



## ELEVENTH ITEM ON THE AGENDA

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

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1. The Programme, Financial and Administrative Committee (PFAC) of the Governing Body met on 8 and 9 November 2006, chaired by Mr. Mdladlana, Chairperson of the Governing Body.
2. The Committee was addressed by the Director-General on the preview of the programme and budget proposals (see appendix).

## **Preview of the Programme and Budget proposals for 2008-09 and related questions** (First item on the agenda)

### **(a) Strategy for continued improvement of results-based management in the ILO**

3. The Committee had before it a paper<sup>1</sup> on results-based management (RBM) in the ILO.
4. Mr. Barde, speaking on behalf of the Employers' group, said that the document under discussion presented interesting and useful lines of thought; however, the strategy put forward remained incomplete. The Employers' group acknowledged the importance of RBM, which led to increased transparency, particularly from a budgetary viewpoint. He wanted to know what the consequences would be for the ILO's structure. Nonetheless, the strategy needed to be accompanied by further information on how the results would be achieved. As an example, he said that the decrease in the number of working children was an important result. However, his group was more interested in how the Office could help constituents to achieve that result.
5. He reiterated the request made by his group for comprehensive information on the workplans of each sector and for clarification in terms of the responsibilities of Executive Directors and Regional Directors. Organizational change was important for the Employers' group. The collaboration required between departments did not always occur in practice, and the Policy Integration Department had shown its limitations.
6. There had been a decline in the ILO's expertise in areas relating to the world of work. With regard to DWCPs, which were still few in number and in the preparatory stages, he recalled that the main concern of his group was the involvement of the social partners. His group called for more technical cooperation in the field, with the full participation of constituents. Moreover, the ILO's regional action lacked governance and required a higher degree of transparency. He wondered about the best regional structure for the Office and the desired level of decentralization. Mr. Barde recalled that the ILO had global responsibilities. He requested that regional priorities be presented by strategic and operational objective.
7. The Employers' group hoped that the Governing Body reform would soon be completed, particularly with regard to improving the division of work among the various committees in respect of evaluation matters. With regard to United Nations reform, Mr. Barde emphasized that the tripartite nature of the ILO must be maintained, and that any increased collaboration with the United Nations must guarantee tripartism. He wanted more information on the review of the field structure, including all the offices, with a view to improving technical cooperation.

<sup>1</sup> GB.297/PFA/1/1.

8. Mr. Barde recalled that the Governing Body had noted, and not adopted, the Strategic Policy Framework. A ten-year timescale for such a framework did not appear very realistic. He wanted some explanations regarding the Advisory Committee on Organizational Change.
9. A clear human resources management policy was important for the Employers' group, which hoped to see directors assume a more prominent role with more flexibility. The contracts policy needed to be more transparent. Mr. Barde noted that many posts were still vacant, and requested information on the number of external collaboration contract holders in each department.
10. In conclusion, Mr. Barde highlighted the fact that the document had not answered all the questions, and that the strategy was still incomplete, in particular with regard to the status of the strategic framework and the regional structure. His group accordingly suggested an amendment to the point for decision in subparagraph 102(a) relating to the endorsement of "elements of the strategy ...".
11. Mr. Blondel, speaking on behalf of the Workers' group, thanked the Director-General for his wide-ranging introductory presentation, from which he had concluded that it was essential to provide the ILO with the necessary means to take the initiative in increasing coordination within the United Nations system.
12. He emphasized the strategic importance of the document submitted, which provided a solid foundation for discussing the long-term management of the Organization. He stressed that the achievement of results was not automatic owing to the particular characteristics of the world of work. RBM did have some advantages – particularly in terms of efficiency – but also had its limitations in terms of its ability to embrace all aspects of an organization such as the ILO, particularly its fundamental values such as tripartism (an essential element of democratic cohesion), freedom of association, solidarity and human dignity. His group therefore wished to see a certain degree of flexibility in the use of that tool.
13. With regard to United Nations reform, Mr. Blondel emphasized that RBM made it possible to strengthen the comparative advantages of the ILO within the United Nations system. He nonetheless stressed that an in-depth debate was premature, given that not all elements of the reform had been defined. However, it was important to take advantage of the reform, particularly with regard to the position and role of the social partners. The Ministerial Declaration made by the Economic and Social Council was a step in the right direction.
14. His group supported the DWCPs as a preferred vehicle for ILO action. He hoped that they would be implemented in all countries as a concrete tool for helping to achieve realistic objectives based on calculated time frames. He noted that a certain level of centralization at the sectoral level had led to savings in terms of management. Nonetheless, he hoped that that would not affect the managerial autonomy of the Bureau for Workers' Activities (ACTRAV). He noted the difficulties in targeting the resources allocated to DWCPs and hoped that the ILO, and ACTRAV in particular, would continue to be able to respond to urgent situations. Lastly, he hoped that ACTRAV would participate in the Organizational Change Advisory Committee established by the Office. His group expressed its satisfaction at the extra-budgetary aid received from the Netherlands and the United Kingdom to help strengthen the participation of constituents in DWCPs.
15. With regard to reform of the programming cycle, his group emphasized the need for the Strategic Policy Framework to reflect the Organization's mandate. A long-term plan should not be implemented to the detriment of concrete results benefiting the tripartite constituents.

16. Mr. Blondel emphasized the impact of the message of paragraph 9 concerning the contribution made by the ILO to achieving decent work. Standards, tripartism and social dialogue were the foundations of that concept, a “calling card” reflecting the intrinsic values of the ILO. He regretted that there was not enough understanding of tripartism among ILO officials. Tripartism was a frame of mind, a way of working and a choice made by society.
17. With regard to the review of the field structure, he hoped for the close involvement of constituents and suggested that a tripartite working group be established which included ACTRAV and the Bureau for Employers’ Activities (ACT/EMP).
18. The representative of the Government of the Netherlands, speaking on behalf of the IMEC group, commended the Office on its effort to reflect a multifaceted and comprehensive strategy in a concise paper. He acknowledged that implementation of RBM required a culture change and understanding by staff at all levels of the Organization. He raised concerns that the RBM strategy framework was incomplete and should be designed as a policy matrix, also focusing on human resources, evaluation, information technology and knowledge sharing. It should also be developed into an internal policy tool for ILO management. He sought further clarifications on the distinction between intermediate and immediate outcomes. He found the lessons presented in the paper valuable. He pointed out key cross-cutting challenges in further operationalizing RBM: achieving coherence, effective DWCPs, better use of IRIS, including the roll-out to the field; further internalizing RBM and translating its theory into practice; improving communications, human resources and programme evaluation strategies and strengthening the knowledge base of the ILO.
19. He expressed concerns over the Policy Integration Department not proving effective in integrating policies. He appreciated the creation of the Organizational Change Advisory Committee and sought more information on its operation. He supported a review of the structure of the Committees of the Governing Body.
20. In principle, he supported a longer programming cycle and the initiation of a comprehensive field structure review. For this, he requested detailed terms of reference to be presented to the Committee in March 2007, a clear timetable and methodology and participation of independent experts. He regretted that the road map did not include cost implications. It should be updated regularly. He stressed the need for frequent checks on policy implementation through improved monitoring, evaluation, risk analysis and mitigation. He proposed that the Office carry out a staff survey before the end of 2007.
21. The speaker encouraged the Office to provide a regular update on RBM and governance issues through an interactive and informal exchange of views in addition to formal reporting. In that regard, he recognized the value of the establishment of an independent advisory audit committee reporting to the Governing Body. In addition, he proposed reporting on the road map in March 2007 and submitted an amendment to the point for decision in subparagraph 102(c) relating to the preparation of detailed terms of reference for the field review.
22. The representative of the Government of Mexico, speaking on behalf of GRULAC, acknowledged the significance of RBM as an appropriate tool to meet ILO’s objectives. She found the section on lessons for the future to be very useful and emphasized the importance of full involvement of the ILO’s tripartite constituents to achieve the expected results and gain legitimacy. She also highlighted the importance of establishing priorities, coordinating activities, avoiding duplication, using appropriate indicators and being transparent in using financial resources for improving the quality of ILO’s work. She supported the point for decision.

- 23.** The representative of the Government of South Africa, speaking on behalf of the Africa group, welcomed the application of RBM in the ILO, taking account of lessons learned. The Africa group strongly supported the proposed three-level hierarchy that includes the mandate and vision, intermediate and immediate outcomes. Impact assessments in relation to the intermediate outcomes would be necessary. He stated that the Office should ensure coherence in the various stages of the whole programming cycle. He supported measures for resources management and supported the request for detailed terms of reference for the field structure review to be presented in March 2007. He urged the Office to take into account DWCPs in this review and requested a clear timetable to facilitate preparation and involvement of constituents. He supported the point for decision.
- 24.** The representative of the Government of Australia, speaking on behalf of the Asia-Pacific group, supported the implementation of RBM and noted that it should be a process undertaken in a systematic manner at all levels of operation. He acknowledged the progress made in this respect and highlighted the importance of developing linkages between the work programme and budget, the Strategic Policy Framework and results-based management. He stressed the importance of work planning considering the budgetary constraints faced by the Office and backed the introduction of milestones in this regard. He supported the review of the programming cycle, Strategic Policy Framework and field structure of the ILO. He called upon the Office to fully explore the potential of management reforms in generating future savings and increased effectiveness in operations of all aspects of the Organization.
- 25.** The representative of the Government of the Russian Federation appreciated the efforts made to move the ILO towards implementing RBM. He placed importance on clearly defining criteria for evaluating managers' performance and exploring the full potential of IRIS in programme planning and implementation. He requested the Office to submit a detailed plan of the field structure review in March 2007.
- 26.** The representative of the Government of Kenya supported the statement by the representative of the Government of South Africa on behalf of the Africa group.
- 27.** The representative of the Government of Hungary acknowledged the Office effort in putting together a strategy for continued improvement of RBM in the ILO. He appreciated the inclusion of lessons learned in the document. He expressed his support for the IMEC request to update the road map in March 2007.
- 28.** The representative of the Government of Italy endorsed the statement by IMEC. He appreciated the progress made on RBM. This should facilitate the Office work with governments and other organizations in policy development support. He raised the importance of extra-budgetary support to implement DWCPs in the context of RBM. In terms of performance measurement, he expressed his support for the establishment of reliable indicators and the role of evaluation.
- 29.** The representative of the Government of China endorsed the statement made by ASPAG, including the four key areas of the road map and the field structure review. He expressed support to the Office strategy for continued improvements of RBM with participation and contributions of constituents. He suggested that the Office should optimize the use of its resources rather than expanding its scope. A full assessment of the costs and benefits of IRIS was required. He hoped that the proposed road map could also incorporate the proposed reforms for the Conference and the Governing Body.
- 30.** The representative of the Government of India commended the ILO for the document which he largely endorsed. He supported the road map and pointed out that it should be broad and indicative rather than detailed to enable the Office to respond flexibly to a

changing environment. He suggested that knowledge sharing should be expanded to include sharing of experience. In terms of resource cuts, he stated that this should not compromise the quality of services delivered. He expressed his concern at the possibility of the reduction in the number of field offices and its impact on delivery of services to constituents.

