



SEVENTH ITEM ON THE AGENDA

Other financial and general questions

Reports of the Joint Inspection Unit of the United Nations

(a) Review of management and administration in the International Labour Office

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Introduction

1. In accordance with article 11(d) of the JIU Statute, “When a report concerns only one organization, the report and comments thereon of the executive head shall be transmitted to the competent organs of that organization not later than three months after receipt of the report for consideration at the next meeting of the competent organ.” A JIU report which concerns only one organization is issued in one language only (this report was issued in English) and responsibility for its translation into other official languages lies with the organization concerned. The Office received an ILO-specific report entitled “Review of management and administration in the International Labour Office” (JIU/REP/99/4) in late September 1999.¹ The internal consultations needed for the thorough examination of the report, the preparation of the Director-General’s comments on the report, as well as its translation into French and Spanish, led to the decision that the March 2000 session of the Governing Body would be the earliest opportunity to give consideration to the report. This ILO-specific study was initiated by the JIU and included in the Unit’s work programme for 1996-97 (A/51/559 – 25 October 1996). The actual review started in January 1998.
2. A range of management issues were selected by the inspectors for analysis in the report:
 - (a) strategic planning, programming, budgeting, monitoring of implementation, and reporting on performance management;
 - (b) ILO oversight and control systems;
 - (c) human resources management;
 - (d) technical cooperation and implementation of the Active Partnership Policy;
 - (e) information technology management.
3. During the preparation of the study extensive consultations were carried out within the ILO headquarters by the JIU. One field unit was also studied (the Moscow Area Office/Eastern European and Central Asian Multidisciplinary Advisory Team (EECAT)). The Office accorded full cooperation to the inspectors for the preparation of the report. It will become clear that the observations and recommendations of the JIU refer to events and problems which were acted upon in 1999 or are being dealt with in 2000.
4. The Committee will recall that the Governing Body in March 1997 requested a strategic budget. The Director-General, prior to taking office and with the full agreement of his predecessor, took charge of the preparation of the strategic budget for 2000-01. That budget was developed around the four strategic objectives, 16 operational objectives and eight InFocus programmes. Resources were proposed by broad budgetary envelope. In his introduction to the initial proposals the Director-General made clear that the budget was to be a management tool for defining priorities, achieving greater focus and monitoring and evaluating programmes.
5. The budget was recommended to the International Labour Conference for approval. It was approved unanimously. In November 1999 it was examined further. Details of the proposed financial expenditure were provided; performance indicators and targets were

¹ Appended.

added to the operational objectives and future plans for strategic planning, evaluation and monitoring and reporting were explained.

6. The internal structures of the Office were reorganized and aligned to the strategic objectives. A Senior Management Team was created, a new computer-based monitoring and reporting system was designed and tested, and intensive internal consultations were undertaken with headquarters and regional staff on the changes being introduced in the Organization.
7. The Director-General presented a new human resources strategy for the Office to the 276th Session (November, 1999) of the Governing Body. A report on the results of negotiations between the administration and the Staff Union Committee and on further implementation action is before the Committee at the present session. The Director-General is also undertaking an internal review of regional operations with a view to improving the delivery of services to constituents.
8. Detailed comments are offered below on each of the recommendations.

Comments on the recommendations

9. The 13 recommendations in the JIU report reflect the findings, analyses and conclusions of the inspectors regarding administrative and management issues as perceived prior to the March 1999 session of the Governing Body. Although the report covers the issue of information technology management, no recommendation was made for its improvement.

Recommendation 1

- As part of his reforming and restructuring efforts, the Director-General should set up a unit dedicated to strategic planning, performance management, effective accountability and management improvement.

Comments

10. An existing unit, the Bureau of Programming and Management, is responsible for the tasks mentioned in this recommendation, i.e., for the preparation of the strategic programme and budget; for establishing the framework for and carrying out monitoring and evaluations of programmes and projects; for developing recommendations regarding improvements in internal management issues and for auditing, inspection and investigation. The Director-General believes that the Bureau is capable of fulfilling all the functions listed in this recommendation. Therefore, there is no need to establish a new unit within the Office for the tasks described in this recommendation.
11. The Director-General launched a new system of programming in March 1999. In a short period of time considerable progress has been made in developing strategic planning and budgeting in the ILO, and the Governing Body acknowledged these efforts during the discussion of the Programme and Budget for 2000-01 in March and November 1999. These efforts will continue and will result in the development of a strategic plan and a new

system of monitoring, reporting and evaluation. This process was outlined in paragraphs 148 to 160 of the Programme and Budget for 2000-01, Volume 3.²

