practice the ILO's activities in response to a crisis tended to be overshadowed in scale by the work of the big humanitarian organizations, which tended to attract the largest share of resources. This would not always be the case, but it did serve as an example of the difficulties the ILO faced.
85. Were other roles open to the ILO? Perhaps its knowledge base could be used as a platform for policy advice. Perhaps the ILO should make recommendations to those who took policy decisions rather than use its resources to manage a technical cooperation project. If it did so, how should its effectiveness be measured? This process would be even more complicated if one attempted to measure individual contributions from the different organs within the ILO and in these cases it would be better to think of the combined contribution of the ILO as a whole.
86. Perhaps the best example was IPEC, a programme in which the ILO had been extremely active. The ILO had taken every opportunity to emphasize IPEC's importance. At regional meetings it had encouraged member States to commit themselves to ratifying Convention No. 182, and there was frequent and continuing high-level contact between the ILO and member States on this programme. As a result, many member States had now ratified Convention No. 182 and were now being asked to make a commitment to the elimination of the worst forms of child labour in their countries. How should each of the individual contributions be evaluated? It was impossible to say. Another example concerned standards setting and the supervisory machinery. This was a core activity for the ILO and had been for many years, but had nowhere near the same high profile outside the Organization. Another example: up to last November there had been private discussions for about a year concerning the position of trade unions in a certain member State, and it was only after direct contacts between the ILO and the member State that the position was satisfactorily resolved. How could the impact of such inherently non-public initiatives be satisfactorily measured?
87. These were just a few examples of the complex and sophisticated issues in which the ILO became involved, and which were extremely difficult to measure in a mechanical way. The point was worth emphasizing because this sort of performance measurement was new to the ILO. Perhaps it was time to look beyond the idea that targets and indicators were the only way to measure things and to think more creatively about the different ways that contributions could be effective. The work of all the constituent parts of the ILO played a part in its success; some were less prominent than others, but that did not make them less important.
88. Mr. Marshall said that the Employers wanted to make a number of clarifications. First, paragraph 18 stated that in November 2000 the Governing Body had adopted, on an experimental basis, an integrated approach to ILO standards-related activities. Their understanding was that the decision concerning an integrated approach had been taken not on an experimental basis but as a policy decision and was now in place. At the end of paragraph 25 there was an insert highlighting the work done on Convention No. 169 dealing with indigenous and tribal peoples. There was no objection to its being promoted but the Employers wished to point out that, in their view, there were a number of other updated Conventions which deserved equal prominence. They were also concerned with the mention in paragraph 26 of delays concerning the standards supervisory system and

high priority should be given to the work being carried out on this subject by the Committee on Legal Issues and International Labour Standards.

- 89.** In several of the tables reporting outcomes against targets, averages instead of absolute numbers were used, which tended to distort results, and the Employers would prefer the use of actual numbers. From the table for operational objective 2b it was clear that many useful activities had been undertaken but there was room for much more, especially in activities related to industry-based competence standards. Under operational objective 2d it was reported that 60 new organizations had adopted and were using the Start and Improve Your Business training package. With minor adjustments this package might be equally applicable to medium-sized operations and would be well worth developing. Operational objective 3c concerning improved working and employment conditions for vulnerable groups was an important issue for Employers, but given the basis on which Convention No. 183 on maternity protection was adopted it was difficult to see why a campaign should be launched in its support. As a concluding comment, the Employers believed that in the right circumstances there was much to be gained by combining technical cooperation and cross-sectoral activities, not only to improve effectiveness generally but to strengthen tripartism as well. It would be worth serious study.
- 90.** Mr. Blondel thanked the Director-General for his statement. He emphasized the experimental nature of the document, which would evolve in the light of experience. It was not a global report, and the objectives presented in it were additional to other ILO objectives that were not part of the short-term strategy.
- 91.** Turning to specific points, he referred to the Programme on HIV/AIDS and emphasized the need for cooperation, especially with the WHO, as an indispensable means of accelerating progress.
- 92.** Referring to paragraph 26, he was concerned by the reference to the growing burden on governments. Did that imply that, in order to prevent that growing burden, it was necessary to avoid adopting standards, despite the fact that the ILO's role lay precisely in ensuring that standards were promoted and ratified?
- 93.** Lastly, referring to paragraph 32, he regretted the absence of any reference to consultations with trade union organizations. Given that the aim was to enhance opportunities for men and women to obtain suitable employment and income, the role of the trade unions was of the greatest importance. The Workers would like the Office to indicate the real activities that had been undertaken within the framework of social dialogue, particularly at the Turin Centre. He suggested that it might be possible to establish certain objectives and targets in that area which could be identified in an interim report.
- 94.** The representative of the Government of France wished to return to certain specific points following his general observations. First, he referred to the success of the Declaration on Fundamental Principles and Rights at Work. The Declaration had become an indispensable reference at the international level. Its success was to be attributed to the ILO, to all the various groups represented and to the personal action of the Director-General.
- 95.** The second observation concerned child labour. The target established in the previous budget had been the withdrawal of 260,000 children from child labour, while the number of children who had actually benefited was around 130,000. The target set in the Programme and Budget for 2002-03 was 1 million children, and it was reasonable to ask whether the Organization would have the capabilities to attain that target.
- 96.** Lastly, he turned to the very important issue of social protection, and in particular the safety and health of workers. It was a matter with grave implications, given that every year