31. The representative of the Government of Mexico supported the statement made by GRULAC. He stated that economic and social outcomes took time to achieve and were the product of a number of converging actions taken by many actors. In view of the experience gained by the Office since launching the Decent Work Agenda in 1999, a programming cycle of eight years would seem appropriate. He supported the point for decision.
32. The representative of the Government of the Republic of Korea associated herself with the views expressed by ASPAG. She supported the Office's view that both evaluation and performance measurement were important. However, reporting requirements should not be allowed to become a burden. In view of budgetary constraints, she stressed the need to maintain the effective operation of field offices. She encouraged more dialogue with donors to ensure a reasonable distribution of extra-budgetary funding in support of DWCPs.
33. The representative of the Director-General (Ms. O'Donovan, Executive Director for Management and Administration) thanked the Committee for the clear messages and comments on the document. She stated that the detailed suggestions provided during the discussion on the four key areas set down in stage 3 of the road map had been noted. She stressed that RBM was a dynamic process, requiring flexibility and updating on a regular basis. Regarding the field structure review, she confirmed that detailed terms of reference would be presented in March 2007 as requested but that this would delay the completion of the review. Reporting on progress made in implementing the road map should take place later than March 2007. She explained the role and function of the Organizational Change Advisory Committee which was established by the Director-General in 2005 as an internal forum to support organizational change. The Committee reviewed the experience of other United Nations agencies, guided improvements in the application of IRIS, and promoted good practice on change management within the ILO.
34. The Director of the Bureau of Programming and Management (Mr. Thurman) thanked the Committee for the comprehensive debate and guidance. The Office fully recognized the limitations of RBM and the need to apply it in full conformity with tripartism and the ILO mandate. The establishment of accountability frameworks would take into account the need for flexibility for managers to handle their work programmes and the need to remove unnecessary bureaucratic procedures, while taking due account of guidelines provided by the Governing Body. An integrated matrix showing all management strategies would be developed along the lines proposed in paragraphs 73-78 of the road map.
35. The Chairperson confirmed that the Office would report on progress made with the implementation of RBM and the road map in November 2007. On that understanding, he sought the Committee's endorsement of the point for decision as amended.
36. The Committee endorsed the point for decision amended to read as follows:
37. *The Programme, Financial and Administrative Committee invites the Governing Body to:*
  - (a) *endorse the elements of the strategy for RBM in the ILO presented in the paper, account being taken of the views expressed by the members of the Committee during the discussion;*

- (b) request the Director-General to report in November 2008 on the progress made on the milestones identified in the strategy, within the context of the next SPF; and*
- (c) request the Office to provide detailed draft terms of reference for the review of the ILO field structure for adoption by the Governing Body in March 2007.*

**(b) Preview of programme and budget proposals**

38. The Committee had before it a paper <sup>2</sup> relating to the Programme and Budget proposals for 2008-09.
39. Mr. Blondel, speaking on behalf of the Workers' group, stressed the importance of the paper for the future of the Office, and noted that the context of the discussion was fundamentally different from that prevailing at the time of the adoption of the last budget. The Organization had responsibilities across the world and had a duty to meet the very high expectations regarding the Organization; the future and the credibility of the ILO were at stake.
40. The Workers' group believed that implementation of decent work at the country level and support for workers were essential in that regard. The Workers' group had noted the regional priorities and the main elements of the four strategic objectives within the framework of RBM. The indicators and targets could be developed in more detail.
41. He noted the efforts envisaged by the Office within the framework of the United Nations for policy convergence and DWCPs (paragraph 9), while reaffirming the primacy of standards as intrinsic values of the ILO.
42. He expressed concern at the level of contact between the technical services and the field offices in the light of the mismatch between regional priorities and the main elements of the strategic objectives. He regretted that certain important elements such as the Global Employment Agenda (GEA), the global social protection strategy, multinational enterprises and the gender dimension had not been sufficiently reflected in the preliminary proposals.
43. He pointed to certain gaps in the regional priorities. In the case of Asia and the Pacific, there was a lack of references to standards, tripartism and social dialogue. As for Africa, no reference was made to labour inspection, social security, the regional team for employment promotion or combating child labour. With regard to Latin America and the Caribbean, there was insufficient reference to standards. On the other hand, in the case of Europe, workers' rights and social dialogue were mentioned.
44. He then reviewed the main proposed outcomes and the main elements of the strategy for the biennium, as well as the proposed joint outcomes and the revised logical framework. He regretted the compartmentalized way in which the different components had been presented.
45. As to Strategic Objective No. 1, the ratification of standards could not be ignored, and nor could freedom of association. Regarding Strategic Objective No. 4, specific indicators should be introduced for ACTRAV and ACT/EMP. The Workers' group appreciated the

<sup>2</sup> GB.297/PFA/1/2.



reference to sectoral-level work. Alongside the promotion of the new Maritime Labour Convention, there was a need to promote other sectoral instruments (such as those relating to agriculture, chemicals, construction and asbestos).

46. Mr. Blondel stressed that any strengthening of the capacity of the social partners required that ACTRAV be strengthened.
47. As to the first joint outcome, he wished to see the inclusion of Conventions other than the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144). That meant, in particular, the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), the Labour Administration Convention, 1978 (No. 150), and the Collective Bargaining Convention, 1981 (No. 154). Sectors 2 and 3 should also be mentioned. He called for follow-up to the resolution on the employment relationship adopted at the last session of the International Labour Conference (2006).
48. With regard to the second joint outcome, he noted the lack of references to standards and to the social partners.
49. As to the revised logical framework, he wished to see the reference to children in the text of Strategic Objective No. 1 deleted. He issued a warning regarding the use of the term “reform”, which was in no way synonymous with strengthening legislation; indeed, nowadays it often meant just the opposite.
50. With regard to the Integrated Resource Information System (IRIS), he hoped for an assurance that access for field offices would be confirmed during the course of the next biennium.
51. As to paragraph 42, he wished to include the Extraordinary Summit of the African Union on Employment and Poverty Alleviation (Ouagadougou) among the major events which had influenced the demand for ILO services.
52. Regarding paragraph 48, he noted the new expenditure items, especially those related to security, and hoped for further information on that point. He also noted that budgetary expenditure was essentially absorbed by wages and costs related to security and buildings, leaving few resources for programmes supporting decent work and the world of work.
53. Regarding paragraph 44, he wondered about the fact that the Office’s budget was stagnant, despite the heavy responsibilities placed upon the Organization and the heightened expectations regarding its performance. He concluded that the budgetary discussion due to take place in March 2007, which enjoyed the full support of the Workers’ group, was of special importance.
54. Mr. Barde, speaking on behalf of the Employers’ group, recalled that his group’s priorities had been clearly indicated during previous interventions. He referred in particular to employment creation and development of enterprises, both large and small, microfinance, the enterprise environment, the Global Employment Agenda (GEA), activities to promote organizations of employers and workers and to encourage their participation in, among other initiatives, programmes on child labour, the Declaration, HIV/AIDS, social security and occupational safety and health.
55. He said that the financial situation necessitated a re-evaluation of the current budgetary allocations among the different programmes, instead of systematically cutting budgets in all departments. It was necessary, in particular, to avoid duplication of effort and to concentrate resources on the core elements of the Organization’s mandate. If a programme

failed to meet expectations, the question needed to be asked whether the resources would be put to better use elsewhere. He recalled that it was for the Office to make decisions on budget allocations, but his group was ready for consultations.

56. ACT/EMP and ACTRAV had an intersectoral vocation and were the guarantors of tripartism at the ILO. They played an essential role in preparing the programme and budget proposals and should have the human and financial resources needed for that work. His group was in favour of increasing the allocation for employers' activities.
57. He stressed that standards were not the only tool of the Organization in need of a much more practical approach. Certain Conventions appeared to be outdated, and recent examples had shown the limitations of a standards-based approach; his group preferred a universal standards approach to a sectoral standards approach.
58. He reiterated his group's concern that there should be practical indicators to measure the Office's effectiveness and that it should not simply be a matter of change for change's sake. With regard to the Turin Centre, he welcomed the establishment of an Employers' department, and requested an increase in the regular budget for technical cooperation at ACT/EMP in Geneva and a new budget for ACT/EMP in Turin. He recalled that the regional priorities were tripartite, but that the constituents had their own priorities. He also regretted the absence of youth employment among the regional priorities.
59. He welcomed the focus on the four strategic objectives, and warned against the use of the term "monitoring" for the follow-up to the Declaration. He recalled the essential role of the Employers' group in combating child labour. His group was looking forward to a discussion on the reform of standards-related activities.
60. Employment was the priority for his group. The GEA was an essential element of the Office's strategy and should be mentioned in the paper. More attention needed to be paid to issues of productivity and labour costs, including improvements to the business environment, since those factors were crucial to job creation. The Office should begin by making small and medium-sized enterprises a priority, rather than simply focusing on cooperatives and other social enterprises. He would have liked to see more ambitious proposals regarding training and, in particular, investment, the reform of systems and cooperation with the private sector.
61. More detail was required regarding the social protection activities that were envisaged. The Employers' group supported the Global Campaign on Social Security and Coverage for All. The issue of employment was closely linked to that of social security. Labour inspection needed to involve close scrutiny of working conditions and occupational safety and health.
62. As to the proposed joint outcomes, he said that neither ACT/EMP nor ACTRAV had been consulted and those proposals should be reviewed.
63. Given the widely differing situations involved, he said that the earmarking of 2 per cent of salaries for training should be examined. The directors concerned should have a free hand to manage training. He requested that ACT/EMP and ACTRAV participate in the coordination referred to in paragraph 33.
64. In conclusion, he said that he remained vigilant regarding the way in which the priorities that had so often been brought up by his group were dealt with. Although aware of the major investments required, including renovation of the headquarters building, his group would judge the ILO by its programmes and its ability to respond to constituents' needs.