Recommendation 2

- The interim report on programme implementation should be a major instrument to allow ILO constituents to continuously monitor the implementation of the ILO programme, and reflect on its impact, and more importantly, its relevance. To become such an instrument, the interim report should, first, indicate specific targets, clear outputs and measurable performance indicators against which efficiency of implementation can be determined. Secondly, the interim report should be presented to the Governing Body early enough, e.g. at its March session, to allow it to adjust or review the programme and budget should priorities change owing to unexpected external or internal circumstances.

Comments

12. In improving the reporting on biennial programme implementation, a new system of monitoring and reporting was proposed and accepted by the Governing Body in November 1999.³ For the coming years, the Governing Body will receive a report on programme implementation in March each year. These reports will focus on the progress of the Office in achieving operational objectives and targets and will thus serve as an important tool for the Governing Body to monitor programme implementation. The first such report will be submitted to the Governing Body in March 2001, covering the first year of the current biennium.
13. In paragraph 17, page 5, the inspectors make a criticism of the biennial ILO activities report that the Director-General submits to the International Labour Conference. The JIU report states that it does not "... assess, in verifiable quantitative and qualitative terms, the extent to which the ILO had achieved its objectives." The Office recognizes that the activities report has room for improvement both in terms of its format and contents and changes will be made in the report submitted in 2002.

Recommendation 3

- The Director-General should examine the possibility of enhancing MERS potential as a management tool through establishing a direct linkage between MERS and the strategic planning and programming exercise. More training should be undertaken in MERS application. On the basis of comments received from MERS users, measures should be taken to make MERS software more flexible and user-friendly.

Comments

14. The Monitoring, Evaluation and Reporting System (MERS) of the ILO was the subject of a users' review following the discussion of the Programme and Budget for 2000-01. The major conclusion was that the MERS can be adapted to the requirements of the strategic

² GB.276/PFA/9, section V – Further development of strategic budgeting: <http://www.ilo.org/public/english/standards/relm/gb/docs/gb276/pfa-9.htm#V>.

³ *ibid.*, paras. 157-158.

budget and used as a management tool. However, in order to meet the new requirements and make it more user-friendly, the system needs a substantial revision.

15. The new system will consist of a revised work planning system requiring links to be drawn between work plans and the strategic and operational objectives and targets. Reporting on work planned and accomplished will be simplified and will distinguish the information needs of local management from those of senior management.
16. The new computer software now being tested is simpler than the previous one. It not only reflects the new programming structures, but also provides for greater transparency and interaction between ILO units by enabling them to put their work plans on the Intranet. The new system is not expected to require special training.

Recommendation 4

- In order to enhance the authority and the credibility of the Internal Audit function, the following measures should be taken:
 - (a) establishment of direct reporting by the Internal Audit Unit to the Director-General;
 - (b) revision of the terms of reference of the Internal Audit Unit to include such oversight functions as investigation of fraud and presumptive fraud;
 - (c) recruitment of a professional investigator to the Internal Audit Unit; and
 - (d) improvement of the Chief Internal Auditor's annual report by providing a better analysis, including statistical, of the implementation of his previous recommendations.

Comments

17. Regarding *recommendation (a)*, the JIU observes (paragraph 45, page 8) that the Internal Audit Unit (IAU) reports to the Director-General through the Director of the Bureau of Programming and Management, which might be construed as compromising the IAU's independence and objectivity. The inspectors recommend direct reporting to the Director-General to avoid any potential conflict of interests and to further increase the transparency, authority and credibility of the internal audit function. It should be pointed out that although the IAU is located in the Bureau of Programming and Management for administrative purposes, the Chief Internal Auditor reports direct to the Director-General.
18. As regards reporting to the Governing Body, the Chief Internal Auditor is required to personally submit his report to the Governing Body, through the Director-General, as stipulated in Financial Rule 14.10(b). These arrangements and procedures have functioned to the satisfaction of the Governing Body.
19. Regarding *recommendation (b)*, the 1999 edition of the Financial Rules, effective June 1999, and also the previous edition, require the Chief Internal Auditor to prepare a report for the Governing Body on significant findings resulting from internal audit and investigation assignments (Financial Rules 14.10(b)). Reference to investigation was absent from the 1981 terms of reference of the IAU (although in practice the Internal Audit Unit has always been called on to carry out investigations, and indeed it has done so). The

Director-General agrees with this recommendation and suggests that it be appropriately reflected in the Financial Rules in section 14.10(a).