the number of victims of work-related accidents and occupational diseases exceeded the number of victims of conflicts and wars reported every day in the media. In the face of such a tragedy, the programmes that had been developed seemed inadequate and the results unsatisfactory. He suggested that it might be appropriate to review the resources allocated to social protection, which had always been the core of the ILO's activities.

97. The representative of the Government of the United Kingdom expressed support for the Employers' comment concerning the global maternity protection campaign.
98. The Director-General wished to make a few further comments in reply to some of the statements made during the course of discussion. The concept of decent work originally grew out of discussion within the Office which was later refined and developed through a process of consultation with ILO constituents. This process of refinement had continued right up to the present time. First, the concept of decent work was a management tool because it was a way of increasing efficiency on the ground and organizing the work of the Office around the four strategic objectives. Second, it was a policy tool. Member States often had needs which did not correspond to the ILO's internal structures, so it helped in the formulation of integrated responses best suited to complex needs. One of the problems with the Active Partnership Policy, despite the validity of the original concept, was that it dispersed analytical capacity throughout the field structure, and this needed to be corrected. The Decent Work Agenda was intended as a global concept, applying equally to all of the regions, and the decent work teams would be an excellent instrument not only to respond to regional sensitivities but also to be a source of information for the ILO on the regional perspectives of global objectives. Finally, decent work teams were a team-building tool. There was plenty of room for improved coordination and teamwork throughout the ILO, and the decent work teams would serve as an example of what could be achieved. Flexibility would be a key feature, and in the course of time the concept of decent work and the activities of the teams would be carefully assessed so as to keep them as relevant and effective as possible in their special role.
99. The Committee took note of the Office paper.

Delegation of authority under article 18 of the Standing Orders of the International Labour Conference (Eighth item on the agenda)

100. The Committee had before it a paper⁸ on the delegation of authority to the Officers of the Governing Body for the duration of the 2001 Conference.
101. Mr. Marshall expressed the Employers' support for both points for decision in the Office document.
102. Mr. Blondel endorsed paragraphs 3 and 4 of the document.
103. The Committee decided to delegate to its Officers (the Chairperson and spokespersons for the Employer and Worker members of the Committee), for the period of the 89th Session (June 2001) of the Conference, the authority to carry out its responsibilities under

⁸ GB.280/PFA/8.

article 18 of the Standing Orders of the Conference in relation to proposals involving expenditure in the 67th financial period ending 31 December 2001.

- 104.** *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.*

Other financial questions (Ninth item on the agenda)

The United Nations Administrative Committee on Coordination (ACC) – Statistical report on the budgetary and financial situation of organizations of the United Nations system

- 105.** The Committee took note of a paper⁹ containing financial information on organizations in the United Nations system.