65. The representative of the Government of the Netherlands, speaking on behalf of the IMEC group, appreciated the clear and concise overview of the proposals. It followed a logical structure, was built around the four strategic objectives, and demonstrated continuity compared to the previous programme and budget. The speaker conveyed the concern of his group regarding the lack of consistency in terminology and programming format. He encouraged the Office to pursue efficiency gains, in particular by defining areas of lesser priority and areas of higher priority, and to propose reallocation of resources accordingly. He requested further information on how DWCPs were linked to the programme and budget and on the ILO's strategy regarding the "One United Nations". The speaker agreed with comments made earlier by the Employers' group noting that the ILO comparative advantages had to be further defined.
66. As to Strategic Objective No. 1, his group suggested that reference be made to the standards strategy and vision paper. The group also wished to see reference to the Maritime Labour Convention, 2006. The speaker noted considerable overlap in the outcomes under Strategic Objective No. 2 that could be rationalized. He applauded the proposals for joint outcomes and encouraged the Office to propose more, for instance in the areas of microfinance and in labour administration. His group had further proposals it wished to share with the Office.
67. The speaker wanted to see more direct reference to the human resources strategy, in particular, regarding the revised performance assessment. He strongly supported the section on knowledge and communication. He expected to see more systematic collaboration with the Turin Centre in this regard.
68. He requested more information on the increases in demand for ILO services mentioned in the document.
69. The speaker mentioned the concerns of his group regarding the renovation of the ILO building and its funding in a tight budget context, and how the Office was going to address the financial challenges.
70. He concluded by stating that his group was open to informal consultations in preparation for the programme and budget discussion next March and beyond.
71. The representative of the Government of South Africa, speaking on behalf of the Africa group, referred to the critical importance of the implementation of the Plan of Action adopted at the African Union Extraordinary Summit of Ouagadougou (2004) which gave central importance to employment creation as the means to poverty eradication in Africa. He noted with appreciation the refinements in the formulation of outcomes and their measurement. His group agreed with the regional priorities for Africa stated in the document but wished to see child labour, social security and labour inspection included. The speaker observed that innovative ways would have to be found to address the budget of the ILO, and that generating savings from administrative services was not sustainable. He looked forward to further discussions on the budget.
72. The representative of the Government of Mexico, speaking on behalf of the Latin America and Caribbean States, noted that the international context was very supportive of the Decent Work Agenda. This should be reflected in the proposals for 2008-09 that should give priority to national, regional and international action to implement the Decent Work Agenda. She appreciated the efforts made to improve the presentation of outcomes and requested further examples to illustrate the approach proposed. She had difficulty in understanding paragraph 25 on mainstreamed strategies. On the ILO budget, she was confident that a reasonable solution would be found that took account of the difficulties

some governments faced in paying their contributions. Her group supported the point for decision.

73. The representative of the Government of Australia, speaking on behalf of the Asia-Pacific group, supported the strategic continuity and the further development of the results framework displayed by the document. He highlighted the need for the Office to enunciate clearly what it hoped to achieve, how it hoped to achieve it and how the achievements and outcomes would be measured. In view of the difficult financial situation, it was important to have broader evaluative information in order to make informed decisions. Clearly efficiencies had been achieved. The regional priorities reflected well the views of the Asia-Pacific group; he nevertheless wanted to add an emphasis on small and medium enterprises. The speaker requested publication of the programme and budget proposals well in advance of the March discussion. He added that it will be particularly important that any proposals for investment in the infrastructure of the ILO be clearly and separately identified and a robust business case be made for those proposals.
74. The representative of the Government of Spain underscored the progress made by the ILO since 1999 with the Decent Work Agenda now having become a trademark throughout the world. The speaker welcomed the document which provided an opportunity to start debate on a budget that should be a landmark one. He also welcomed the efforts made to clarify terminology. He argued for the integration of labour inspection with labour administration. He pointed out that tripartism was to be implemented with the full participation of the social partners and governments. He called for the proposals to better reflect the analysis conveyed in the Report, *Changing patterns in the world of work*. He noted that the regional priorities for Africa, the Arab States and Asia mentioned the creation of employment as their top priority but regretted that labour migration was not mentioned as a priority. He stressed the importance of employment-intensive investment strategies. He called for continued commitment on the part of the ILO to take appropriate decisions and change what needed to be changed.
75. The representative of the Government of the Russian Federation provided preliminary comments on priorities in the four strategic objectives, namely fundamental principles and rights at work; economic growth, poverty reduction and sustainable enterprise development; labour migration; and capacity building for social partners. He mentioned that the use of RBM should lead to additional cuts in expenditures. He noted the increase in security-related costs and questioned whether some expenditure (on IRIS for example) could be scaled down. He asked that savings be used to increase monitoring, auditing and evaluation functions. In conclusion, he expressed the hope that the Office would respond to the challenges and would not call for an increase in contributions.
76. The representative of the Government of Mexico noted that RBM encouraged organizations to identify performance indicators and to detail how outcomes were to be achieved. He suggested that the three levels (vision and mandate, intermediate and immediate outcomes) described in the document be developed in more depth in the programme and budget. With regard to the ILO's principal regional priorities for 2008-09, specifically regarding Latin America and the Caribbean, consideration should be given, in addition to extending social security coverage, to the adoption of measures to resolve the pensions crisis in the region, an issue that has considerable impact on labour relations and public resources of the countries in the region. Concerning the budget, he recognized that the ILO budget was insufficient, but noted that governments themselves were facing severe constraints with budgets.
77. The representative of the Government of the United States supported the statement made by IMEC. She indicated that the five mainstreamed strategies created confusion and should be abandoned. Three of the mainstreamed strategies could be considered as outcomes

while two duplicated strategic objectives. She welcomed the initiative for a centrally managed statistics programme. On knowledge and communication, she welcomed the focus on a limited number of quality products and called for external peer reviews. She further stated that her Government's policy was for all United Nations agencies to live within their current budget level and looked forward to additional efficiency gains.

78. The representative of the Government of Japan supported the IMEC and ASPAG statements. He acknowledged the efforts made towards cost savings as reported in paragraph 45 and encouraged further savings.
79. The Director of the Bureau of Programming and Management thanked all members for the extremely rich debate that would be carefully reflected in the programme and budget proposals. He had taken careful note for example of the need to seek savings, to provide more information on DWCPs, to clarify terminology and to publish the programme and budget proposals early.
80. The Director-General thanked the members for their thoughtful comments. This was a moment for the Office to listen, and that was his intention. He did, however, want to address the important issue of demand for the Office's services. Every day, throughout the world, the Office was forced to say "no" to the constituents it served. The point was not to count the number of times this happened, but to recognize that it had become a part of our daily reality and work, and to seek solutions. At the same time, he understood the financial constraints faced by governments. For that reason he welcomed the reference made by the United States to the need for a creative approach. There was a window of political opportunity that should be seized, based on unprecedented widespread international support for the Decent Work Agenda. He called for an open reflection on ways to respond to the opportunities before the ILO, taking into account the constraints on member States. He invited members of the Committee to explore innovations such as voluntary contributions to the regular budget. Such contributions could address core needs in the light of the demands on the Office and the need to respond actively to United Nations reform.
81. *The Committee recommends to the Governing Body that it request the Director-General, when preparing the Programme and Budget proposals for 2008-09 for its March 2007 session, to take account of the views expressed by the members of the Committee during the discussion of this item of its agenda.*

## Evaluations

(Second item on the agenda)

### (a) Annual Evaluation Report 2005

82. The Committee had before it a paper<sup>3</sup> comprising an Annual Evaluation Report.
83. Mr. Barde, speaking on behalf of the Employers' group, said that, after reading the report, he felt that the tasks of all the Governing Body committees needed to be reviewed. For example, the question relating to employment in the thematic evaluation ought rather to be discussed in the Committee on Employment and Social Policy, and future evaluations concerning standards and the Global Employment Agenda should be referred respectively to the LILS and ESP Committees. That said, he congratulated the Office on having created

<sup>3</sup> GB.297/PFA/2/1.

an evaluation system with limited resources. The Employers' group supported the first part of the point for decision. As to the independent nature of the evaluations, it should not be up to the people being evaluated to select the evaluators. Moreover, the Office needs to train the evaluators in tripartism. The Employers' group would like it to be clarified exactly where the evaluators fitted into the decision-making process, so that they did not take the place of the Governing Body, which defined the Organization's policies and objectives. The evaluators' business was to make recommendations that were in line with the decisions of the Governing Body. Finally, the place of the constituents in the evaluation process also needed to be clarified, and care must be taken to ensure that every evaluation included discussions with the beneficiaries. Turning to the technical aspects, he asked whether it had been explained to the donors that any project costing over US\$500,000 would have a budget line for independent evaluation. The Employers' group hoped that the next annual evaluation would be more comprehensive and would identify problems – and also solutions. They supported the point for decision as a whole, while emphasizing that any future evaluation would have to take into account the decisions and comments of the Governing Body, as well as the lessons learned from experience.

- 84.** Mr. Blondel, speaking on behalf of the Workers' group, observed that, with respect to the evaluation of the Philippines programme, a question had been raised as to whether it came within the competence of the PFAC or of the Committee on Technical Cooperation. He recalled that the PFAC was responsible for the administration of budgetary and extra-budgetary funds, but that it was called upon to participate in political choices and not simply verify the accounts. However, he had no objection to the same documents being submitted to the Committee on Technical Cooperation as to the PFAC, though two discussions might well result in the conclusions reached being not quite the same.
- 85.** With regard to the Annual Evaluation Report, the speaker said he was impressed by the picture that had been presented. He described the conclusions drawn by the Office and the follow-up measures as extremely important. On the subject of the participation of the constituents in the planning of the evaluation and in the evaluation reports, he asked the Office to provide more detailed information and precise examples. The work carried out by DIALOGUE was most interesting, and the Workers' group would like to know to what extent ACTRAV and ACT/EMP had been involved. They were also keen to know the findings of the studies on the role of collective bargaining and the number of DWCPs that had been defined and the degree of involvement of workers' organizations. While congratulating the donors on their effort, he regretted that the programmes to combat child labour received disproportionate attention compared with projects on other basic standards. As to the independent evaluations of technical cooperation projects carried out in 2005, it was a matter of some concern that only ten of the 16 reports defined the precise role of the constituents in the development of the project and of its strategy.
- 86.** Finally, the Workers' group welcomed the Office's declared intention to evaluate the strategy adopted by the ILO to improve the impact of standards and the independent strategy of the Global Employment Agenda in the framework of the DWCPs, and they endorsed the point for decision.
- 87.** The representative of the Government of the Netherlands, speaking on behalf of the IMEC group, expressed appreciation for a good report on the implementation by the Office of the evaluation policy. Referring to previous statements made by the group in the Committee, he reconfirmed the importance of independent approaches to evaluation and emphasized the role of evaluation as a pillar upon which RBM rests. He suggested that changes in the Office's evaluation practices were already contributing to improved transparency, effectiveness and organizational learning.