20. Regarding *recommendation (c)*, the Office has never had professional investigators in the Internal Audit Unit. Fortunately, the number of cases requiring investigation has been so low that it would not justify the recruitment of a full-time investigator. Investigation requires a wide variety of special skills, interviewing and other techniques, in addition to those required by auditors. The Office is now weighing up alternative measures, which aim at bringing about improved internal capacities (through specialized training) to carry out investigations on the one hand, and/or the possibilities of hiring such capacities, if needs arise, on the other.
21. *Recommendation (d)* is in line with the work already under way to improve the follow-up system started in January 1999. The system devised and implemented is satisfactory and generating results. The Chief Internal Auditor's annual report that is submitted to the Committee under a separate item reflects the new approach.⁴

Clarifications on specific paragraphs in the report

22. In lieu of current *paragraph 43, page 8*, which outlines the mandate of the Internal Audit Unit, it would be more correct to use the following wording: "Established in accordance with article 30(d) of the Financial Regulations, the Internal Audit Unit conducts independent review activities, operations, programmes, functions and procedures to appraise the soundness and adequacy of internal control; compliance with ILO rules, regulations, policies and procedures; the integrity and soundness of management practices; the efficient use of resources; the accuracy of the accounting, financial and other data used for management information; and the extent to which assets are accounted for and safeguarded from loss. The Unit recommends improved practices, controls and procedures, as it considers necessary, and it is responsible for monitoring the action taken by management on its proposals and recommendations."
23. The *third and fourth lines of paragraph 44, page 8*, are incorrect in stating that "A system of follow-up has been introduced to ensure that all recommendations are properly followed up". Indeed, the Internal Audit has always followed up on its recommendations. It would be more correct to say: "The system of follow-up has been enhanced to ensure that all recommendations are followed up by management".

Recommendation 5

- In order to improve the Office's evaluation function and performance of the Programme and Project Evaluation Unit, the Director-General may wish, in consultation with the Governing Body, to consider the following measures:
 - (a) to provide for a built-in evaluation process in each programme through allocating for this purpose a specific amount of resources as a percentage of budget allocations made for each specific programme; and
 - (b) within the limits of available resources, to strengthen the capacity of the Programme and Project Evaluation Unit.

⁴ GB.277/PFA/5.

Comments

24. As regards *recommendation (a)*, the Director-General indicated in his statement to the Committee in November 1999 that "... the task now is to integrate evaluation into the strategic budgeting process and to systematize it." The strategic plan will incorporate reinforced evaluation of ILO action, including an evaluation of all eight InFocus programmes. "Performing evaluations will be the responsibility of each of the sectors of the Office structure. Each sector of the Office must develop expertise in evaluation methodology ...".⁵ Self-evaluation will continue to be conducted, since this is an important management tool and a way of improving the performance of the Organization from within. The Director-General has also proposed that a larger number of independent external evaluations be conducted. The Executive Directors will be responsible for ensuring that they are carried out in each biennium. As mentioned above, an evaluation strategy and plan are being developed, with the resources required, and will be submitted to the Committee as part of the strategic plan in November 2000. The intention is to arrive at a cycle of evaluations that will cover all programmes within a prescribed time-frame.
25. Regarding *recommendation (b)*, evaluation is being integrated into the sectors, including evaluation of technical cooperation. The MERS will not require much time of the Central Evaluation Unit once the new system is developed and operational in 2000. The new functions of the Unit will embrace coordination of implementation of the evaluation strategy, ensuring that evaluation work is carried out as planned and the sectors receive appropriate advice and support. It will prepare a biennial evaluation plan, update evaluation guidelines, manuals and training materials and provide training and external expertise. It will also participate in selected major thematic, programme and project evaluations.

Recommendation 6

- In order to ensure the successful transition to effective implementation of strategic budgeting and modern management systems, the Governing Body may wish, as a matter of priority, to address the problem of the Organization's ageing financial and accounting tools. To facilitate the consideration of this issue, the Governing Body may wish to invite the Director-General to prepare recommendations based on a comparative analysis of similar systems used in other UN system organizations.