Internal oversight

- 106.** The Committee had before it a paper¹⁰ concerning the role of the Chief Internal Auditor in the ILO.
- 107.** Mr. Blondel, noting that the document proposed that the Director-General consult the Governing Body rather than the Office on the appointment and termination of the Chief Internal Auditor, asked what the practical procedures for that consultation would be.
- 108.** Mr. Marshall said that the Employers believed the proposals were entirely appropriate and expressed support for the point for decision. The changes would bring the oversight function in the ILO into line with modern commercial practice, where an External Auditor reported to constituents and an Internal Auditor reported directly to the Chief Executive Officer. This Executive, in the ILO's case the Director-General, would have ultimate responsibility for appointment to and termination from but in the interests of sound governance would consult the Governing Body before taking decisions.
- 109.** In the appendix to the Office paper, Financial Rule 13.40 authorized the Director of the Financial Services Department to write off losses of \$400 or less with losses in excess of that figure to be referred to the Treasurer or the Committee on Accountability. Perhaps there should also be a ceiling for authority at this level, with losses above this figure referred to the Governing Body for consideration.
- 110.** The representative of the Government of Germany said that it had not been possible to consider the document in the short time since it was issued and it was therefore unable to support the point for decision at this stage.

⁹ GB.280/PFA/9/1.

¹⁰ GB.280/PFA/9/2.

111. The Treasurer stated that the internal oversight function in the ILO had been reviewed in 1996 as a result of initiatives by certain member States. It was now proposed to take into account further developments in the field of oversight in other specialized agencies, including the FAO and WHO. The ILO Staff Regulations at present required the Director-General to consult the Officers of the Governing Body before the appointment or termination of the Chief Internal Auditor. There was a body of opinion which preferred consultation with the entire Governing Body and this was provided for in the amendments to the Staff Regulations proposed in the Office paper. In reply to Mr. Blondel, the Treasurer confirmed that precise modalities for the consultation were still to be decided, but as a practical matter would probably involve consultation with the Officers followed by submission to the Governing Body, either in the report of its Officers or in the Report of the Director-General.
112. In reply to Mr. Marshall the Treasurer confirmed that there were two statutory provisions for write-offs. The ILO Financial Regulations authorized the Director-General, after a full investigation, to write off losses of cash, equipment and other assets except arrears of contributions from member States. The Financial Rules authorized the Director of the Financial Services Department to write off losses up to \$400, with write offs above that figure to be considered by the Treasurer or the Committee on Accountability. In all cases, however, details of losses written off during a financial period were required to be submitted to the External Auditor with the final accounts. The External Auditor then reported this information to the Governing Body and to the Conference in the body of his audit report.
113. *The Committee recommends to the Governing Body that it approve the amendments to the Financial Rules and the Staff Regulations set out in the appendix to this report.*

Financial arrangements for certain recommendations of the 29th Session of the Joint Maritime Commission

114. The Committee had before it a paper¹¹ proposing financial arrangements for certain recommendations of the 29th Session of the Joint Maritime Commission.
115. Mr. Blondel said that the Workers' group had not yet considered the paper and was as yet unable to adopt a position on it.
116. The representative of the Government of the Netherlands, speaking on behalf of the Western European member States, observed that the Committee was asked to recommend that the Governing Body approve financial arrangements concerning recommendations of the Joint Maritime Commission. The Office paper proposed a high-level working group composed of ten Government, ten Shipowners' and ten Seafarers' representatives, but this number should be expanded to allow for wider participation from Government representatives.
117. It would also be preferable to postpone decisions on the composition of the working group and the financing arrangements, first because the number of Government representatives could be resolved within the Government group, and second because part of the financing

¹¹ GB.280/PFA/9/3.

decision should be considered during discussion of the Programme and Budget proposals for 2002-03.