- 88.** He urged the Office to move quickly to address weaknesses, particularly in improving methodologies for evaluation, coordinating evaluation activities with other agencies, and regularly assessing contributions to the Millennium Development Goals and poverty reduction strategies through project evaluations. Noting that cost-saving options for the Office were largely exhausted, he also asked whether evaluative information on cost and value could provide a basis for prioritizing current and new initiatives. With regard to future reporting, he requested that lessons learned and information on follow-up be regularly included and that the next report include performance indicators and targets. Finally, he called on the Director-General to reallocate resources to the Evaluation Unit, noting that the current allocation was too small for an organization as big as the ILO. The IMEC group also proposed a more proactive point for decision in lieu of the point put forward by the Office, to read as follows: “The Committee invites the Governing Body to note the satisfactory progress made to date in implementing the new evaluation policy and to urge the Office to implement measures to further strengthen and more effectively use its evaluation capacity.”
- 89.** The IMEC group representative concluded by agreeing with the Employers’ group on the need to include more lessons learned in the next Annual Evaluation Report.
- 90.** The representative of the Government of South Africa, speaking on behalf of the Africa group, welcomed the 2005 Annual Evaluation Report. He stressed the value of independent evaluations, the role of social partners in evaluations, and the rule to reserve 2 per cent of project budgets over US\$500,000 for independent evaluation. He noted that the Office had addressed many shortcomings but should endeavour in the future to follow up on all recommendations. Finally, he communicated the Africa group’s agreement with the priority areas identified in paragraph 89, the four major evaluations scheduled for 2007 and the plan to use national and international evaluators. He closed by indicating support for the point for decision.
- 91.** The representative of the Government of Spain endorsed the IMEC group intervention and requested more information on the internal working group on labour administration referred to in paragraph 26 and its role in ensuring labour inspection services to constituents. He also supported the point for decision.
- 92.** The representative of the Government of China spoke on behalf of the Asia-Pacific group, expressing its support of the ILO’s evaluation and RBM policy. He emphasized the importance of constituents’ involvement in project design and the need to train them to design, monitor and evaluate. The Asia-Pacific group also supported development of the evaluation database with particular focus on lessons learned and follow-up actions. Finally, he called on the Office to strengthen its networks within the United Nations system, expand use of self-evaluation and follow up on lessons learned from evaluations.
- 93.** The representative of the Government of the Russian Federation congratulated the Office on the document. He emphasized the importance of evaluation as a very important aspect of the RBM framework. He called for the continued independence of evaluation and the need to focus on specific problems. He noted a lack of planning of follow-up on lessons learned and supported the IMEC group’s call for more proactive decisions linked to evaluation. He also called for more robust performance indicators in projects and programmes.
- 94.** The representative of the Government of Hungary expressed appreciation for the report and agreed with the IMEC group that evaluation is a fundamental instrument in achieving the goals of RBM. He requested more detailed information on the specific tasks of the internal evaluation advisory committee and the division of labour between it and the members of the PFAC.

95. The representative of the Government of Mexico supported the point for decision and welcomed the progress made in introducing the evaluation policy and the measures taken to enhance evaluations in the ILO as summarized in table 1 of the report.
96. Mr. Paraiso, speaking on behalf of the Office, responded to the various questions and issues raised by the representatives of the Workers, Employers and the Governments. He emphasized that evaluations involve much dialogue within the Office and with constituents on an ongoing basis, and noted that the annual evaluation report, which outlines progress and identifies problems, is also intended for that purpose. Acknowledging that problems continue to exist, he explained that the report outlined a number of key areas where the Office believes swift progress can be made, including more systematic involvement of constituents in the evaluation process. He also explained that the ILO was implementing independent evaluations according to the specific criteria endorsed by the United Nations and OECD, which was presented to the Governing Body in the evaluation policy document adopted in November 2005.
97. Mr. Paraiso responded to the concerns of the Employers' group regarding the use of external evaluators unfamiliar with tripartism by stating that the ILO tripartite context would be regularly and explicitly referenced in the terms of reference for evaluations. On the question of why strategy evaluations should be discussed in the PFAC, he emphasized their direct link to discussions on budgetary allocations and to reporting on appropriate follow-up. He stressed that thematic evaluations did not directly relate to the programme and budget process. These are therefore reviewed in specific committees such as the ESP, which have more technical competency and can discuss at the technical level lessons learned and how to include these in future planning of programmes. Mr. Paraiso further pointed out that the capacity of constituents in the field would be strengthened to ensure a common approach and understanding of RBM concepts. He responded to questions on the internal evaluation advisory committee by explaining that the Director-General intended the committee to function as a forum for technical sectors to come together with the Evaluation Unit to discuss evaluation issues and to ensure follow-up to evaluation recommendations. The Office, he stated, would provide further information on this committee in the next report. Mr. Paraiso also noted that the donor community had been consulted on the need for projects to allocate resources for independent evaluations (2 per cent of total budget), and that this was a long-standing practice.
98. Mr. Paraiso replied to questions regarding tripartite constituent involvement in the evaluation process. Mr. Paraiso stated that the constituents were indeed involved in the evaluations of technical cooperation projects. He also indicated that ACT/EMP and ACTRAV were consulted for the DIALOGUE programme evaluation and Office plans for follow-up. He concluded his reply by indicating that the Office had taken note of all the points raised and that this would be helpful in improving the quality of the report in the future.
99. Mr. Blondel again stressed the importance of the involvement of the constituents. He said that the Workers' group supported the point for decision as amended by the IMEC group.
100. Mr. Barde, speaking on behalf of the Employers' group, said that he supported the amendment submitted by the IMEC group, the wording of which would have to be carefully drafted.
101. ***The Committee invites the Governing Body to note satisfactory progress made to date in implementing the new evaluation policy and to urge the Office to implement measures to further strengthen and more effectively use its evaluation capacity and draw lessons from the evaluations.***



**(b) Independent evaluation of the ILO's strategy for employment-intensive investment**

- 102.** The Committee had before it a paper<sup>4</sup> on the independent evaluation of the ILO's strategy for employment-intensive investment.
- 103.** Mr. Blondel, speaking on behalf of the Workers' group, reverted to the definition of the employment-intensive investment strategy (EIIS) and recalled that it should contribute significantly to the fulfilment of the Global Employment Agenda. The Workers' group wished to know where exactly this mission stood at present, emphasizing that the strategy could have played a major role in DWCPs and provided a valuable tool for developing cooperation between workers' and employers' organizations.
- 104.** The evaluation drew attention to numerous achievements but did not provide any precise information on specific results, even though US\$50 million had been invested in the projects. Inasmuch as the evaluation emphasized the weakness of administrative support in promoting partnerships and external collaboration under the EIIS, it was necessary to take a look at the role of the ILO's regional structures and at their efforts to align the DWCPs with UNDAF and with poverty reduction strategies. It was essential for the ILO to have an impact on strategies and development plans at the national level.
- 105.** The speaker regretted that the paper did not discuss the question of international labour standards within the framework of EIIS activities, particularly from the standpoint of future cooperation between the ILO and UNDAF. He was also concerned that the ILO's constituents were not included among the programme's regular partners whereas initially it stressed that it could be assumed from the consensus on the approach to the creation of decent work that the employers' and workers' organizations supported the contractual process. The Workers' group contested the claim that, by its very nature, the programme lent itself better to the involvement of other partners.
- 106.** Finally, the Workers' group by and large supported the general direction of the last part of the evaluation. They drew special attention to the need to work on the duration of the projects, with the support of the investors, to examine the multiplier effects on the local economy and to assess the possibilities of setting up cooperatives, or strengthening those that existed, under the EIIS. They stressed that the responsibility for international labour standards was shared by workers, employers and governments alike, and that the role of NGOs should not be overestimated to the detriment of the social partners.
- 107.** On this subject, Mr. Blondel submitted to the secretariat a written proposal stipulating that trade union organizations must be involved in the implementation of the following points:
- (1) helping to identify appropriate projects for the EIIS, while taking into account:
    - the programmes' impact on the needs of the population;
    - the impact on employment;
  - (2) working on support for the projects and on their sustainability (e.g. links between joint investors);
  - (3) assessing and enhancing multiplier effects on the local economy and the creation of other jobs;

<sup>4</sup> GB.297/PFA/2/2.

(4) identifying opportunities to set up or strengthen cooperatives under the EIIS.