Comments

26. The need to replace the Organization's central budgetary and accounting systems has been brought to the Governing Body's attention by the Director-General on a number of occasions in the past. References to the problem were made in the Director-General's Programme and Budget proposals for 1996-97, 1998-99 and 2000-01 and the Governing Body, at its 273rd Session (November 1998), was informed of the outcome of a preliminary study to replace these systems.⁶ At the 276th Session (November 1999) of the Programme, Financial and Administrative Committee, during discussions of the 2000-01 Programme and Budget, requests were made for the submission by the Office of a proposal to install new information systems, financial as well as non-financial, to be funded from current surpluses. Such a proposal is included in the Office's document on the treatment of

⁵ GB.276/PFA/9, paras. 163-164.

⁶ GB.273/PFA/6.

the 1998-99 cash surplus,⁷ which is being submitted to the Governing Body at its present session. An essential part of the development of new systems would be a review of the experiences of other UN organizations when implementing such systems.

Recommendation 7

- The Director-General should –
 - (a) develop a comprehensive human resources management strategy and submit it to the Governing Body for consideration and approval;
 - (b) design measures to improve the geographical composition of ILO staff; and
 - (c) improve the content of the Office's report on the composition and structure of ILO staff.
- The report should contain consistent information on the number of staff from all of the following categories of member States: (i) unrepresented; (ii) represented below the desirable range; (iii) represented within the desirable range; and (iv) over-represented. Moreover, the report should inform constituents of the measures taken and to be taken to improve the geographical distribution of posts.

Comments

27. *Recommendation (a)*: the Director-General recalls that the new human resources strategy was submitted to the Governing Body in November 1999.⁸ The proposed strategy addresses the entire range of issues referred to in the paragraph entitled "Human resources management" (page viii), preceding this recommendation. A report on progress since November is submitted to the Committee at the present session of the Governing Body.⁹ The Governing Body will be kept informed of progress on this issue.
28. *Recommendation (b)* is in line with the Director-General's support to ensuring an adequate geographical balance of staff. One of the aims of the proposed human resources management strategy will be to integrate measures aimed at addressing this issue more effectively into overall recruitment planning.
29. *Recommendation (c)* reflects the discussion on this subject in the Governing Body in March 1999. The Human Resources Department has already begun reviewing the structure of this report.

Recommendation 8

- In order to regularly analyse the implementation of the Active Partnership Policy, an evaluation similar to that undertaken by the tripartite working party in 1997 should be carried out every four to five years. Lessons learnt as a result of this exercise should serve to improve and adapt this policy as

⁷ GB.277/PFA/2.

⁸ GB.276/PFA/16.

⁹ GB.277/PFA/10.

well as to enhance the functioning of the ILO field structure. The tripartite evaluation should complement the assessments of the APP and the MDTs made within the context of MERS.

Comments

30. The Active Partnership Policy (APP) is a policy, not a programme or work plan. As such the MERS is not an appropriate tool for the evaluation of the APP.
31. It should also be noted that the APP is not an objective in itself. It should be perceived as a dynamic policy which supports the new system of strategic planning and budgeting as well as the structural reforms within the ILO. The orientation and development of the APP will proceed along the lines defined by the Governing Body. It will also take into account the new regional perspectives and the new features of technical cooperation as outlined in the Director-General's Report *Decent work*, submitted to the Conference in 1999, as well as the conclusions and recommendations adopted by the Conference that year on the role of the ILO in technical cooperation.
32. In March 1999 the Committee on Technical Cooperation discussed the effect to be given to the recommendations of the Working Party on the Evaluation of the Active Partnership Policy.¹⁰ In November 1999 that Committee also discussed a paper on the effect to be given to the conclusions concerning the role of the ILO in technical cooperation, adopted by the International Labour Conference at its 87th Session (June 1999), which included an implementation plan.¹¹ Progress on this issue will also be reported to the Governing Body.
33. The Officers of the Committee on Technical Cooperation and various members of the Government group met in February 2000 and further discussed the modalities for the involvement of the Governing Body in the evaluation of technical cooperation activities. This JIU recommendation was brought to the attention of participants at that meeting.

Recommendation 9

- The ILO field structure should be reviewed and rationalized. The Agency, after having weighed up the costs and benefits of such a revision, should, as a first step, merge area offices and MDTs located in the same cities, as has already been the case in Moscow, Addis Ababa, Cairo, Dakar, Lima and Port-of-Spain. For this purpose, the regional competences of the area offices and MDTs to be merged should be reconsidered to assure full alignment between the two.