- 118.** Mr. Marshall said that the Employers could agree to the postponement but asked for details of any new proposals to be circulated well beforehand.
- 119.** The Treasurer, at the invitation of the Chairperson, confirmed that this Committee was concerned only with the financial aspects of recommendations from the Joint Maritime Commission. It was for the Governing Body itself to decide whether or not to accept recommendations from the Joint Maritime Commission and this was not prejudged in any way by this Committee's financing recommendations. Under the Standing Orders of the Governing Body, any proposal involving additional expenditure could only be considered by the Governing Body once it had the benefit of advice from the PFAC on financing arrangements, and in practical terms this meant that this Committee was required to give its advice before the Governing Body could take decisions involving additional expenditure.
- 120.** At the suggestion of the Chairperson, the Committee decided to postpone further consideration of this matter to a future sitting of the Committee.
- 121.** Upon reconvening, the Chairperson advised that there had been consultations among Government members concerning the composition of the working party and he invited the Chairperson of the Government group to address the meeting.
- 122.** The representative of the Government of Algeria, speaking as Chairperson of the Government group, said that the group had met the previous day to discuss the composition of the high-level tripartite working group on marine labour standards. The group decided to recommend a working party of 36 members, comprising 12 Government, 12 Employers' and 12 Workers' representatives. Member States concerned with maritime labour standards would have the opportunity if they wished to nominate observers, and all decisions would be taken by consensus at the time of the meeting. The costs of the tripartite working group would be paid by the Office, while those of the observers would be paid by the nominating member States.
- 123.** Mr. Marshall said that the Employers would be quite happy to support a proposal to increase the size of the working group to 36 representatives, namely 12 Government, 12 shipowners and 12 seafarers, but they would appreciate some information on the cost implications first.
- 124.** Mr. Blondel said that the Workers agreed with the statement just made by the Employers. Increasing the size of the working party from ten to 12 representatives from each of the three groups would no doubt cost more and it would be useful to have some information on this point before the decision was taken.
- 125.** Mr. Marshall suggested that the Committee take a decision for the costs of meetings in 2001, and that the costs for the 2002-03 biennium be considered at a later date. However, he was concerned that there was no upper limit on the number of observers and suggested that there should be some discussion on the modalities for the meetings of the tripartite working group.
- 126.** The Treasurer advised that the cost of expanding the tripartite working group from 30 to 36 representatives would add \$26,000 to each of the three meetings, and there would be no problem in separating 2001 from 2002-03 for the financing arrangements. The most urgent decision concerned the meeting for 2001 and, as Mr. Marshall suggested, the arrangements for 2002-03 could be taken up at a future meeting of the Governing Body.

127. *The Committee recommends to the Governing Body, should it approve the recommendations of the Joint Maritime Commission, that:*

- (a) *the cost of the meetings in 2000-01, estimated at some \$196,000, be financed in the first instance from savings in Part I of the budget on the understanding that, should it subsequently prove impossible, the Director-General would propose alternative methods of financing at a later stage in the biennium; and*
- (b) *a decision on the financing of the meetings in 2002-03 be deferred until a later session of the Governing Body.*

Governing Body representation at international conferences

128. The Committee had before it a paper¹² proposing financing arrangements for attendance by Governing Body members at two international conferences.

129. The Treasurer explained that it was extremely difficult to forecast the cost of attendance at conferences without knowing where the representatives would be travelling from. The maximum cost was estimated at \$38,000, but in all probability would be much less.

130. *The Committee recommends to the Governing Body that, should it decide to appoint tripartite delegations to attend the World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance to be held in Durban, South Africa, from 31 August to 7 September 2001, and the Third United Nations Conference on the Least Developed Countries to be held in Brussels from 14 to 20 May 2001, the maximum cost, estimated at \$38,000, be financed in the first instance from savings in Part I of the budget on the understanding that, should it subsequently prove impossible, the Director-General would propose alternative methods of financing at a later stage in the biennium.*

Geneva, 27 March 2001.

(Signed) D. Willers,
Reporter.

Points for decision: Paragraph 104;
Paragraph 113;
Paragraph 127;
Paragraph 130.

¹² GB.280/PFA/9/4.

Appendix

Amendments to the Financial Rules and the Staff Regulations

(Additions are underlined. Deletions are shown in square brackets.)

I. Amendments to the Financial Rules

XI. Property

11.40 TREATMENT OF CASES OF LOSS OF ASSETS[, FRAUD] OR UNRECOVERED DEBT

[(See Rule XIII.)]

Any loss of assets or unrecovered debt must be reported at once to the Treasurer who shall ensure that appropriate follow-up action is taken. The Treasurer shall inform the External Auditor and the Chief Internal Auditor of all such losses.

XIII. Accountability

13.10 CASES OF FRAUD, PRESUMPTION OF FRAUD OR ATTEMPTED FRAUD

Any case of fraud, presumption of fraud or attempted fraud must be reported to the Director-General through the Treasurer[. Full details of such cases shall be submitted to the External Auditor with the related accounts] and the Chief Internal Auditor. Confidentiality shall be respected at all times. No staff member who provides such information shall be adversely affected unless this information was wilfully provided with the knowledge that it was false or with intent to misinform. In all instances, the Treasurer, the External Auditor and the Chief Internal Auditor shall promptly be made aware of the full details of such cases with the related documents.