- 108.** Mr. Barde, speaking on behalf of the Employers' group, thanked the team of evaluators for their full report but regretted that the constituents did not appear to have been consulted, an omission which distorted the evaluation. He wondered if other institutions or departments encountered the same kind of problems as the Office or whether the problem was one of lack of coordination with its regional offices; perhaps the product itself was obsolete in today's world. Solutions had to be found. According to the report, the decline in credits and the very limited participation of the constituents explained in part the weakness of the programme. Possibly the programme was not really what the constituents were looking for. The Office must adapt the programmes it proposed to the constituents, not to the consultants. The Employers' group priorities in this regard had already been discussed in the ESP Committee. The Office needed to strengthen programmes that promoted employment creation and enterprise development, which should be the ILO's top priorities.
- 109.** The representative of the Government of Nigeria noted her appreciation of the technical work being done under this strategy and emphasized its potential effectiveness in influencing public and private investment policy. She called for more attention to the policy level and the need to address the constraints pointed out in paragraph 22 of the evaluation. She encouraged the Office to take action on the report's recommendations and endorsed the point for decision.
- 110.** The representative of the Government of Kenya, noting the sound methodologies used in the evaluation, emphasized the great potential for employment growth in rural areas through the ILO employment-intensive investment approaches. He welcomed recommendations to place more importance on the policy level and on United Nations and IFI partnerships, but drew attention to the need to engage the social partners more substantively in the strategy. He also encouraged more attention to tracking results and monitoring adherence to appropriate labour use.
- 111.** The representative of the Government of the United States indicated full support for the employment-intensive strategies but cautioned that these techniques were not a one-size-fits-all solution. She noted the evaluation finding that despite technical success, there seemed to be difficulty gaining a foothold in some places. She also noted the absence in the evaluation of estimates of the numbers of productive jobs created. The report seemed to show that there was difficulty configuring the various levels of results, which suggested a gap between the strategic objectives of the ILO and the country level. She requested the Office to elaborate on this.
- 112.** The representative of the Director-General (Mr. Salazar-Xirinachs, Executive Director for the Employment Sector) welcomed the evaluation, noting that the employment-intensive investment programme was at a crossroads, needing a high level of support to respond to a large extra-budgetary programme of over US\$80 million, with wide scope to grow at national level from renewed interest in these approaches. He restated Office agreement with the need to integrate this work into UNDAF and PRSP frameworks, to focus more on influencing public finance decisions, and to scale up interventions from the pilot level. He also stated his intention of looking for ways to work more effectively with social partners to capture their potential to help upscale programmes. He emphasized the renewed attention being given by national governments and international development banks to employment-intensive investment programmes, and reiterated the Office's intentions to further develop partnerships and work at regional and global levels. He noted the growing portfolio of the programme presently totalling US\$80 million of which US\$60 million was in Africa, US\$19 million in Asia, and US\$1.5 million in the Americas. He also emphasized the potential benefits of closer collaboration with governments and social partners and referred to efforts currently under way. He reminded the Committee of the downsized core

team that was supporting an expanding programme and appealed for additional extra-budgetary support.

- 113.** Mr. Tessem, Chief of the Employment-Intensive Investment Branch, outlined the numbers of jobs created through employment-intensive investment methods through examples from direct support in Guatemala (35,000 benefited through hurricane recovery projects), comparative sector analysis in Lesotho (8,000 full-time jobs, equivalent to 20 per cent of total national employment in the formal sector) and Uganda (employment-intensive methods were found to provide three times the normal employment in intervention areas), and technical inputs to South Africa for their expanded employment-intensive public works programme (estimated to add 1 million jobs). He also highlighted current work to develop operational methods to assess the employment impact of various interventions, with the intent of using the results to advise governments. Finally, he elaborated on recent or ongoing collaboration with the social partners to address labour standards and to develop action programmes for working with them. These included working at the global level with SECTOR on the construction action programme and training with ITC Turin that includes workers and employers on how employment and social aspects could be addressed in investments. At subregional and national levels, tripartite workshops were used to develop action programmes with social partners in a number of countries.
- 114.** Mr. Blondel thanked the Office for its explanations. The Workers' group stressed the importance of collaboration with other international institutions, in particular the OECD. It also emphasized the need for consultation with workers at all levels and, given the discrepancy between the Office's declarations and the feeling of a lack of involvement among the Workers' group, invited ACTRAV to make the necessary adjustments. Finally, he indicated that the Workers' group supported the point for decision, provided that their observations were taken into consideration.
- 115.** *The Committee recommends to the Governing Body that it endorse the priority areas identified in the document and that it request the Director-General to take into consideration the findings and recommendations of the evaluation, together with the deliberations of the Committee, in order to match the above strategic priorities with required funding, including through programming and budget decisions.*

**(c) Country programme evaluation: The Philippines**

- 116.** The Committee had before it a paper<sup>5</sup> on a country programme evaluation of the Philippines.
- 117.** Mr. Barde, speaking on behalf of the Employers' group, wondered what the role of the social partners was in the process. The Employers' group considered that programmes should be the subject of upstream consultations with the constituents. It was for the constituents, not the Office, to define the priorities. In that regard, they wished to make two proposals: firstly, that all the DWCPs should include a component helping to strengthen the social partners; secondly, that ACTRAV and ACT/EMP should be more involved, particularly in the regions, in the preparation and execution of DWCPs. To conclude, the Employers' group supported and would continue to support the DWCPs, but pointed out that the ILO had other technical assistance tools and that not all activities required tripartite dialogue, for example, strengthening employers' organizations.

<sup>5</sup> GB.297/PFA/2/3.

- 118.** Mr. Blondel, speaking on behalf of the Workers' group, considered the document to be very important, since it was the first independent evaluation of a DWCP, which itself fell within the scope of closer cooperation between the ILO and other partners, such as the United Nations Development Assistance Framework (UNDAF) and the tripartite National Plan of Action for Decent Work (NPADW). The Workers' group welcomed the involvement of the Decent Work Tripartite Advisory Committee of the Philippines, but certain problems had not been solved. The linkages and complementarities among different programming frameworks and the responsibilities of the Office vis-à-vis the ILO's programming framework, national tripartite common agenda and the UNDAF were still ambiguous. The Office had not provided consistent guidance and support with regard to the planning processes of the United Nations and the constituents. According to the document (paragraph 15), it seemed that the constituents were not fully committed. Consequently, the question could be raised whether, despite all its positive aspects, the DWCP truly satisfied the Workers' expectations. To whom was the Office accountable? How would the constituents participate in the UNDAF process? The ILO should establish a link between decent work and the positions of the social partners within the larger context of the United Nations system and that of national development. To date, it had been difficult to see any operational collaboration between the Organization's constituents and the networks of United Nations system partners. With respect to funding, the priorities identified by the subregional office seemed to be determined for the most part by the donors' choices. The Workers' group endorsed the evaluators' opinion expressed in paragraph 49, and would decide on the point for decision at the conclusion of the debate.
- 119.** The representative of the Government of China, speaking on behalf of the Asia-Pacific group, appreciated the difficulties in conducting a new type of evaluation to assess a whole new group of procedures and strategies. He encouraged the Office to use the experiences drawn from the Philippines' evaluation to take follow-up action and to conduct similar evaluations elsewhere in the region.
- 120.** The Government representative of the United States noted the evaluation's recommendation for capacity building in the Philippines amongst staff on RBM and improved accountability, and encouraged the Office to take follow-up action. She also drew attention to the need to integrate various levels of performance indicators. Finally, she appealed to the Office for more consistent use of terminology in country programming.
- 121.** The representative of the Director-General (Mr. Gek-Boo Ng, Director, ILO Regional Office for Asia and the Pacific) explained that DWCPs were an important means of linking the United Nations system on the one hand and RBM on the other. He affirmed that the Office should pay attention to social partnerships and noted the importance of the full participation of workers' and employers' specialists in preparing DWCPs. He assured the Committee that they were already fully involved in the priority setting at country level and the development of DWCPs.
- 122.** Mr. Ng referred to the need to establish the appropriate depth of involvement of national constituents, and emphasized that limited available resources meant that choices between priorities needed to be made. He noted that the terminology of "decent work country programme" was finally being settled upon among constituents in Asia. He underlined the importance of capacity building for both constituents and ILO staff on RBM. Finally, he emphasized the importance of sustainability of DWCPs, noting that national ownership and commitment to decent work was essential.
- 123.** Mr. Blondel, speaking on behalf of the Workers' group, said that he would have hoped that an experience of that kind would have aroused much more intense debate from Governments, particularly those of the region concerned. The Workers' group endorsed the point for decision.

- 124.** *The Committee recommends to the Governing Body that it request the Director-General to take into consideration the findings and recommendations of the evaluation, together with the deliberations of the Committee, for continuing support to the Philippines through the ILO's decent work country programme.*

## **Report of the Building Subcommittee**

(Third item on the agenda)

- 125.** The Committee had before it a paper<sup>6</sup> comprising the report of the Building Subcommittee.
- 126.** Mr. Paixão Pardo, the Chairperson of the Building Subcommittee, explained that there had been extensive discussions during the meeting about the independent study of the headquarters building. The Subcommittee had decided to recommend that 7.7 million Swiss francs be set aside for the urgent works detailed in phase 1 of the renovations. The Subcommittee required more information in order to make any recommendation with regard to the additional proposals suggested by the Office. A paper had therefore been requested for March 2007.
- 127.** Mr. Ahmed (Worker Vice-Chairperson of the Building Subcommittee) welcomed the fact that the office in Dar es Salaam had been completed within budget, if slightly delayed. With regard to the previously approved work on the headquarters building, contracts had been awarded and work was expected to start in 2007. Members had expressed the hope that the work would be completed in a timely manner as the repairs were urgent. The chairs in room II were in poor condition and it was hoped that these would be replaced by the Office. The third paper concerned the results of an independent study of the renovations required to the headquarters building. The report had estimated costs at 119.5 million Swiss francs. Members of the Subcommittee had recommended that 7.7 million Swiss francs for urgent repairs be considered at the present time. Previous estimates provided by the Office had totalled some 70 million Swiss francs and now the estimate was 119.5 million Swiss francs. The Office had suggested selling two plots of land to help fund the renovations in addition to renouncing a leasehold on a third piece of land. The estimated proceeds for the sale of the land was between 35 and 45 million Swiss francs. The Office recommended that the remainder of the cost of the renovations could be funded by various means including voluntary contributions from member States or by means of a loan. The Swiss Government had indicated that it would not provide an interest-free loan for renovations. Members felt that the paper had been presented too late and without sufficient information to allow them to give proper consideration to the proposals. The Subcommittee had asked the Office to provide additional information in March 2007.
- 128.** With regard to asbestos, the Office had received a report from an expert, indicating that asbestos was not a problem in the headquarters building. The Workers' group recommended that the presence of asbestos be regularly monitored in the interest of the health of staff, and that the staff and the Governing Body be kept informed. Finally, the Subcommittee considered a report on the ILO's accommodation worldwide. The number of technical staff was increasing and obviously required more office space.
- 129.** Mr. Traore, on behalf of the Employer members, approved the report and endorsed the point for decision.

<sup>6</sup> GB.297/PFA/3.