Comments

34. This recommendation is in line with the Director-General's intention, announced to the Governing Body in March 1999, to conduct a review of the regional services with a view to enhancing the efficiency and effectiveness of the systems for planning, managing and delivering programmes that serve constituents and advance the ILO's objectives. The review, which is under way, will identify ways of better integrating and coordinating work at headquarters and in the regions under the strategic objectives, since the objectives, indicators and targets apply to both.

¹⁰ GB.274/TC/1.

¹¹ GB.276/TC/2.

35. In respect of the merger of all the MDTs with the area offices, this is being done progressively, where they are in the same location.

Recommendation 10

- In order to ensure the systematic use of resources from the Regular Budget for Technical Cooperation (RBTC) for the purposes of the implementation of country objectives as well as a definite and efficient shift towards a demand-driven approach for the use of technical cooperation funds that ILO has been striving to install for many years, the system and pattern of RBTC distribution should be rationalized. The country objectives should serve as the main reference for elaborating programme and budget proposals for technical departments.

Comments

36. An internal circular¹² issued by the Director-General defines the programming and use of RBTC resources. It sets out the general guidelines and criteria for the approval of RBTC projects in a specific biennium and contains information on priorities, modalities, and monitoring, reporting and financial management. The latest revision of this circular reflects the adoption of strategic budgeting. As from the current biennium each RBTC-funded activity will have to be linked to one of the operational objectives and the appropriate targets. Within this strategic budgeting framework these credits are to be used to provide direct assistance to member States in meeting their demands.
37. The promotion of the Declaration, ratification of the fundamental Conventions – and in particular the Worst Forms of Child Labour Convention, 1999 (No. 182) – and activities to further gender equality are priority areas of special importance in the 2000-01 biennium. A reserve provides for rapid response by the ILO to crisis situations, unforeseen developments in the social and labour field, and assistance to countries emerging from conflict and countries in difficult transition phases.

Recommendation 11

- The heads of field offices should be given the authority to:
 - (a) determine the professional profile of experts that are to be part of their area offices and MDTs in accordance with the relevant country objectives and priorities established jointly with the constituents; and
 - (b) recruit local professional (local experts and national programme officers) and supporting staff against non-established positions, in accordance with the relevant administrative directives and without passing through the headquarters Personnel Department.

Comments

38. Regarding *recommendation (a)*, the decentralization of authority to management, whether at headquarters or in the field, will be addressed in the context of the development of the human resources management strategy referred to above and of the review of the regions.

¹² Circular Series 13, No. 34 (Rev. 6).

39. Regarding *recommendation (b)*, the Human Resources Development Department has initiated studies with a view to the introduction of a national professional officer category in the ILO. Should this materialize, it will have implications for both the existing PASO and senior PASO grades and for the NPPP category, as currently used in the ILO.

Recommendation 12

- The share of resources allocated for the training of ILO staff who are to serve or are already serving in the field should be increased tangibly, with some of these resources put at the disposal of field offices for staff training on the spot.

Comments

40. It is a fundamental aspect of the proposed human resources strategy that resources devoted to staff training should be increased, that the allocation and use of these resources should be reviewed in depth and, as a priority, a greater share of these resources should be devoted to the training of ILO staff who are to serve or are already serving in the field.

Recommendation 13

- The programmes and facilities of the Turin Centre, having an excellent record in training, should be used more extensively. The training of experts at the Turin Centre, prior to their being posted to ILO field offices, should become a standard practice, in order to avoid the sending of unprepared experts, which results in delays to the implementation of field programmes.

Comments

41. The Director-General intends to have greater recourse to the Turin Centre for the training of ILO staff. However, the training of experts at the Centre, most of whom are recruited for short periods, is not likely to be cost-effective.

Conclusion

42. The report provides independent views and recommends improvements in the Office's management and administration. All the issues concerning strategic planning, budgeting, monitoring of implementation and reporting on performance management, oversight and control, human resources management, technical cooperation and implementation of the Active Partnership Policy, and information technology management have been or are the subject of review and reform by the Office. It should be noted that most of the report's conclusions and recommendations are in line with the internal measures taken by the Director-General with a view to improving management and administration in the Office.

Geneva, 24 February 2000.

ATTACH REPORT JIU/REP/99/4