13.40 WRITING-OFF OF LOSSES

- (a) Where a loss is estimated as US\$400 or less, the writing-off may be authorised by the Director of the Financial Services Department. The Treasurer or the Committee on Accountability, in cases referred to it, may authorise the writing-off of losses exceeding the equivalent of US\$400. A statement of all losses over US\$400 which are written off shall be submitted to the External Auditor and the Chief Internal Auditor with the related [accounts] documents.

.....

XIV. Internal audit

14.10 RESPONSIBILITIES OF THE CHIEF INTERNAL AUDITOR

.....

- (b) [The Chief Internal Auditor shall prepare a report for the Governing Body on significant findings resulting from internal audit and investigation assignments undertaken in each year. The Director-General shall submit this report, together with any comments thereon he deems appropriate, to the first session of the Governing Body in the following year. Additional reports on significant internal audit and investigation findings may be similarly prepared by the Chief Internal Auditor and submitted to the Governing Body in the same manner, should he deem this to be necessary.]

The Chief Internal Auditor is responsible for internal audit, inspection, monitoring and evaluation of the adequacy and effectiveness of the Organization's system of internal control, financial management and use of assets as well as investigation of financial or administrative misconduct and other irregular activities. All systems, processes, operations, functions, programmes and activities within the Organization are subject to the Chief Internal Auditor's independent review, evaluation and oversight.

14.20 APPOINTMENT AND TERMINATION OF THE CHIEF INTERNAL AUDITOR

The Director-General shall appoint a technically and professionally qualified Chief Internal Auditor in accordance with the provisions of article 4.2(d) of the Staff Regulations. The Director-General may terminate the appointment of the Chief Internal Auditor in accordance with the provisions of article 11.1 of the Staff Regulations.

14.30 TERMS OF REFERENCE GOVERNING INTERNAL AUDIT

Internal audit shall function in accordance with the following provisions:

- (a) The Chief Internal Auditor shall report directly to the Director-General.
- (b) Internal audit shall have full, free and prompt access to all records, property, personnel, operations, functions and any other material within the Organization which, in internal audit's opinion, are relevant to the subject matter under review.
- (c) In addition to receiving reports of fraud, presumption of fraud or attempted fraud as required under article 13.10 of the Financial Rules, internal audit shall also be available to receive directly from individual staff members complaints or information concerning the possible existence of waste, abuse of authority or other irregular activities. Confidentiality shall be respected at all times. No staff member who provides such information shall be adversely affected, unless this information was wilfully provided with the knowledge that it was false or with intent to misinform. The Chief Internal Auditor shall immediately inform the Treasurer of any substantiated complaints or information involving loss of property or resources.
- (d) Internal audit shall report the results of its work and make recommendations to the Director-General, with a copy to the External Auditor and other persons designated by the Director-General. At the request of the Chief Internal Auditor, any such report shall be submitted to the Governing Body, together with any comments thereon by the Director-General as he deems appropriate.
- (e) The Chief Internal Auditor shall additionally submit a summary report annually to the Director-General, with a copy to the External Auditor, on internal audit activities of the previous year, including the orientation and scope of such activities, as well as the implementation status of recommendations. This report shall be submitted to the Governing Body together with any comments thereon by the Director-General as he deems appropriate.
- (f) The Director-General shall ensure that all internal audit recommendations are responded to and implemented as appropriate.

II. Amendments to the Staff Regulations

ARTICLE 4.2

Filling of vacancies

- (d) Vacancies in the Director and Principal Officer category shall be filled by the Director-General by transfer in the same grade, promotion or appointment. Such promotions or appointments, other than to vacancies in technical cooperation projects, shall be reported to the Governing Body with a short statement of the qualifications of the persons so promoted or

appointed. The position of Chief Internal Auditor shall be filled by the Director-General after [consulting the Officers of] consultation with the Governing Body.

ARTICLE 11.1

Provisions governing termination

The Director-General may terminate the appointment of an official in accordance with the terms of his contract of employment and the provisions of these Regulations. The Director-General shall consult the [Officers of the] Governing Body before terminating the appointment of the Chief Internal Auditor.