- 130.** Mr. Blondel recalled that the Office had proposed investing 119 million Swiss francs for building repairs. If that renovation were to follow ecological principles, the amount would be increased. As a result of the findings, the Workers' group had asked whether it would not be more sensible to envisage a new building. In anticipation of further discussion in March 2007, they supported the urgent repairs for the sum of 7.7 million Swiss francs, as indicated in the point for decision. The speaker welcomed document GB.297/PFA/BS/4, which provided a very interesting overview of the ILO accommodation situation.
- 131.** The representative of the Government of Kenya, speaking on behalf of the Africa group, appreciated the efforts made by the Office to maintain the headquarters building and field offices, and to improve security. He welcomed the completion of the ILO Office in Dar-es-Salaam and the fact that it was now occupied. Urgent repairs at the headquarters building previously approved by the Governing Body in 2005 should be completed as soon as possible. Referring to paragraph 29 of the report, the Africa group was reluctant to support the sale of land or relinquish the leasehold since the estimated proceeds from the sale of the land would be inadequate to cover the estimated cost of the renovations.
- 132.** The representative of the Government of Japan requested that amendments be made to paragraphs 26 and 27 of the report. The last sentence of paragraph 26 should read: "ASPAG supported the first bullet point of paragraph 35 but could not endorse the other points for decision under paragraphs 35 and 36 due to lack of sufficient time for consideration and the need for additional information." In paragraph 27, the last two sentences should read as follows: "In concluding, the speaker pointed out to the Subcommittee members that the funding of maintenance and renovation is an issue that should have been considered long ago, and therefore, it must now be carried out in a proactive manner so as to avoid difficult situations in future. Speaking as the representative of the Government of Japan, he strongly urged the Office to do its utmost to keep the costs as low as possible in carrying out the urgent repairs."
- 133.** *The Programme, Financial and Administrative Committee recommends to the Governing Body that up to 7.7 million Swiss francs of the cost of the urgent repairs identified in phase I of the renovation of the headquarters building be charged to the Building and Accommodation Fund; and that the Office be requested to present a further document to the Subcommittee at its 298th Session (March 2007) with a more detailed analysis of the financing options.*

## **Report of the Information and Communications Technology Subcommittee** (Fourth item on the agenda)

- 134.** The Committee had before it the report<sup>7</sup> of the ICT Subcommittee.
- 135.** Mr. Thom, Chairperson of the ICT Subcommittee, explained that the Subcommittee had considered three papers: Information Technology Strategy for 2007-09, a report on the Integrated Resource Information System (IRIS) and a report on the Electronic Document Management System (EDMS). There had been a useful exchange of ideas regarding IT strategy which had focused on the importance of consultations with users, the expected cost of the Strategy, the links between this Strategy and other Office strategies and the expected benefits to the Organization. All members of the Subcommittee had requested that a meeting of the Subcommittee be scheduled for March 2007. Members had

<sup>7</sup> GB.297/PFA/4.

considered the issues of field roll-out of IRIS, training and support, the importance of measuring efficiency gains, the question of outsourcing and the need for the ILO to expand in-house IT skills and the benefits delivered by IRIS to date. The EDMS project would have a significant impact on the staff and he asked that the Subcommittee receive updates on its implementation.

- 136.** Mr. Nakajima (Worker Vice-Chairperson of the Subcommittee) noted that the meeting had been fruitful and various requests for additional information had been made to the Office. He requested that the ICT Subcommittee meet in March 2007.
- 137.** Mr. Blondel subscribed to the proposal made by the Vice-Chairperson of the ICT Subcommittee, that a meeting of the Subcommittee should be organized in March 2007. However, that should not imply that the Subcommittee would meet at every session of the Governing Body.
- 138.** Mr. Traore, on behalf of the Employer members, congratulated the Subcommittee on its report and supported the proposal to convene a meeting of the Subcommittee in March 2007.
- 139.** The representative of the Director-General (Ms. O'Donovan, Executive Director of the Management and Administration Sector) stated that the possibility of such a meeting would need to be further discussed with the Officers of the Committee as the March 2007 session of the Governing Body would be largely taken up with discussion of the Programme and Budget proposals for 2008-09.

## Programme and Budget for 2006-07

### Regular budget account and Working Capital Fund (Fifth item on the agenda)

- 140.** The Committee had before it two papers<sup>8</sup> containing information on the 2006-07 regular budget account and the position of the Working Capital Fund as at 30 September 2006.
- 141.** The representative of the Director-General (Mr. Johnson, Treasurer and Financial Comptroller) reported that, since 31 October 2006, contributions had been received as follows:

	2006	Arrears	Total in Swiss francs
Kenya	1 814	-	1 814
Panama	12 295	-	12 295
Peru	28 600	722 607	751 207
Costa Rica	-	2 826	2 826
	42 709	725 433	768 142

- 142.** The total contributions received to date amounted to 362,689,918 Swiss francs, comprising 246,675,695 Swiss francs for 2006 and 116,014,223 Swiss francs for arrears of contributions. The balance due was therefore 183,507,416 Swiss francs. He also reported that since the release of the document, Afghanistan, Fiji, Kenya, Lao People's Democratic

<sup>8</sup> GB.297/PFA/5 and GB.297/PFA/5(Add.).

Republic, Malta, Mauritania, Sweden and Viet Nam had all recently made payments towards their 2007 contributions.

143. Speaking on behalf of the Workers' group, Mr. Blondel noted that, while more countries were now up to date with their contributions, overall income was slightly down from 2005, which could not fail to have consequences. He encouraged all governments to pay their contributions. He also asked how the matter of The former Socialist Federal Republic of Yugoslavia might conceivably be resolved under the Standing Orders.
144. Speaking on behalf of the Employers' group, Mr. Barde thanked and congratulated the Office, in particular, the Treasurer, for the quality of its financial management. The Employers' group were pleased to note the reduction in the number of countries that had lost the right to vote, but regretted the level of arrears that still remained. They encouraged all countries to pay their contributions in full.
145. The representative of the Government of South Africa, speaking on behalf of the Africa group, expressed concern over the substantial amount of contributions still due and the possible impact on the implementation of the 2006-07 biennium programme. He encouraged member States to pay their contributions on time and thanked those which had made contributions in advance for 2007.
146. The Treasurer and Financial Comptroller explained that in situations such as that of The former Socialist Federal Republic of Yugoslavia, the Office followed the decisions made by the United Nations General Assembly and would report to the Committee once any such decisions were made.

## **International Public Sector Accounting Standards** (Sixth item on the agenda)

147. The Committee had before it a paper<sup>9</sup> concerning the adoption of International Public Sector Accounting Standards (IPSAS).
148. Speaking on behalf of the Employers' group, Mr. Barde thanked the Office for the clarity of its presentation. The Employers' group wanted to know, before any decision was made, whether the Office had any choice or whether the standards in question were to be imposed on all institutions within the system, what the consequences would be of a refusal to adopt them, and what the advantages of adoption were, given that they entailed a cost. Lastly, the Employers' group wanted clarification regarding the end of paragraph 5, and wondered what the consequences would be for the Financial Regulations and the Financial Rules.
149. Speaking on behalf of the Workers' group, Mr. Blondel recognized the usefulness and the potential inherent in the possible alignment of the ILO's accounting system with that of the United Nations. However, he wanted clarification regarding the basic differences between the modified accrual system and a system of full accruals. The Office would have to specify the major changes that would be needed to the Financial Regulations and the Financial Rules in order for the Workers' group to be clear on their decision. In addition, there was a high cost involved in the decision, and one might ask whether that level of expenditure, which would undoubtedly have to draw on extra-budgetary resources, was justified by the simple desire for alignment with the rest of the United Nations system. Tripartism justified a particular method of management but not a particular method of

<sup>9</sup> GB.297/PFA/6.



accounting. The Workers' group would make their decision known at the end of the discussion.

- 150.** The representative of the Government of Nigeria supported the adoption of IPSAS by the ILO as they would contribute to strong accountability and good governance. Referring to the budget of US\$395,000, she asked for assurance that the sum of US\$205,000 required in the current biennium could be funded from the provision for unforeseen expenditure (Part II) and requested information on the balance available. She was pleased to see that IRIS would play an important role in the adoption of IPSAS by the Organization.
- 151.** The representative of the Russian Federation supported the implementation of IPSAS but required confirmation that the cost estimates for their adoption were realistic. He asked why the proposed budget included a provision for the appointment of Oracle experts when the IRIS system already constituted the model needed for the implementation of IPSAS.
- 152.** The representative of the Government of Australia, speaking on behalf of the Asia-Pacific group, supported the adoption of IPSAS which represented an integral part of the ILO's broader commitment to management and budgetary reform. The adoption of IPSAS was vital in establishing more credible, transparent accounting standards for ILO financial reporting. He acknowledged the difficulties and costs associated with the implementation of IPSAS but commended the work already undertaken by the Office. The implementation of such critical management reforms in the short term had the potential to generate savings in the longer term, through more efficient operation of all aspects of the Organization.
- 153.** The representative of the Government of Japan supported the statement of the Asia-Pacific group. He requested the Office to utilize its accounting standards as one of the tools for promoting the efficiency and effectiveness of its activities. The representative of the Government of Kenya also welcomed the proposal to adopt IPSAS and supported the allocation of resources required for their implementation.
- 154.** The Treasurer and Financial Comptroller explained that the ILO's Governing Body could choose an alternative approach to the adoption of IPSAS if it so wished. The principal aim of the proposed change was to provide more comprehensive and transparent financial information to management and to the Governing Body, in order to facilitate effective governance. The preparation of financial statements using IPSAS would ensure their compliance with widely recognized international accounting standards, fully supported by professional accounting bodies and governments. The IPSAS development process followed a rigorous and independent review mechanism and would ensure consistency of reporting across the United Nations system and with other international organizations and governments that adopted similar standards.
- 155.** The standards would not come into force until 1 January 2010. The main impact would be the more complete recognition of assets and liabilities. The Organization currently recognized its major assets, land and buildings, but did not recognize office equipment, IT equipment and other smaller items on its balance sheet. More significantly, there were liabilities that were not being recognized. The largest of these, which was disclosed in notes to the accounts, was the after-service health insurance which, at the end of 2005, amounted to US\$388 million. Other liabilities included leave entitlements of approximately US\$65 million which would also in future appear on the balance sheet. With respect to questions on budgetary impact, he advised that IPSAS required that all liabilities be reported but did not prescribe that they be funded. This would be a separate decision to be made by the Governing Body when considering future budgets for the Organization.

156. The impact on the Financial Regulations was not yet entirely clear as further research and review of the IPSAS standards were required.
157. In response to the query from the Government representative of Nigeria, the Treasurer and Financial Comptroller stated that Part II of the budget for 2006-07 had a provision of US\$875,000, of which US\$436,000 had been allocated for the Liaison Office in Yangon, Myanmar, leaving more than sufficient funding for the estimated costs in 2006-07 for the IPSAS implementation. The Oracle application suite purchased by the ILO included "Oracle assets", a module which would monitor and account for fixed assets. It also included a human resources module that would enable the ILO to account for leave entitlements. However, neither of the two modules had been configured for the ILO, and external expertise would be required to achieve this.
158. Speaking on behalf of the Workers' group, Mr. Blondel sought further clarification regarding the changes that adopting IPSAS might entail for the Financial Regulations and Financial Rules. Furthermore, given that the financial impact of the decision would only be felt in 2010, he wondered whether it was absolutely necessary for the decision to be made now, and asked whether it might not be more useful to adjourn, at least until it was known whether the Financial Regulations and the Financial Rules would have to be amended and what form the amendments might take.
159. The Treasurer and Financial Comptroller explained that there was a considerable amount of work to be completed before January 2010 in order to prepare for the implementation of IPSAS, including the review of all the underlying financial policies and practices that the ILO currently applied, the identification of assets and their cost and the configuration of the system in order to capture these and other data.
160. He added that the Financial Regulations may not have to change. Following a full review of the standards and their impact on financial policies and practices, the Office would be in a position to present a comprehensive report to a future session of the Committee. A preliminary report on this review would be presented in March 2007.
161. Mr. Blondel said that, if amendments were to be made to the Financial Regulations, the Workers' group would like the Office to put forward a proposal to be discussed next March. In addition, he hoped that the discussion of the programme and budget would take account of the fact that the financial costs of the decision would begin to be felt immediately. On condition that those two aspects were taken into account, the Workers' group supported the point for decision.
162. The point for decision was approved with the modified text.
163. *The Committee recommends to the Governing Body that:*
- (a) *it approve the adoption of the IPSAS by the ILO for its financial statements, as part of a United Nations system-wide adoption of IPSAS for the reporting period beginning 1 January 2010;*
  - (b) *it approve the additional costs estimated at US\$205,000 relating to the implementation of International Public Sector Accounting Standards in 2006-07 and that these costs be financed in the first instance from further fund-raising of extra-budgetary resources or, failing that, from savings in Part I of the budget or, failing that, through Part II; and*

- (c) *the Office be requested to provide a preliminary report in March 2007 on the implications for the Financial Regulations of the adoption of IPSAS.*

## **Use of the 2000-01 surplus** (Seventh item on the agenda)

- 164.** The Committee had before it a paper<sup>10</sup> on the use of the 2000-01 surplus.
- 165.** Speaking on behalf of the Employers' group, Mr. Barde took note of the document and expressed the wish that future budget surpluses be managed by the Building and Accommodation Fund, given the needs in that area.
- 166.** Speaking on behalf of the Workers' group, Mr. Blondel expressed his satisfaction with the ways in which the surpluses had been allocated. He drew particular attention to the work achieved by ACTRAV in the context of building capacity among trade unions as part of Poverty Reduction Strategy Paper (PRSP) processes, and to the efforts agreed to reduce the decent work deficit in the informal economy. He also approved of strengthening the ILO's contribution to the Global Compact and the allocation of funds in response to crises and emergencies. However, he was concerned that no special attention had been paid either to international labour standards or to tripartism and social dialogue. The Workers' group approved the allocations to Colombia and hoped that the use of resources would be based on tripartite principles.
- 167.** The representative of the Government of South Africa, speaking on behalf of the Africa group, welcomed the surplus allocations and targets for the African region as they supported the implementation of the Ouagadougou Declaration and its plan of action on employment creation and poverty alleviation. He also took note of the programme in Côte d'Ivoire related to sustainable employment for young people affected by conflict in that country.
- 168.** The representative of the Government of Nigeria supported the statement of the Africa group and hoped that the allocations would help in achieving the operational objectives on employment in Africa.

## **International Training Centre of the ILO, Turin** (Ninth item on the agenda)

- (a) **Documents submitted to the 68th Session of the Board of the Centre (Turin, 2-3 November 2006)**
- (b) **Report of the 68th Session of the Board of the Centre**

- 169.** The Committee had before it two papers<sup>11</sup> on the International Training Centre, Turin.

<sup>10</sup> GB.297/PFA/7.

<sup>11</sup> GB.297/PFA/9/1 and GB.297/PFA/9/2.

- 170.** Mr. Blondel, speaking both as the Worker spokesperson on the PFAC and as the Worker representative on the Board of the Turin Centre, emphasized the need for better integration of the Centre with the ILO. The discussion on this issue that had taken place in Turin needed to be continued on a regular basis in the PFAC itself, in order for specific strategies and measures to be put in place. At a strategic level, this integration would require the training provided by the Centre to be brought into line with the ILO's decent work objectives. At a financial level, more funds needed to be allocated through an increase of funds from the ILO's ordinary budget, an increase of the technical cooperation budget allotted to the Centre and an increase in voluntary contributions. At the level of personnel, a policy needed to be defined to integrate the Centre's Professional staff with the ILO, and offer these workers reciprocal opportunities for mobility between the Centre and the ILO.
- 171.** He also stressed that the reform of the United Nations system presented the ILO with an excellent opportunity to promote the Decent Work Agenda and that the Centre had a role to play in this approach.
- 172.** Lastly, the speaker expressed his pleasure at the adoption of the Centre's Development Plan, 2007-11, and supported the point for decision in paragraph 3 of the document.
- 173.** Mr. Traore, speaking on behalf of the Employer members, welcomed the creation of a department for Employers within the Turin Centre. That department, which should receive funding from the regular budget, had already begun some significant work. He stressed that it was important to the Employers' group that the Governing Body organize a discussion on the various aspects of financing the Centre in the near future. Lastly, he paid tribute to the excellent work done by Eric Maertens, who was due to leave the Centre.
- 174.** Mr. Renique, Employer member and Vice-Chairperson of the Board of the International Training Centre of the ILO, supported the comments made by Mr. Barde during the discussion of document GB.297/PFA/1/2, and those made by Mr. Traore. He praised the 2007-11 Development Plan of the Turin Centre which made many references to the United Nations reform debate. He encouraged the Centre to give priority to capacity building with organizations and social partners. Governments could also do more to build the capacity of social partners and he cited the efforts of the Netherlands and the United Kingdom in this regard. He called on Governments to pay voluntary contributions to the Turin Centre. These contributions were needed in order to broaden the financial base of the Turin Centre and to strengthen its relationship with ILO Members. There needed to be greater cooperation between the Office and the Turin Centre. He was disappointed that the annual report on the implementation of the Human Resources Strategy did not include any reference to staff mobility between the ILO and the Turin Centre. Finally, he encouraged the Centre to build upon its relationships with other United Nations organizations and programmes.
- 175.** The representative of the Government of Italy praised the quality of the reports under discussion, but expressed concerns about the commitment of ILO Members to the Turin Centre. He questioned what the role of the Centre was meant to be within the United Nations training system. Regular budget contributions represented only a small part of the Centre's revenue, the bulk of which came from programmes won through competitive bidding. He called on ILO Members to do more to support the Turin Centre, not only financially but also with regard to its governance. For its part, the Government of Italy was considering an increase in its regular budget contribution to the Turin Centre.
- 176.** *The Programme, Financial and Administrative Committee recommends to the Governing Body of the ILO that it:*

- (a) *amend article VI.2 of the Statute of the Centre, effective 1 January 2008, as indicated in paragraph 9 of document CC 68/2/Add.1 (“Amendments to the Statute of the Centre, the Financial Regulations and the Financial Rules. Introduction of the euro for budgeting, accounting and reporting at the Centre”); and*
- (b) *take note of the decision of the Board of the Centre to approve the proposals, investment plan and financing described in document GB.297/PFA/9/2.*

## Matters relating to the Joint Inspection Unit (JIU)

### Report on its activities for the year ended 31 December 2005 and other reports (Tenth item on the agenda)

177. The Committee had before it a paper<sup>12</sup> on the Joint Inspection Unit (JIU).
178. Mr. Blondel, speaking on behalf of the Workers’ group, recalled that they had expressed some doubts with regard to the ILO being subjected to the JIU, given the Organization’s tripartite nature in particular. The harmonization and simplification exercise should not be dogmatized by organizations that only stood to gain minimally from it in terms of their ability to deliver. The Workers’ group remained sceptical about this United Nations-wide standardization exercise. He read an extract from a United Nations document (JIU/REP/2005/2), which set limits with regard to standardization.
179. Mr. Barde, speaking on behalf of the Employers’ group, thanked the JIU for the excellent reports it produced, and regretted that the Office only provided brief summaries of them, making them very difficult to read. The Employers’ group wished to know the inspectors’ comments on the application of the recommendations put forward the previous year concerning management at the ILO; they requested the Office to inform them of the impact of each of these reports on its management.
180. The representative of the Government of the Russian Federation concurred with Mr. Barde’s comments. He found it difficult to identify which JIU recommendations had been implemented. He considered it unacceptable for the Office to decide on the relevancy to the ILO of those recommendations which were addressed to its Governing Body. He also asked for more information on the JIU note on *Laissez-Passer*.
181. The Director of the Bureau of Programming and Management promised that improvements would be made to future reports. The JIU and ILO were actively collaborating, and had recently discussed a new methodology for monitoring the follow-up given to JIU recommendations. The Office would provide additional information on the *Laissez-Passer* note if requested. In response to the comments made by the representative of the Government of the Russian Federation, he explained that nearly all the recommendations in those particular reports were addressed to the executive heads of agencies, and not to their governing bodies.
182. The Committee took note of the Office paper.

<sup>12</sup> GB.297/PFA/10.

## Other financial questions (Eleventh item on the agenda)

### Electronic distribution of preparatory documentation for sessions of the Governing Body

183. The Committee had before it a paper<sup>13</sup> on the electronic distribution of preparatory documentation for sessions of the Governing Body.
184. Mr. Barde, speaking on behalf of the Employers' group, said his group approved the proposal put forward and supported the point for decision.
185. Mr. Blondel, speaking on behalf of the Workers' group, said they supported the point for decision, on the understanding that the implementation of the proposed procedure would on no account mean stopping the dispatch of all documents in hard copy, since not all members had the same access to technology.
186. The representative of the Government of the Russian Federation welcomed the proposal but was unclear about the reasons for the ten-page limitation mentioned in paragraph 9. He believed that a further choice, that of allowing members to receive specific documents on paper, should be available.
187. The representative of the Director-General (Mr. Marshall, Director of the Relations, Meetings and Document Services Department) explained that the objective of the proposal was to meet the individual needs of Governing Body members. Some members wanted every document on paper, others wished to receive documents electronically. The ten-page limitation was based on the idea that most members would find it convenient to print reports of ten pages or less. The Office was aiming to offer a simple solution which responded to members' needs.
188. *The Programme, Financial and Administrative Committee recommends to the Governing Body the implementation of the procedure described in paragraphs 8-10 of document GB.297/PFA/11/1.*

Geneva, 13 November 2006.

(Signed) M. Salmenperä,  
Reporter.

*Points for decision:* Paragraph 37  
Paragraph 81;  
Paragraph 101;  
Paragraph 115;  
Paragraph 124;  
Paragraph 133;  
Paragraph 163;  
Paragraph 176;  
Paragraph 188.

<sup>13</sup> GB.297/PFA/11/1.

## Appendix

### Address by the Director-General to the Programme, Financial and Administrative Committee

(9 November 2006)

Honourable Minister Mdadlana, Chairperson of the Governing Body,

Monsieur Barde, Porte-parole du groupe des Employeurs,

Monsieur Blondel, Porte-parole du groupe des Travailleurs,

Excellencies, distinguished delegates,

Dear friends,

Significant opportunities have opened up for the ILO as a result of the global, regional and national support we have received and the greater demand on our services.

This is an important moment to reflect on how we should best respond.

We will not get there through business as usual.

This Committee has helped to set the ILO on a rising road of opportunity.

So I again look to you for guidance on major strategic matters that will define the Organization's capacity to fully discharge its mandate in this changing world.

### Deepening our reform process

As we respond to the global call for decent work, we will need to deepen reform and meet increased expectations.

Since 1999, with the approval of the Decent Work Agenda and the introduction of strategic budgeting, we have worked diligently to improve efficiency and save resources to improve services to constituents.

At this meeting, you continue to review our progress on reform as presented in the papers before you on results-based management, the Human Resources Strategy and the Evaluation Strategy.

We are facing growing demands.

As you know, the Decent Work Agenda and its four strategic objectives have received major international backing.

Never in the history of the ILO have we had such high-level political support in all regions of the world, and within the United Nations.

Most recently and with the support of many of you here, the United Nations Economic and Social Council adopted last July a Ministerial Declaration recognizing the centrality of full and productive employment and decent work for all within national policies and international cooperation. It mainstreamed our agenda into the multilateral system.

Within our own Organization, the recent and very successful American Regional Meeting and the Asian Regional Meeting called for a Decent Work Decade up to 2015. It is a concentrated and sustained effort for the progressive realization of decent work aligned with the achievement of the MDGs.

We already see how you are carrying this forward – for example in the Declaration and Plan of Action of the recent Tripartite Caribbean Employment Forum held last October in Barbados.

Africa is on a similar course, following up to the leadership given by the Ouagadougou Summit, as we prepare for next April's Regional Meeting in Addis Ababa.

All of this is an immense recognition of the relevance of the ILO's mandate to people's priorities and the search for a fair globalization.

Our tripartite responsibility now is to make a massive push to enhance our capacity to deliver through decent work country programmes.

## **Responding to the challenges**

We naturally face many obstacles and challenges. Let me outline five specific ways in which we are responding.

### ***First, managing for results***

Change is never easy. But we are determined to nurture a genuine results culture.

As you know, I have allocated resources to reinforce our capacity through the Management Leadership Development Programme, through IRIS, and through the Organizational Change Advisory Committee which engages senior management.

The road map before you (item number 1 on your agenda), details key steps to continue strengthening management for results in all technical and administrative domains of the ILO.

With strategies and milestones to monitor progress, we can periodically review our results globally and nationally. This is the approach followed for the Human Resources Strategy.

The accountability of managers and indeed of all staff regarding programme performance is being tightened.

Yesterday, you discussed three documents on evaluation. Thank you for the recognition of the satisfactory progress made. Following your conclusions, we will continue to implement measures to further strengthen and more effectively use its evaluation capacity and draw lessons from them.

We shall continue to benefit from your guidance and experience as we work to strengthen further the evaluation function.

With the support of donors, we are broadening the application of results-based management to encompass decent work country programmes and related technical cooperation.

This includes support to constituent's participation in the development of decent work country programmes; new procedures to ensure continuous improvement in their quality, as well as new formats for monitoring their implementation.

Last month, for the first time, we brought together here at headquarters, directors of all ILO offices to identify together concrete responses to the practicalities of implementing the decent work country programmes. The meeting was entitled "One team, one objective, one programme: Managing for results."

It was extremely empowering and motivating for all of us. There was a very clear and strong sense of mission, with staff extraordinarily committed to making decent work country programmes deliver.



### ***Second, review of the ILO field structure for better delivery***

As we focus on optimizing delivery, it is also opportune to embark on the exercise of reviewing the structure of ILO field offices as you have requested.

The fundamental question guiding such a review is: “How can we best deliver high-quality and effective services to constituents in countries and regions?”

This will require us to look at the organization and methods of work – technical and administrative – in field offices and at headquarters, including the Turin Centre. And within the framework of UN reform. We need to reinforce critical mass in the regions and flowing synergy with headquarters.

We see this review as part of our management for results policy. If you so agree, the Office would present a report for GB discussion next November.

### ***Third, strengthening the ILO's knowledge base***

Our work on the ground must feed into and be backed by our research and our statistics and connect with our standard-setting role.

This is one reason we are establishing a centrally managed statistics programme; and taking action towards better focused research; fewer and better publications; and improved use of the Internet and modern information systems.

The ILO also has a key role to play as a broker of knowledge – including sharing lessons from decent work country programmes.

A national focus must be backed by a global knowledge base.

Constituents come to me time and again with a desire to learn as much as possible about how countries in a similar situation tackled a particular decent work challenge.

### ***Fourth, contributing to building “One United Nations” – For maximum impact***

Your Committee is meeting at a strategic moment for the United Nations system.

Today, the members of the High-level Panel on System Wide Coherence will present their report to the Secretary-General. We all want the UN to sharpen its capacity to better respond to its wide-ranging mandate.

The need for a stronger United Nations, including a stronger tripartite International Labour Organization, is evident.

The broader UN reform will require us to be clear about how best we can contribute to a team effort.

We can fully support the UN reform process with a modest sense of self assurance. After all:

- No reform proposals have questioned the tripartite governance structure of the ILO. On the contrary, the tripartite ILO is seen by many as an asset, a value added for UN organizations to connect with society at large.
- Today, the ILO and its agenda have strong global political support and is recognized as key to reducing poverty and achieving the MDGs.
- Decent work country programmes fit in well with a “One UN” approach. And a “One UN” opens up important space for tripartism and the voice of social partners.

- The ILO has been consistently calling for better policy coherence among international organizations.
- Last but not least, in the ILO, we have been tackling reform head-on since 1999.

### ***Fifth, stressing accountability and transparency***

We have continued to assess and, where necessary, strengthen accountability procedures and oversight mechanisms.

You have agreed that we should go forward on the development of new accounting standards. This will require the full accounting of assets and liabilities and allow you to make better-informed decisions.

We are finalizing proposals to reinforce internal audit, the ethics function, financial disclosure requirements and an enhanced public information disclosure policy.

The establishment of the Independent Oversight Advisory Committee in line with best practice in the UN is under discussion and will be submitted to you at the next session of this Committee.

Work has already started on a comprehensive review of internal circulars in order to clarify and enhance the accountability framework of the Office.

### **Preview of Programme and Budget proposals for 2008-09**

Let me now turn to the preview of the Programme and Budget for 2008-09.

I am not going into the substantive issues here. They are detailed in the document before you. The main features of my preliminary proposals can be captured as follows:

- Make decent work country programmes the main vehicle for delivering ILO services to constituents, within a coherent framework, contributing to “One UN” at the country level and making the Decent Work Agenda central to development strategies. This requires strong support to our regional activities which are called to play a key role.
- Deepen our knowledge base, share experience and advice on workable policy solutions across regions, focus on advocacy, expand partnerships.
- Significantly enhance social dialogue and tripartism at the national level as key to the success of decent work country programmes.
- Strengthen results-based management with improvements in formulation of outcomes and in measurement of performance.
- Further promote integration among ILO tools and policy advice. We have proposed two new joint outcomes between technical sectors, emphasizing comprehensive approaches for employment and social protection in the informal economy, and for tripartite consultations to follow up on comments from the supervisory bodies.
- Enhance our capacity to participate in a “One UN” at the country level and increased coordination within the Chief Executives Board (CEB) as well as better cooperation with the Bretton Woods institutions and regional bodies.

As in the past, the preview of the Programme and Budget proposals for 2008-09 is the opportunity for your Committee to discuss major strategic orientations.

The preview highlights the large capital investments and other expenditure facing the ILO.

Discussion on the most appropriate financial options open to the ILO to finance these large outlays needs to be continued. I am pleased to note that the Building Subcommittee has agreed to recommend funding for urgent headquarters repair works from the Building and Accommodation Fund.

But we must also move to another level and look at the critical issue of the budget in relation to our overall responsibilities.

As I have pledged, we will continue the drive to seek more efficiencies and reduce administrative costs.

Savings have been generated by making administrative processes more efficient and channelling resources saved to technical services; and by making technical services more effective through increased focus and more streamlined processes.

Meanwhile, our responsibilities have grown significantly.

We have gained strong support at every level ... developed the tools ... built up our partnership with donors.

As a result, extra-budgetary resources have increased to over 50 per cent of our regular budget.

However, in order to plan and use these resources effectively and efficiently, we need the support of a body of core staff, funded from the regular budget, with the required knowledge and experience.

And I must say we are very stretched at present.

Since 1996-97, the ILO regular budget in constant dollars has declined by 4.7 per cent and 14 per cent since 1975.

So how is all of this compatible with assisting countries in achieving the MDGs by 2015? Or with the full exercise of the ILO mandate?

These are difficult questions.

Every country is facing budget constraints.

Effective use of scarce resources is a central management responsibility.

But I would be remiss in my responsibility if I did not raise our resource constraints.

I think the time has come for a serious, strategic, forward-looking discussion on budget needs, on how best to:

- ensure that we have the regular budget resources to underpin decent work country programmes in all four strategic objectives;
- reinforce the capacity of tripartism to deliver at the national level;
- build our knowledge base for the twenty-first century;
- respond to the changing patterns in the world of work;
- reinforce our strong international voice.

The window of opportunity for our issues and our agenda is open. It did not open on its own. All of us together made it happen. And it won't stay open forever.

Now is the time to make good on what I know is our shared commitment and ambition. I am confident we can find a way.

I rely on your guidance.

Thank you for your attention.